

VILLAGE OF EPPS
Epps, Louisiana

Annual Financial Statements

As of and for the Year Ended
December 31, 2012

VILLAGE OF EPPS
Epps, Louisiana

Annual Financial Statements

As of and for the Year Ended December 31, 2012

C O N T E N T S

	Statement	Page No.
Independent Auditor's Report	3	
Required Supplemental Information:		
Management's Discussion and Analysis		6
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Position	A	11
Statement of Activities	B	12
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C	13
Statement of Revenues, Expenditures and Changes in Fund Balances	D	14
Business-Type Activities:		
Statement of Net Position	E	16
Statement of Revenues, Expenses, and Changes in Net Position	F	17
Statement of Cash Flows	G	18
Notes to the Financial Statements		19

VILLAGE OF EPPS
Epps, Louisiana
Annual Financial Statements
As of and for the Year Ended December 31, 2012

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	34
Other Supplemental Information Schedules:		
Schedule of Per Diem Paid Aldermen	2	37
Status of Prior Year Findings	3	38
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		39
Schedule of Current Year Findings and Management's Planned Corrective Action		41

M. CARLEEN DUMAS
Certified Public Accountant
369 Donaldson Road. Calhoun, Louisiana. Telephone 318/644-5726

Independent Auditor's Report

MAYOR AND BOARD OF ALDERMEN
VILLAGE OF EPPS
Epps, Louisiana

I have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Epps (the "Village), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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

MAYOR AND BOARD OF ALDERMEN
VILLAGE OF EPPS
Epps, Louisiana
Independent Auditor's Report
December 31, 2012

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, and each major fund of the Village of Epps, as of December 31, 2012, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 9 and the budgetary comparison information on page 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements that comprise the Village of Epps' basic financial statements. The Schedule of Per Diem Paid Aldermen and Status of Prior Year Findings on pages 37 through 38 are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Per Diem Paid Aldermen and Status of Prior Year Findings are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the Schedule of Per Diem Paid Aldermen and Status of Prior Year Findings are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

VILLAGE OF EPPS
Epps, Louisiana
Independent Auditor's Report
December 31, 2012

In accordance with *Government Auditing Standards*, I have also issued my report dated June 21, 2013, on my consideration of the Village of Epps' internal control over financial reporting and on my tests of the Village's compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

/s Carleen Dumas
Calhoun, Louisiana
June 21, 2013

VILLAGE OF EPPS
Epps, Louisiana

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2012

Our discussion and analysis of Village of Epps' (hereafter referred to as the Village) financial performance provides an overview of the Village's financial activities for the fiscal year ended December 31, 2012. Please read it in conjunction with the Village's basic financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities on pages 11 and 12 provide information about the activities of the Village as a whole. Fund financial statements that begin on page 13 provide information on how the activities of the Village are financed in the short term as well as what remains for future spending. Fund financial statements report the Village's operations in more detail than the government-wide statements.

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

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

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

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

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

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

Reporting the Village's Funds - Fund Financial Statements

The fund financial statements provide more detailed information about the Village's funds. The General Fund is the operating fund of the Village and accounts for all of the financial resources of the general government. The LCDBG Capital Projects Fund was used to account for the proceeds of a federal grant for street improvements. The Water and Sewer Enterprise Fund was established by the Village to help it control and manage money for the activities of the water and sewer system. The Village's two kinds of funds - governmental and business-type funds use different accounting methods.

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

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

COMPARATIVE ANALYSIS OF FINANCIAL DATA

The Village's total net position increased by \$392,830 during 2012. The increase in net position is due to the receipt of a federal grant in the amount of \$473,961, that was used to make major street improvements in the Village. The following presents an analysis of net position and the changes in net position of the Village's governmental and business-type activities:

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2012	2011	2012	2011	2012	2011
Assets						
Current assets	\$24,338	\$26,662	\$38,360	\$47,285	\$62,698	\$73,947
Restricted assets			47,110	45,225	47,110	45,225
Capital assets	981,357	531,381	1,301,404	1,394,351	2,282,761	1,925,732
Total assets	<u>1,005,695</u>	<u>558,043</u>	<u>1,386,874</u>	<u>1,486,861</u>	<u>2,392,569</u>	<u>2,044,904</u>
Liabilities						
Current liabilities	73,189	96,086	38,804	39,444	111,993	135,530
Long-term liabilities			256,353	277,981	256,353	277,981
Total liabilities	<u>73,189</u>	<u>96,086</u>	<u>295,157</u>	<u>317,425</u>	<u>368,346</u>	<u>413,511</u>
Net Position						
Net investment in capital assets	981,357	531,381	1,023,804	1,096,144	2,005,161	1,627,525
Restricted			47,110	45,225	47,110	45,225
Unrestricted (deficit)	<u>(48,851)</u>	<u>(69,424)</u>	<u>20,803</u>	<u>28,067</u>	<u>(28,048)</u>	<u>(41,357)</u>
Total net position	<u>932,506</u>	<u>461,957</u>	<u>1,091,717</u>	<u>1,169,436</u>	<u>2,024,223</u>	<u>1,631,393</u>

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2012	2011	2012	2011	2012	2011
Program revenues						
Charges for services	\$135,481	\$204,100	\$167,187	\$168,252	\$302,668	\$372,352
Operating grant	63,721	41,922	94,290		158,011	41,922
Capital grants	473,961		9,861		483,822	
General revenues						
Property taxes	12,238				12,238	
Franchise taxes	10,753	13,318			10,753	13,318
Investment earnings			151	151	151	151

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2012	2011	2012	2011	2012	2011
Other	\$4,053	\$3,279			\$4,053	\$3,279
Transfers	30,301	33,855	(30,301)	(33,855)		
Extraordinary item - reduction in amount due IRS	33,982				33,982	
Total revenue, transfers, and extraordinary items	764,490	296,474	241,188	134,548	1,005,678	431,022
Program expenses						
General government	293,941	340,444			293,941	340,444
Water and sewer			318,907	218,886	318,907	218,886
Total expenses	293,941	340,444	318,907	218,886	612,848	559,330
Change in net position	470,549	(43,970)	(77,719)	(84,338)	392,830	(128,308)
Net position - beginning	461,957	505,927	1,169,436	1,253,774	1,631,393	1,759,701
Net position - ending	\$932,506	\$461,957	\$1,091,717	\$1,169,436	\$2,024,223	\$1,631,393

The Village's total revenues, transfers, and extraordinary items increased \$574,656 primarily due to an increase in federal and state grant funds. The extraordinary item resulted from a negotiation with the Internal Revenue Service to abate the interest and penalties on past due payroll taxes. Total expenses increased \$53,518 due primarily to increases in repairs and maintenance expense.

