

VILLAGE OF EPPS
Epps, Louisiana

Annual Financial Statements

As of and for the Year Ended
December 31, 2004

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7-13-05

VILLAGE OF EPPS
Epps, Louisiana

Annual Financial Statements

As of and for the Year Ended December 31, 2004

C O N T E N T S

	Statement	Page No.
Independent Auditor's Report		3
Required Supplemental Information:		
Management's Discussion and Analysis		5
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Assets	A	7
Statement of Activities	B	8
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C	9
Statement of Revenues, Expenditures and Changes in Fund Balances	D	10
Business-Type Activities:		
Statement of Net Assets	E	12
Statement of Revenues, Expenses, and Changes in Net Assets	F	13
Statement of Cash Flows	G	14
Notes to the Financial Statements		15

VILLAGE OF EPPS
Epps, Louisiana
Annual Financial Statements
As of and for the Year Ended December 31, 2004

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	29
Other Supplemental Information Schedules:		
Schedule of Per Diem Paid Aldermen	2	32
Status of Prior Year Findings	3	33
Independent Auditor's Reports Required by <i>Government Auditing Standards:</i>		
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>		35
Schedule of Findings		37
Management's Corrective Action Plan		

M. Carleen Dumas
CERTIFIED PUBLIC ACCOUNTANT

369 DONALDSON ROAD • CALHOUN, LOUISIANA 71225 • 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, as of and for the year ended December 31, 2004, which collectively comprise the village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the village's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund, of the Village of Epps, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

MAYOR AND BOARD OF ALDERMEN
VILLAGE OF EPPS
Epps, Louisiana
Independent Auditor's Report
December 31, 2004

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Epps's basic financial statements. The Schedule of Per Diem Paid Aldermen and the Status of Prior Year Findings listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, I have also issued a report dated June 6, 2005, on my consideration of the Village of Epps's internal control over financial reporting and on my tests of the village's compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered with this report in considering the results of my audit.



Calhoun, Louisiana
June 6, 2005

MANAGEMENTS' DISCUSSION AND ANALYSIS

VILLAGE OF EPPS
Epps, Louisiana

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2004

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, 2004. Please read it in conjunction with the Village's basic financial statements.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

Reporting the Village's Funds - Fund Financial Statements

The fund financial statements provide more detailed information about the Village's funds. The LCDBG Capital Projects Fund was required to be established by the federal grantor. The Water and Sewer Enterprise Fund was established by the Village to help it control and manage money for particular purposes. The Village's two kinds of funds - governmental and business-type funds use different accounting methods.

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

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

COMPARATIVE ANALYSIS OF FINANCIAL DATA

The Village's total net assets increased by \$228,076 during 2004. The increase in net assets is primarily due to an increase in capital assets of \$264,512.. The following presents an analysis of net assets and changes in net assets of the Village's governmental and business-type activities:

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2004	2003	2004	2003	2004	2003
Assets						
Current assets	\$43,518	\$47,020	\$35,053	\$38,232	\$78,571	\$85,252
Restricted assets			25,963	25,755	25,963	25,755
Capital assets	687,604	423,092	995,238	1,058,471	1,682,842	1,481,563
Total assets	<u>731,122</u>	<u>470,112</u>	<u>1,056,254</u>	<u>1,122,458</u>	<u>1,787,376</u>	<u>1,592,570</u>
Liabilities						
Current liabilities	27,107	40,036	23,533	30,068	50,640	70,104
Long-term liabilities	NONE	NONE	417,184	430,990	417,184	430,990
Total liabilities	<u>27,107</u>	<u>40,036</u>	<u>440,717</u>	<u>461,058</u>	<u>467,824</u>	<u>501,094</u>
Net Assets						
Invested in capital assets	687,604	423,092	578,054	627,481	1,265,658	1,050,573
Restricted			25,963	25,755	25,963	25,755
Unrestricted	16,411	6,984	11,520	8,164	27,931	15,148
Total net assets	<u>704,015</u>	<u>430,076</u>	<u>615,537</u>	<u>661,400</u>	<u>1,319,552</u>	<u>1,091,476</u>