Governmental Funds

Total revenue, transfers, and extraordinary items for governmental activities increased \$468,016 due to the Village receiving a federal grant for street improvements in the amount of \$473,961. The expenses of the governmental activities decreased \$46,503 from expenses of the prior year due primarily to a general reduction of expenditures in order to help eliminate the deficit in the General Fund.

Business-Type Activities

The Village's charges for services for its business-type activities remained approximately the same as the prior year amount. Total expenses increased \$100,021 as a result of receiving \$94,290 in state operating grants that were used for maintenance and repairs to the water and sewer systems.

OVERALL FINANCIAL POSITION

The Village's net position increased \$392,830 as a result of this year's operations. The business-type activities had a decrease in net position of \$77,719 and the governmental activities had an increase of \$470,549. Unrestricted net position (those assets available to finance the daily operations of the Village) was a \$28,048 deficit at year end. Assets restricted for debt service were \$47,110 at year end. The amount invested in capital assets, net of related debt, was \$2,005,161 at year end.

VILLAGE'S FUNDS

At the end of the year, the Village's General Fund reported a deficit fund balance of \$48,970. The deficit in fund balance was reduced by \$23,603 during 2012 due to the reduction in the prior year amount due the IRS. The Water and Sewer Enterprise Fund reported net position of \$1,091,717 at year end. The decrease in net position was \$77,719 for 2012. The LCDBG Capital Projects Fund reported a fund balance of \$119 at year end. The LCDBG Capital

Projects Fund was used to report the federal grant revenue and expenditures for the street improvement project during 2012.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Village did not amend its General Fund budget during 2012. At year end, actual revenues and other financing sources were \$26,053 less than budgeted revenues and other financing sources and actual expenditures were \$12,424 less than budgeted expenditures. The Village prepares its General Fund budget on the modified accrual basis of accounting.

CAPITAL ASSETS AND DEBT

Capital Assets

At the end of the year, the Village had capital assets (net of accumulated depreciation) totaling \$2,282,761. Capital assets include land, buildings, street improvements, the water and sewer systems and improvements, and vehicles and equipment, costing \$1,000 or more. The Village has elected not to report major general infrastructure assets such as roads, bridges, sidewalks, etc., that were purchased or constructed prior to January 1, 2002. However, the street improvements that were completed in 2012 are included in capital assets at year end.

In addition to the street improvement project, the Village purchased additional equipment at a total cost of \$29,577. These assets were purchased with state grant funds. Additional information about the Village's capital assets is presented in the notes to the financial statements.

Debt

At year end the Village had \$277,600 in outstanding revenue bonds payable. Interest expense on the outstanding debt was \$15,483. Additional information about the Village's debt is presented in the notes to the financial statements.

ECONOMIC FACTORS

The Village expects its General Fund rental revenues to decrease significantly during 2013 due to the closing of the West Carroll Detention Center in November 2012. The Village is working with the facility to have it reopened during 2013. The Village expects its expenditures for 2013 to be reduced significantly due to this decrease in revenue. The Village anticipates having to reduce the number of its employees during 2013. The village anticipates a significant decrease in federal grant funds due to the completion of the street improvement project during 2012. The Village expects the Water and Sewer Enterprise Fund's 2013 revenues and expenses to be approximately the same as 2012 amounts.

BASIC FINANCIAL STATEMENTS

VILLAGE OF EPPS
Epps, Louisiana

STATEMENT OF NET POSITION
December 31, 2012

	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
ASSETS			
Cash	\$12,509	\$25,107	\$37,616
Receivables (net of allowances for uncollectibles)	11,829	13,253	25,082
Restricted assets - certificates of deposit		47,110	47,110
Capital assets (net)	981,357	1,301,404	2,282,761
	<u>1,005,695</u>	<u>1,386,874</u>	<u>2,392,569</u>
LIABILITIES			
Accounts payable	15,851	2,322	18,173
Amount due employees	540		540
Accrued payroll liabilities	4,796		4,796
Amount due Internal Revenue Service	39,363		39,363
Deferred revenue	12,639		12,639
Customer deposits		7,573	7,573
Accrued interest payable		7,662	7,662
Long-term liabilities:			
Due within one year		21,247	21,247
Due in more than one year		256,353	256,353
	<u>73,189</u>	<u>295,157</u>	<u>368,346</u>
NET POSITION			
Net investment in capital assets	981,357	1,023,804	2,005,161
Restricted for debt service		47,110	47,110
Unrestricted (deficit)	(48,851)	20,803	(28,048)
	<u>\$932,506</u>	<u>\$1,091,717</u>	<u>\$2,024,223</u>

See accompanying notes.

VILLAGE OF EPPS
Epps, Louisiana

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2012

Program Revenues.....				Net (E
	Charges			Char
	Expenses	for Services	Operating Grants	Capital Grants	Governmental Activities
GOVERNMENTAL ACTIVITIES:					
General government	\$293,941	\$135,481	\$63,721		(\$94,739)
Public works				\$473,961	473,961
Total governmental activities	<u>293,941</u>	<u>135,481</u>	<u>63,721</u>	<u>473,961</u>	<u>379,222</u>
BUSINESS-TYPE ACTIVITIES:					
Water and sewer service	<u>318,907</u>	<u>167,187</u>	<u>94,290</u>	<u>9,861</u>	
Total government	<u>\$612,848</u>	<u>\$302,668</u>	<u>\$158,011</u>	<u>\$483,822</u>	<u>379,222</u>
GENERAL REVENUES, TRANSFERS, AND EXTRAORDINARY ITEMS					
General revenues:					
Property taxes					12,238
Franchise taxes					10,753
Investment earnings					
Other revenues					4,053
Transfers					30,301
Extraordinary item - reduction in amount due IRS					33,982
Total general revenues, transfers, and extraordinary items					<u>91,327</u>
CHANGE IN NET POSITION					470,549
NET POSITION - BEGINNING					461,957
NET POSITION - ENDING					<u>\$932,506</u>
See accompanying notes.					

Statement C

VILLAGE OF EPPS
Epps, Louisiana

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2012

	General Fund	LCDBG Capital Projects Fund	Total Governmental Funds
ASSETS			
Cash	\$8,890	\$3,619	\$12,509
Receivables	<u>11,829</u>		<u>11,829</u>

TOTAL ASSETS	<u>\$20,719</u>	<u>\$3,619</u>	<u>\$24,338</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$12,351	\$3,500	\$15,851
Amount due employees	540		540
Accrued payroll liabilities	4,796		4,796
Amount due Internal Revenue Service	39,363		39,363
Deferred revenue	12,639		12,639
Total liabilities	<u>69,689</u>	<u>3,500</u>	<u>73,189</u>
Fund balance - unassigned (deficit)	<u>(48,970)</u>	<u>119</u>	<u>(48,851)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$20,719</u>	<u>\$3,619</u>	<u>\$24,338</u>

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

Total fund balances - Governmental Funds			(\$48,851)
Amount reported for net position of governmental activities in the Statement of Net Position (Statement A) is different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund			981,357
Net position of governmental activities (Statement A)			<u>\$932,506</u>

See accompanying notes.

VILLAGE OF EPPS
Epps, Louisiana

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2012

	General Fund	LCDBG Capital Projects Fund	Total Governmental Funds
REVENUES			
Property taxes	\$12,238		\$12,238
Franchise taxes	10,753		10,753
Licenses and permits	15,214		15,214
Intergovernmental revenue:			
Federal grants	15,725	\$473,961	489,686
State grants	47,996		47,996
Fines	28,608		28,608
Rent	87,617		87,617
Mowing	2,260		2,260
Other revenues	5,835		5,835
Total revenues	<u>226,246</u>	<u>473,961</u>	<u>700,207</u>
EXPENDITURES			
General government:			
Personal services	211,598		211,598
Operating services	27,778	30	27,808
Materials and supplies	8,162		8,162
Travel and other	2,672		2,672
Capital outlay	19,716	473,961	493,677
Total expenditures	<u>269,926</u>	<u>473,991</u>	<u>743,917</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	(43,680)	(30)	(43,710)
OTHER FINANCING SOURCES - operating transfers	33,301	(3,000)	30,301
EXTRAORDINARY ITEM - reduction in amount due IRS	<u>33,982</u>		<u>33,982</u>
NET CHANGE IN FUND BALANCES	23,603	(3,030)	20,573
FUND BALANCE (Deficit) AT BEGINNING OF YEAR	<u>(72,573)</u>	3,149	<u>(69,424)</u>
FUND BALANCE (Deficit) AT END OF YEAR	<u><u>(\$48,970)</u></u>	<u><u>\$119</u></u>	<u><u>(\$48,851)</u></u>

(Continued)

See accompanying notes.

Statement D

VILLAGE OF EPPS
Epps, Louisiana
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
For the Year Ended December 31, 2012

	<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	\$20,573
Amount reported for governmental activities in the Statement of Activities (Statement B) is 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 expenditures exceeded depreciation expense in the current period.	<u>449,976</u>
Change in net position of governmental activities (Statement B)	<u><u>\$470,549</u></u>

(Concluded)
See accompanying notes.

VILLAGE OF EPPS
Epps, Louisiana

STATEMENT OF NET POSITION - BUSINESS-TYPE ACTIVITIES
December 31, 2012

	Water and Sewer Enterprise Fund
ASSETS	
Current assets:	
Cash	\$25,107
Accounts receivable (net of allowance for doubtful accounts)	13,253
Total current assets	<u>38,360</u>
Noncurrent assets:	
Restricted assets - certificates of deposit	47,110
Capital assets (net of accumulated depreciation)	1,301,404
Total noncurrent assets	<u>1,348,514</u>
Total assets	<u>1,386,874</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$2,322
Accrued interest payable	7,662
Current portion of long-term debt	21,247
Customer deposits	7,573
Total current liabilities	<u>38,804</u>
Noncurrent liabilities:	
Long-term debt - revenue bonds payable	<u>256,353</u>
Total liabilities	<u>295,157</u>
NET POSITION	
Net investment in capital assets	1,023,804
Restricted for debt service	47,110
Unrestricted	20,803
Total net position	<u>\$1,091,717</u>

See accompanying notes.

Statement F

VILLAGE OF EPPS
Epps, Louisiana

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION - BUSINESS-TYPE ACTIVITIES
For the Year Ended December 31, 2012

	Water and Sewer Enterprise Fund
	Fund
OPERATING REVENUES	
Water sales	\$90,485
Sewer fees	73,630
Penalties	2,951
Other	121
Total operating revenue	167,187
OPERATING EXPENSES	
Office supplies	1,055
Accounting	5,360
Advertising	477
Consulting fees	1,156
Gas, oil, and fuel	11,446
Postage	1,193
Repairs and maintenance	106,374
Utilities and telephone	36,910
Supplies	4,043
Insurance	25,063
Miscellaneous	762
Fees and dues	2,025
Water and sewer analysis	3,543
Travel and seminars	1,210
Depreciation	102,807
Total operating expenses	303,424
OPERATING INCOME (Loss)	(136,237)
NON-OPERATING REVENUES (Expenses)	
Interest earned on deposits	151
State grants	104,151
Transfers to General Fund	(30,301)
Interest expense	(15,483)
Total non-operating revenues (expenses)	58,518
CHANGE IN NET POSITION	(77,719)
NET POSITION - BEGINNING	1,169,436
NET POSITION - ENDING	\$1,091,717
See accompanying notes.	