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2004	2003	2004	2003	2004	2003
Program revenues						
Charges for services	\$181,486	\$139,979	\$120,057	\$114,961	\$301,543	\$254,940
Capital grants	305,139	28,459			305,139	28,459
General revenues						
Property taxes			4,858	4,874	4,858	4,874
Franchise taxes	13,568	13,401			13,568	13,401
Investment earnings	9		209	388	218	388
Other	1,387	5,364			1,387	5,364
Transfers	5,939	(14,699)	(5,939)	14,699		
Total revenue and transfers	<u>507,528</u>	<u>172,504</u>	<u>119,185</u>	<u>134,922</u>	<u>626,713</u>	<u>307,426</u>
Program expenses						
General government	233,584	197,121			233,584	197,121
Community development	5	5			5	5
Water and sewer			165,048	171,426	165,048	171,426
Total expenses	<u>233,589</u>	<u>197,126</u>	<u>165,048</u>	<u>171,426</u>	<u>398,637</u>	<u>368,552</u>
Change in net assets	<u>273,939</u>	<u>(24,622)</u>	<u>(45,863)</u>	<u>(36,504)</u>	<u>228,076</u>	<u>(61,126)</u>
Net assets - beginning	430,076	454,698	661,400	697,904	1,091,476	1,152,602
Net assets - ending	<u>\$704,015</u>	<u>\$430,076</u>	<u>\$615,537</u>	<u>\$661,400</u>	<u>\$1,319,552</u>	<u>\$1,091,476</u>

The Village's total revenues increased \$319,287 in 2004 primarily due to increase in grants of \$276,680. Total expenses increased \$30,085 due to increased general government expenses of \$36,463.

Governmental Funds

The revenue from governmental activities increased \$335,024 from revenues of the prior year due to an increase in grants of \$276,680. The expenses of the governmental activities increased \$36,463 from expenses of the prior year due to increased expenses.

Business-Type Activities

The Village's charges for services for its business-type activities decreased \$15,737 from the prior year due to a change in transfers of \$20,638. Total expenses decreased \$6,378 primarily due to a decrease in operating costs.

OVERALL FINANCIAL POSITION

The Village's net assets increased \$228,076 as a result of this year's operations. Unrestricted net assets (those assets available to finance the daily operations of the Village) were \$27,931 at year end. Assets restricted for debt service were \$25,963 at year end. The amount invested in capital assets, net of related debt, was \$1,265,658 at year end.

VILLAGE'S FUNDS

At the end of the year, the Village's General Fund reported an unreserved fund balance of \$16,480. The increase in unrestricted fund balance for 2004 was \$9,432 due primarily to normal operations. The Water and Sewer Enterprise Fund reported unrestricted net assets of \$11,520 at year end. The decrease in net assets was \$45,863 for 2004 due to normal operations. The LCDBG Capital Projects Fund reported a deficit fund balance of \$69 at year end.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Village did not amend its General Fund during 2004. At year end, actual revenues and other sources were \$26,404 more than budgeted revenues and actual expenditures were \$64,789 more than budgeted expenditures. The Village prepares its General Fund budget on the modified accrual basis of accounting.

CAPITAL ASSETS AND DEBT

Capital Assets

At the end of the year, the Village had capital assets (net of accumulated depreciation) totaling \$1,682,842. Capital assets include land, buildings, the water and sewer systems and improvements, vehicles and equipment, and construction in progress, 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.

There Village's additions to capital assets during 2004 were \$308,739. Additional information about the Village's capital assets is presented in the notes to the financial statements.