VILLAGE OF EPPS
Epps, Louisiana

STATEMENT OF CASH FLOWS - BUSINESS-TYPE ACTIVITIES
For the Year Ended December 31, 2012

	Water and Sewer Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$178,383
Customer meter deposits (net)	265
Payments to suppliers	<u>(202,336)</u>
Net cash used by operating activities	<u>(23,688)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer to General Fund	<u>(30,301)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on capital debt	(20,607)
Interest paid on capital debt	(15,690)
Purchase of capital assets	(9,861)
State grant	104,151
Increase in restricted cash - certificates of deposit	<u>(1,885)</u>
Net cash provided by capital and related financing activities	<u>56,108</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>151</u>
NET INCREASE IN CASH	<u>2,270</u>
CASH AT BEGINNING OF YEAR	<u>22,837</u>
CASH AT END OF YEAR	<u><u>\$25,107</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities	
Operating Income (Loss)	<u>(\$136,237)</u>
Adjustments:	
Depreciation	102,807
Decrease in accounts receivable	11,196
Increase in customer meter deposits	265
Decrease in accounts payable	<u>(1,719)</u>
Total adjustments	<u>112,549</u>
Net cash used by operating activities	<u><u>(\$23,688)</u></u>

See accompanying notes.

VILLAGE OF EPPS
Epps, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2012

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, 2014. The aldermen receive a per diem of \$125 for each regular meeting. The village provides general government, public safety, public works, and water and sewer services to its residents. The village has a full-time clerk, an elected Chief of Police and six other employees.

GASB Statement No. 14, *The Reporting Entity*, and No. 39, *Determining Whether Certain Organizations Are Component Units - an amendment of GASB Statement No. 14* established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under the provisions of these statements, 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 and 39, 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 position 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.

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 are recorded only when payment is due.

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

The Village of Epps reports the following governmental funds:

General Fund

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

Capital Projects - LCDBG Fund

The LCDBG Fund is used to account for a grant from the United States Department of Housing and Urban Development, Division of Administration for a street improvement project that was completed in 2012.

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.

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 and capital grants. General revenues include all taxes, interest and other miscellaneous revenue.

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

C. Deposits

The village's cash and restricted cash are amounts in demand deposits and short-term investments with original maturities of 90 days or less from the date of acquisition. State law limits the village's credit risk by restricting the village's investments to 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; however, if the original maturities are 90 days or less, they are classified as cash equivalents. At December 31, 2012, the village's nonnegotiable certificates of deposits with original maturities of 90 days or less are reported in the accompanying financial statements at cost as restricted assets. The village's interest rate risk is limited by the investment of funds for 90 days or less.

D. Receivables

Property tax receivables are generally shown net of an allowance for uncollectible amounts. These statements contain no provision for uncollectible accounts for property taxes. The village is of the opinion that such an allowance for other receivables would be immaterial in relation to the financial statements taken as a whole.

Property taxes are levied on a calendar year basis and become due on January 1 of each year. The village is authorized to levy a maximum tax of 7.35 mills annually on property within the

VILLAGE OF EPPS
Notes to the Financial Statements

boundaries of the village for general government purposes beginning with the year 2012. The district levied 7.35 mills on property with an assessed value of \$1,719,479 for the year ended December 31, 2012. The taxes are levied in 2012 for the 2013 calendar year, therefore, the revenue resulting from the 2012 tax levy will be recognized in 2013. The property tax revenue recognized in 2012 is from the 2011 levy.

Trade receivables are shown net of an allowance for uncollectible amounts. The allowance for uncollectibles is based a percentage of past due accounts at year-end. Past due amounts are written off when they are considered uncollectible by management.

E. Restricted Assets

Certain resources set aside for the repayment of revenue bonds are classified as restricted assets on the balance sheet because their use is limited by the debt agreement. The village first uses unrestricted assets when both restricted and unrestricted assets are available for a specified purpose.

F. Capital Assets

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

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

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

G. Compensated Absences

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

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

H. Long-Term Obligations

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

I. Net Position/Fund Balance

For the government-wide statement of net position, net position is reported as restricted when constraints placed on net position by either of the following ways:

1. externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or
2. imposed by law through constitutional provisions or enabling legislation.

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which funds can be spent. Fund balance should be reported as restricted when constraints on the use of the funds meet the same criteria as restricted net position in the government-wide statement of net position as noted in the previous paragraph. Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the board of aldermen are reported as committed fund balance.

Assigned fund balance are amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The board of aldermen is authorized to assign amounts to a specific purpose. Unassigned fund balance is the residual classification and represents fund balance that has not been restricted, committed, or assigned to a specific purpose.

VILLAGE OF EPPS
Notes to the Financial Statements

At December 31, 2012, the Village had only unassigned fund balance in the General Fund and the LCDBG Capital Projects.

J. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, disclosures, and revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

K. Interest Costs

The following provides disclosure on interest costs for the year ended December 31, 2012 for the Water and Sewer Enterprise Fund:

Total interest cost expensed	\$15,483
Total interest cost capitalized	<u>NONE</u>
Total interest costs incurred	<u>\$15,483</u>

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budget Information

The Village of Epps uses the following budget practices:

A proposed budget for the General Fund, prepared on the modified accrual basis of accounting, is normally presented to the board of aldermen in December each year; however for 2012, the budget was not adopted until July 16, 2012. 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, 2012.

The following individual fund had actual revenues and other financing sources less than budgeted revenues and other financing sources for the year ended December 31, 2012:

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
General Fund	<u>\$285,600</u>	<u>\$285,600</u>	<u>\$259,547</u>	<u>\$26,053</u>

VILLAGE OF EPPS
Notes to the Financial Statements

B. Fund Balance Deficit

The General Fund had a \$48,851 deficit in unreserved fund balance at December 31, 2012. The village reduced this deficit amount by \$23,603 in 2012 by reducing expenditures, reducing the number of employees, levying a 7.23 mills property tax in 2011 and negotiating a \$33,982 reduction in the amount due the Internal Revenue Service for unpaid payroll taxes, penalties, and interest that had been reported in the prior year financial statements as accounts payable.

3. DEPOSITS IN FINANCIAL INSTITUTIONS

At December 31, 2012, the village has cash and restricted cash - certificates of deposit (book balances) as follows:

Checking accounts	\$37,616
Short-term investments - certificates of deposit	<u>47,110</u>
Total	<u><u>\$84,726</u></u>

These deposits are stated at cost, which approximates market. Under state law, these deposits, or the resulting bank balances, must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. At December 31, 2012, the Village of Epps had \$93,121 in deposits (collected bank balances). These deposits are fully secured from risk by federal deposit insurance.

4. RECEIVABLES

The following is a summary of receivables at December 31, 2012:

	General Fund	Water and Sewer Enterprise Fund	Total
Property taxes	\$6,461		\$6,461
Franchise taxes	2,433		2,433
Other	1,870		1,870
Charges for services	1,065	\$15,258	16,323
Allowance for doubtful accounts		<u>(2,005)</u>	<u>(2,005)</u>
Total	<u><u>\$11,829</u></u>	<u><u>\$13,253</u></u>	<u><u>\$25,082</u></u>

VILLAGE OF EPPS
Notes to the Financial Statements

5. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended December 31, 2012, is as follows:

	Balance at January 1, 2012	Increases	Decreases	Balance at December 31, 2012
Governmental activities:				
Capital assets not being depreciated:				
Land	\$234,000			\$234,000
Construction in progress	NONE	\$473,961	(\$473,961)	NONE
Total assets not being depreciated	<u>234,000</u>	<u>473,961</u>	<u>(473,961)</u>	<u>234,000</u>
Capital assets being depreciated:				
Buildings	\$432,032			\$432,032
Vehicles and equipment	221,242	19,716		240,958
Street improvements	NONE	473,961		473,961
Total capital assets being depreciated	<u>653,274</u>	<u>493,677</u>	<u>NONE</u>	<u>1,146,951</u>
Less accumulated depreciation for:				
Buildings	240,142	10,800		250,942
Vehicles and equipment	115,751	27,964		143,715
Street improvements	NONE	4,937		4,937
Total accumulated depreciation	<u>355,893</u>	<u>43,701</u>	<u>NONE</u>	<u>399,594</u>
Total assets being depreciated, net	<u>297,381</u>	<u>449,976</u>	<u>NONE</u>	<u>747,357</u>
Total assets, net	<u><u>\$531,381</u></u>	<u><u>\$923,937</u></u>	<u><u>(\$473,961)</u></u>	<u><u>\$981,357</u></u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$29,000	NONE	NONE	\$29,000
Capital assets being depreciated:				
Water and sewer systems and improvements	2,739,333			2,739,333
Building	11,235			11,235

VILLAGE OF EPPS
Notes to the Financial Statements

	Balance at January 1, 2012	Increases	Decreases	Balance at December 31, 2012
Equipment	\$23,268	\$9,861		\$33,129
Total capital assets being depreciated	2,773,836	9,861	NONE	2,783,697
Less accumulated depreciation for:				
Water and sewer systems and improvements	1,386,421	102,131		1,488,552
Building	1,808	449		2,257
Equipment	20,257	227		20,484
Total accumulated depreciation	\$1,408,486	\$102,807	NONE	\$1,511,293
Total assets being depreciated, net	1,365,350	(92,946)	NONE	1,272,404
Total assets, net	<u>\$1,394,350</u>	<u>(\$92,946)</u>	<u>NONE</u>	<u>\$1,301,404</u>

Depreciation expense of \$43,701 was charged to the general government governmental function and \$102,807 was charged to the water and sewer business-type activities function for the year ended December 31, 2012.

6. INTERFUND TRANSFERS

The following is a summary of interfund transfers during the year ended December 31, 2012:

	Transfer In	Transfer Out
General Fund	\$33,301	
LCDBG Capital Projects Fund		\$3,000
Water and Sewer Enterprise Fund		30,301
Total	<u>\$33,301</u>	<u>\$33,301</u>

The transfer from the LCDBG Capital Projects Fund to the General Fund was the remainder of funds on hand from a construction project that was completed in 2010. The transfers from the Water and Sewer Enterprise Fund to the General Fund were made to fund a portion of the salaries and payroll taxes paid from the General Fund that benefitted both funds.

VILLAGE OF EPPS
Notes to the Financial Statements

7. LONG-TERM OBLIGATIONS

The following is a summary of long-term obligations transactions for the year ended December 31, 2012:

	Revenue Bonds Payable
Balance January 1, 2012	\$298,207
Additions	NONE
Reductions	<u>(20,607)</u>
Balance at December 31, 2012	<u>\$277,600</u>

Interest expense of \$15,483 was charged to the water and sewer business-type activities function for the year ended December 31, 2012.

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, 2012:

	Revenue Bonds Payable
Current portion	\$21,247
Long-term portion	<u>256,353</u>
Total	<u>\$277,600</u>

Revenue bonds payable in the amount of \$277,600 have maturities from 2013 until 2029 and 4.5% to 6.125% interest rates. Loan principal and interest payable in the next fiscal year are \$21,247 and \$15,049, 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	4/5/29	5/20/19
Interest to maturity	\$94,522	\$5,350	\$18,985
Principal outstanding	\$160,864	\$8,888	\$107,848
Funding source	Water revenue	Water revenue	Sewer revenue

VILLAGE OF EPPS
Notes to the Financial Statements

The loans are due as follows:

Year Ending December 31,	Principal Payments	Interest Payments	Total
2013	\$21,247	\$15,049	\$36,296
2014	22,302	13,994	36,296
2015	23,410	12,886	36,296
2016	24,574	11,722	36,296
2017	25,798	10,498	36,296
2018 - 2022	76,775	35,961	112,736
2023 - 2027	66,095	17,599	83,694
2028 - 2029	17,399	1,148	18,547
Total	\$277,600	\$118,857	\$396,457

8. 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 7 above, require the village to establish the following reserve accounts:

- A. A "Sinking Fund". The village must transfer into this fund, each month, one-twelfth of the principal and interest due on the next principal and interest payment date. This fund is used to pay bond principal and interest as they become due.
- B. A "Reserve Fund". The village must transfer into this fund, each month, an amount equal to 5 per cent of the amount to be paid into the Sinking Fund each month until \$16,738 has been accumulated therein. Such amounts may be used only for the payment of maturing bonds and interest for which sufficient funds are not available in the Sinking Fund.
- C. A "Contingency Fund". The village must transfer \$66 into this fund each month. The deposits in this fund may be used for unusual or extraordinary maintenance, repairs, replacements, and extensions and for the cost of improvements to the system. Money in this fund may also be used to pay principal and interest on bonds falling due at any time there is not sufficient funds in the other reserve funds.