Debt

At year end the Village had \$417,184 in revenue bonds payable. Additional information about the Village's debt is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Village prepared its 2005 budgets on the assumption that revenue and expenditures will approximate the prior year activity. The Village does anticipate a decrease in revenues and expenditures during 2005 for the LCDBG Capital Projects Funds due to the completion of the sewer system improvement project. The Village expects its revenues and expenses of the Water and Sewer Enterprise Fund to be constant for 2005.

BASIC FINANCIAL STATEMENTS

VILLAGE OF EPPS
Epps, Louisiana

STATEMENT OF NET ASSETS
December 31, 2004

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
ASSETS			
Cash and cash equivalents	\$39,406	\$21,645	\$61,051
Receivables (net of allowances for uncollectibles)	4,112	13,408	17,520
Restricted assets		25,963	25,963
Capital assets (net)	<u>687,604</u>	<u>995,238</u>	<u>1,682,842</u>
TOTAL ASSETS	<u>731,122</u>	<u>1,056,254</u>	<u>1,787,376</u>
LIABILITIES			
Accounts payable	11,469	5,201	16,670
Payroll taxes payable	6,638		6,638
Deferred revenue	9,000		9,000
Customer deposits		9,227	9,227
Accrued interest payable		9,105	9,105
Bonds payable		<u>417,184</u>	<u>417,184</u>
TOTAL LIABILITIES	<u>27,107</u>	<u>440,717</u>	<u>467,824</u>
NET ASSETS			
Invested in capital assets, net of related debt	687,604	578,054	1,265,658
Restricted for debt service		25,963	25,963
Unrestricted	<u>16,411</u>	<u>11,520</u>	<u>27,931</u>
TOTAL NET ASSETS	<u>\$704,015</u>	<u>\$615,537</u>	<u>\$1,319,552</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF EPPS
Epps, Louisiana

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2004

	Expenses	Program Revenues... Charges for Services	Capital Grants	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES:						
General government	\$233,584	\$181,486	\$6,029	(\$46,069)		(\$46,069)
Community development	5		299,110	299,105		299,105
Total governmental activities	<u>233,589</u>	<u>181,486</u>	<u>305,139</u>	<u>253,036</u>		<u>253,036</u>
BUSINESS-TYPE ACTIVITIES:						
Water and sewer service	165,048	120,057			(\$44,991)	(44,991)
Total government	<u>\$398,637</u>	<u>\$301,543</u>	<u>\$305,139</u>	<u>253,036</u>	<u>(44,991)</u>	<u>208,045</u>
GENERAL REVENUES:						
Property taxes				13,568	4,858	4,858
Franchise taxes				9	209	13,568
Investment earnings				387		218
Other revenues				1,000		387
Special item - gain on sale of building				5,939	(5,939)	1,000
Transfers				20,903	(872)	
Total general revenues, special items, and transfers				<u>273,939</u>	<u>(45,863)</u>	<u>228,076</u>
CHANGE IN NET ASSETS				<u>430,076</u>	<u>661,400</u>	<u>1,091,476</u>
NET ASSETS - BEGINNING				<u>\$704,015</u>	<u>\$615,537</u>	<u>\$1,319,552</u>
NET ASSETS - ENDING						

The accompanying notes are an integral part of this statement.

VILLAGE OF EPPS
Epps, Louisiana

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2004

	<u>General Fund</u>	<u>LCDBG Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$39,375	\$31	\$39,406
Receivables	4,112		4,112
Due from other funds	<u>100</u>		<u>100</u>
TOTAL ASSETS	<u>\$43,587</u>	<u>\$31</u>	<u>\$43,618</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$11,469		\$11,469
Payroll taxes payable	6,638		6,638
Due to other funds		\$100	100
Deferred revenue	<u>9,000</u>		<u>9,000</u>
Total liabilities	<u>27,107</u>	<u>100</u>	<u>27,207</u>
Fund balance - unreserved	<u>16,480</u>	<u>(69)</u>	<u>16,411</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$43,587</u>	<u>\$31</u>	<u>\$43,618</u>