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

VILLAGE OF EPPS
Notes to the Financial Statements

- A. A "Reserve Fund". The village must transfer \$82 into this fund each month until \$19,558 has been accumulated therein. Such amounts may be used only for the payment of maturing bonds and interest for which would otherwise be in default.
- B. A "Contingency Fund". The village must transfer \$97 into this fund each month. The deposits in this fund may be used to care for depreciation, extensions, additions, improvements, and replacements to the system. Money in this fund may also be used to pay principal and interest on bonds falling due at any time there is not sufficient funds in the other reserve fund.

At December 31, 2012 the village has \$47,110 in restricted accounts to meet reserve requirements. The following is a summary of transactions in the bond reserve accounts for the year ended December 31, 2012:

Reserve for revenue bonds payable at January 1, 2012	\$45,225
Interest earnings	151
Deposits	<u>1,734</u>
Reserve for bonds payable at December 31, 2012	<u>\$47,110</u>

9. PENSION PLAN

All full-time police department employees engaged in law enforcement are required to participate in the Municipal Police Employees' Retirement System (the "System") of Louisiana. However, persons employed as full-time police officers by a municipality which is mandatorily covered by social security and has not excluded its police officers from such coverage are not mandated to become members. Membership in this retirement system shall be at the sole option of the employee. Employees who retire at or after age 50 with at least 20 years of creditable service, at or after age 55 with at least 12 years of creditable service, or at any age with 25 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3% of their final average salary for each year of creditable service, not to exceed 100% of their final average salary. Final average salary is the employee's average salary over the 36 consecutive or joined months that produces the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Municipal Police Employees' Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (225) 929-7411.

Plan members are required by state statute to contribute 10% of their annual covered salary and the village is required to contribute an actuarially determined rate. The rate for 2012 was 26.5% for January through June and increased to 31% for July through December. The contribution requirements of plan members and the village are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer

VILLAGE OF EPPS
Notes to the Financial Statements

contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The village's contributions to the System for the years ended December 31, 2012 and 2011 were \$10,350 and \$9,540, respectively, equal to the required contributions for the year.

10. ON-BEHALF PAYMENTS FOR SALARIES

For the year ended December 31, 2012, the Village recognized revenue and expenditures of \$19,500 in salary supplements from the State of Louisiana paid directly to employees of the police department.

11. AMOUNT DUE INTERNAL REVENUE SERVICE

At December 31, 2011, the Village of Epps owed the Internal Revenue Service (IRS) approximately \$75,262 for past due payroll taxes, interest, and penalties. During 2012, the village negotiated a settlement with the IRS and the liability was reduced to \$39,363. The village is still in negotiations with the IRS to have the remaining amount deemed uncollectible. The amount of the liability reduction is reported in the accompanying financial statements as an extraordinary item on the government-wide statement of activities and the General Fund statement of revenues, expenditures, and changes in fund balance as it was an event that is both unusual in nature and infrequent in occurrence.

12. GRANTS

Amounts received from grantor agencies are subject to audit and adjustment by grantor agencies. If any expenditures are disallowed as a result of these audits, the claims for reimbursement to the grantor agency would become a liability of the village. In the opinion of management, any such adjustments would not be material to the village's operating results or fund balances.

13. GOING CONCERN

The Village's General Fund had a deficit in unassigned fund balance of \$48,970 at December 31, 2012. The majority of the deficit arose during 2010 due to expenditures exceeding revenues and other financing sources by \$71,730. The rental revenues received from the West Carroll Detention Center have declined significantly during 2010 through 2012 from amounts received in prior years due to the reduction of the number of inmates held at the facility during these years and the eventual closing of the facility in November 2012. The deficit fund balance was reduced by \$23,603 during 2012 by negotiating a settlement with the IRS for past due payroll taxes, penalties and interest, reducing expenditures, reducing the number of employees, and by levying a 7.35 mill property tax in 2011 and 2012. The Village also raised water and sewer rates during 2011 in order to generate more revenue in the Water and Sewer Enterprise Fund. This increase in revenue will allow the Water and Sewer Enterprise Fund to pay its share of operating expenses such as salaries, utilities, and insurance that have been paid entirely by the General Fund in prior years. The Village will continue to limit its spending and possibly reduce the number of employees in an effort to eliminate deficit spending in future years.

14. RISK MANAGEMENT AND CONTINGENT LIABILITIES

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

The village is involved in one lawsuit at December 31, 2012 that has been ongoing for several years. No provision for any liability is recorded in the accompanying financial statements.

15. OPERATING AGREEMENT

In September 1996, the village entered into an agreement with Correctional Operations Management Company, L.L.C., (COMCO) to become the sponsoring agent for COMCO to operate and manage the facility known as West Carroll Detention Center. The village agreed to sponsor COMCO and lease property to them for an original term of five years. The agreement contains an option to extend the term of sponsorship and lease agreement for three additional five year terms. During 2003, COMCO changed the name of its operation to Emerald Corporation. During 2008, the village restructured the agreement with Emerald Corporation. During the year ended December 31, 2012, the village received \$86,237 from Emerald Corporation from the restructured agreement and the rental of the fish plant. The West Carroll Detention Center was closed in November 2012. The village's rental revenues received under this agreement will be significantly reduced in future years.

16. SUBSEQUENT EVENTS

The Village of Epps has evaluated subsequent events through June 21, 2013, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION

VILLAGE OF EPPS
Epps, Louisiana

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

For the Year Ended December 31, 2012

	BudgetedAmounts.....		Actual Amounts (Budgetary Basis - GAAP)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$12,000	\$12,000	\$12,238	\$238
Franchise taxes	13,500	13,500	10,753	(2,747)
Licenses and permits	18,000	18,000	15,214	(2,786)
Intergovernmental revenue:				
Federal grants			15,725	15,725
State grants	24,000	24,000	47,996	23,996
Fines	45,000	45,000	28,608	(16,392)
Rent	133,000	133,000	87,617	(45,383)
Mowing	2,100	2,100	2,260	160
Other revenue	3,000	3,000	5,835	2,835
Total revenues	<u>250,600</u>	<u>250,600</u>	<u>226,246</u>	<u>(24,354)</u>
EXPENDITURES				
General government:				
Personal services	213,900	213,900	211,598	2,302
Operating services	56,450	56,450	27,778	28,672
Materials and supplies	9,500	9,500	8,162	1,338
Travel and other	2,500	2,500	2,672	(172)
Capital outlay			19,716	(19,716)
Total expenditures	<u>282,350</u>	<u>282,350</u>	<u>269,926</u>	<u>12,424</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	(31,750)	(31,750)	(43,680)	(11,930)
OTHER FINANCING SOURCES - operating transfer in	35,000	35,000	33,301	(1,699)
EXTRAORDINARY ITEM - reduction in amount due IRS			33,982	33,982
NET CHANGE IN FUND BALANCE	3,250	3,250	23,603	20,353
FUND BALANCE (Deficit) AT BEGINNING OF YEAR	<u>(72,573)</u>	<u>(72,573)</u>	<u>(72,573)</u>	
FUND BALANCE (Deficit) AT END OF YEAR	<u>(\$69,323)</u>	<u>(\$69,323)</u>	<u>(\$48,970)</u>	<u>\$20,353</u>

There were no budget amendments during the year ended December 31, 2012.

OTHER SUPPLEMENTAL INFORMATION SCHEDULES

VILLAGE OF EPPS
Epps, Louisiana

OTHER SUPPLEMENTAL INFORMATION SCHEDULES
As of and For the Year Ended December 31, 2012

PER DIEM 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 \$125 for each regular meeting.

STATUS OF PRIOR YEAR FINDINGS

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

Schedule 2

VILLAGE OF EPPS
Epps, Louisiana

Schedule of Per Diem Paid Aldermen
For the Year Ended December 31, 2012

Shirley Gibson	\$1,562
Charlie Grimble	1,562
Roberta Simms	<u>1,562</u>
Total	<u>\$4,686</u>

VILLAGE OF EPPS
Epps, Louisiana

STATUS OF PRIOR YEAR FINDINGS
For the Year Ended December 31, 2012

Reference Number	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Planned Corrective Action
N/A	2008	Inadequate Segregation of Accounting Duties	No	See current year findings.
N/A	2008	Inadequate Controls Over Preparation of Financial Statements	No	See current year findings.
N/A	2010	Inadequate Controls over Water and Sewer Accounts Receivable	No	See current year findings.
Procedure 7	2010	Actual General Fund revenues and other sources failed to meet budgeted revenues and other sources by \$44,126 or 13%	No	See current year findings.

M. CARLEEN DUMAS
Certified Public Accountant
369 Donaldson Road. Calhoun, Louisiana. Telephone 318/644-5726

Independent Auditor's Report on
Internal Control Over Financial Reporting and on
Compliance and Other Matters
Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

MAYOR AND BOARD OF ALDERMEN
VILLAGE OF EPPS
Epps, Louisiana

I have audited in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor, the financial statements of the governmental activities, business-type activities, and each major fund of the Village of Epps, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Village of Epps' basic financial statements and have issued my report thereon dated June 21, 2013.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Village of Epps' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate for the purpose of expressing my opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, I do not express an opinion of the effectiveness of the Village's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the Schedule of Current Year Findings and Management's Planned Corrective Action, I identified certain deficiencies in internal control that I consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in

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

MAYOR AND BOARD OF ALDERMEN
VILLAGE OF EPPS
Epps, Louisiana
Independent Auditor's Report
on Compliance and on
Internal Control, etc.,
December 31, 2012

internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiencies described in the accompanying Schedule of Current Year Findings and Management's Planned Corrective Action as 2012-1, 2012-2, and 2012-3 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in the accompanying Schedule of Current Year Findings and Management's Planned Corrective Action as 2012-4 to be significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Epps' financial statements are free of material misstatement, I performed tests of the Village's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Current Year Findings and Management's Planned Corrective Action as 2012-5, 2012-6, and 2012-7.

Village's Responses to Findings

The Village of Epps' responses to the findings identified in my audit are described in the accompanying Schedule of Current Year Findings and Management's Planned Corrective Action. The Village's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result of that testing, and not to provide an opinion of the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

/s Carleen Dumas
Calhoun, Louisiana
June 21, 2013

VILLAGE OF EPPS
Epps, Louisiana

Schedule of Current Year Findings and
Management's Planned Corrective Action
For the Year Ended December 31, 2012

Section I - Summary of Auditor's Reports

Financial Statements

1. Type of auditor's report issued - Unmodified.
2. Internal control over financial reporting:

Material weakness(es) identified? - Yes
Significant deficiency(ies) identified? - Yes
3. Noncompliance material to financial statements noted? - Yes

Section II - Financial Statement Findings

2012-1. Inadequate Segregation of Accounting Duties

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

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

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

Recommendation: None

Management's Planned

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

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

2012-2. Inadequate Controls Over Preparation of Annual Financial Statements

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

Condition: Due to its small size and limited revenues, the village does not have an individual with the expertise to perform these internal control functions effectively.

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

Recommendation: None

Management's Planned

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

2012-3. Need to Adhere to Internal Controls Over Cash Disbursements

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

Condition: The following deficiencies were noted in internal controls over cash disbursements:

1. 10 out of 50 (20%) disbursements selected in my test of disbursements were not adequately supported with original, detailed invoices or other appropriate supporting documentation.
2. 5 out of 50 (10%) checks that were examined in my test of disbursements did not contain two signatures as required by the village's internal control procedures.
3. I examined 3 disbursements that were payments for credit card charges. Charges totaling \$1,648 on these credit card statements were not adequately supported with invoices or receipts detailing the purpose of the charges.

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

4. I examined a statement for charges made on a store credit account and noted that the receipts attached to the statement did not contain the signature of the person charging the item to the village's account. The receipts included a food purchase and there was no explanation as to the reason for the purchase.

Effect: The failure to adhere to established internal control procedures over cash disbursements could result in the village paying for unauthorized purchases.

Recommendation: I recommend that all disbursements be supported by original detailed invoices. Charges on credit card statements should be matched up with original receipts that document the items purchased. Employees should be held personally responsible for any credit card charges that are not supported by original itemized receipts. Charges to store credit accounts should be supported by original itemized receipts that are signed by the employee making the purchase. All checks should have two authorized signatures as required by the village's internal control procedures.

**Management's Planned
Corrective Action:**

The village clerk will make sure that each disbursement is adequately supported and will review checks before mailing to ensure that they contain two signatures. The board of aldermen will adopt a policy that will hold the employee responsible for the payment of any credit card charges that are not supported by receipts and will require receipts signed by the employee as support for items charged to the village's store credit account.

**2012-4. Inadequate Controls over Water and Sewer
Fund Accounts Receivable**

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

Condition: The following deficiencies were noted in the internal controls over the Water and Sewer Fund accounts receivable accounting records:

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

1. Billing adjustments for five months were not posted to the general ledger by the outside accountant.
2. A \$7,646 deposit was not posted correctly to the general ledger by the outside accountant.
3. The accounts receivable worksheet prepared by the clerk and used by the outside accountant to post to the general ledger was not properly completed for all billings and late charges.

Effect: The failure to properly maintain the general ledger Accounts Receivable account resulted in errors not being detected within a timely period.

Recommendation: The Water and Sewer Fund accounts receivable balance recorded in the general ledger should be reconciled to the accounts receivable balance recorded in the utility billing software at the end of each month. This reconciliation will help ensure that all billings, customer payments, and adjustments are properly recorded. The accounts receivable worksheet prepared by the clerk and used by the outside accountant to post to the general ledger should be properly completed for all billings, adjustments, and late charges, to help ensure proper posting to the general ledger.

Management's Planned

Corrective Action: The village will consider changing outside accountants as this finding has been ongoing for several years.

2012-5. Noncompliance with Local Government Budget Act

Criteria: Louisiana R.S. 39:1305 provides that the village's total budgeted expenditures shall not exceed the total of estimated funds available for the ensuing fiscal year, i.e., the budgeted beginning fund balance plus budgeted revenues. Louisiana R.S. 39:1309 requires that the village adopt its annual budget in an open meeting by December 31st of the prior fiscal year. Louisiana R.S. 39:1310 requires that the village adopt a budget amendment when actual revenues and other financing sources fail to meet budgeted revenues and other financing sources by 5% or more.

Condition: For the year ended December 31, 2012, the village's budgeted expenditures were \$69,323 more than the total of estimated funds available. The village adopted the

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

2012 General Fund budget on July 16, 2012. At year end actual General Fund revenues and other financing sources were \$26,053 (9%) less than budgeted revenues and other financing sources and no budget amendment was adopted.

Effect: Violation of the Local Government Budget Act

Recommendation: I recommend that for future years, budgeted expenditures be equal to or less than estimated funds available, that the budget be adopted in an open meeting by December 31st of the prior fiscal year, and that a budget amendment be adopted in an open meeting when actual revenues and other financing sources fail to meet budgeted revenues and other financing sources by 5% or more.

Management's Planned

Corrective Action: The village's poor financial condition has resulted in these violations of the budget act. The village will strive to have these violations corrected by 2014.

2012-6. Noncompliance with Grant Agreement

Criteria: The agreement with the Louisiana Division of Administration for the #1112-WCL-0101 LGAP grant requires that grant funds be used for costs incurred in accordance with the contract or as otherwise approved by the State in writing.

Condition: \$8,159 of the \$28,496 grant funds received under the #1112-WCL-0101 LGAP grant were not used in accordance with the terms of the contract as follows:

1. Funds were requested and received in the amount of \$3,740 for contract labor. The village paid \$1,870 to the contractor but the work was never performed. The contractor refunded the \$1,870 payment in April 2013.
2. Funds were requested and received in the amount of \$714 for installation of radios. The village actually paid only \$564 for the installation of the radios.
3. Funds were requested and received in the amount of \$3,450 for the purchase of portable radios. This invoice had not been paid by the village as of June 19, 2013.
4. Funds were requested and received in the amount of \$6,145 for the purchase of four computers. The village actually paid only \$5,648 for the four computers.

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

5. Sales tax in the amount of \$289 was paid from grant funds. The village is exempt from paying sales tax on purchases.
6. A credit card bill was paid with grant funds and the charges on the credit card were not supported with receipts detailing the items purchased.
7. The village entered into a contract with an individual who is the immediate family member of a village employee.

Effect: The grant agreement provides that if activities authorized by the agreement are not performed in accordance with the agreement, the state may require that any or all grant funds be returned to the state.

Recommendation: I recommend that the village immediately contact the Division of Administration and obtain guidance on how to resolve the above issues.

Management's Planned

Corrective Action: The village will contact the Division of Administration in order to resolve this finding.

2012-7. Noncompliance with Terms of Bond Covenants

Criteria: The bond covenants with the United States Department of Agriculture, Rural Development 1988 Water Revenue Bonds and 1996 Sewer Revenue Bonds require the village to fund certain reserve accounts.

Condition: The terms of the bond covenants required a total of \$2,940 in total deposits to the various reserve accounts for 2012. The village deposited a total of \$1,002 in the reserve accounts during 2012.

Effect: Noncompliance with the terms of the bond covenants.

Recommendation: I recommend that the village fund the reserve accounts in accordance with the bond covenants as soon as funds are available to do so.

Management's Planned

Corrective Action: The village will begin funding the reserve accounts as soon as funds are available.