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

Fund balances - unreserved - Total Governmental Funds	\$16,411
Amount reported for net assets of governmental activities in the Statement of Net Assets (Statement A) is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund	<u>687,604</u>
Net assets of governmental activities (Statement A)	<u>\$704,015</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF EPPS
Epps, Louisiana

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2004

	General Fund	LCDBG Capital Projects Fund	Total Governmental Funds
REVENUES			
Franchise taxes	\$13,568		\$13,568
Licenses and permits	15,975		15,975
Intergovernmental revenue:			
Federal grants		\$299,110	299,110
State grants	6,029		6,029
Fines	50,234		50,234
Rent	110,510		110,510
Interest earnings	9		9
Other revenues	5,079		5,079
Total revenues	<u>201,404</u>	<u>299,110</u>	<u>500,514</u>
EXPENDITURES			
General government:			
Personal services	138,861		138,861
Operating services	66,455	5	66,460
Materials and supplies	9,453		9,453
Community development - facilities construction		299,110	299,110
Capital outlay	8,029		8,029
Debt service - interest	188		188
Total expenditures	<u>222,986</u>	<u>299,115</u>	<u>522,101</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	<u>(21,582)</u>	<u>(5)</u>	<u>(21,587)</u>
OTHER FINANCING SOURCES			
Transfers in	5,939		5,939
Sale of assets	25,075		25,075
Total other financing sources	<u>31,014</u>	<u>NONE</u>	<u>31,014</u>
NET CHANGE IN FUND BALANCES	9,432	(5)	9,427
FUND BALANCE AT BEGINNING OF YEAR	<u>7,048</u>	<u>(64)</u>	<u>6,984</u>
FUND BALANCE AT END OF YEAR	<u>\$16,480</u>	<u>(\$69)</u>	<u>\$16,411</u>

(Continued)

The accompanying notes are an integral part of this statement.

VILLAGE OF EPPS
 Epps, Louisiana
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
 For the Year Ended December 31, 2004

Total
 Governmental
 Funds

**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 \$9,427
 Amount reported for governmental activities in the
 Statement of Activities (Statement B) is different because:

In the statement of activities, only the gain on the sale
 of the building is reported, whereas in the governmental
 funds, the proceeds from the sale increase financial
 resources. Thus, the change in net assets differs from
 the change in fund balance by the cost of the building. (24,000)

Governmental funds report capital outlays and facilities
 construction as expenditures. However, in the
 statement of activities, the cost of those assets
 is allocated over their estimated useful lives as
 depreciation expense. This is the amount by which capital
 outlay and facilities construction exceeded depreciation
 expense in the current period. 288,512

Change in net assets of governmental activities (Statement B) \$273,939

(Concluded)

The accompanying notes are an integral part of this statement.

VILLAGE OF EPPS
Epps, Louisiana

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

	<u>Water and Sewer Enterprise Fund</u>
ASSETS	
Current assets:	
Cash	\$21,645
Accounts receivable (net of allowance for doubtful accounts)	<u>13,408</u>
Total current assets	<u>35,053</u>
Noncurrent assets:	
Restricted assets - cash equivalents	25,963
Capital assets (net of accumulated depreciation)	<u>995,238</u>
Total noncurrent assets	<u>1,021,201</u>
Total assets	<u>1,056,254</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$5,201
Accrued interest payable	9,105
Current portion of long-term debt	14,363
Customer deposits	<u>9,227</u>
Total current liabilities	<u>37,896</u>
Noncurrent liabilities:	
Long-term debt - revenue bonds payable	<u>402,821</u>
Total liabilities	<u>440,717</u>
NET ASSETS	
Invested in capital assets, net of related debt	578,054
Restricted for debt service	25,963
Unrestricted	<u>11,520</u>
Total net assets	<u>\$615,537</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF EPPS
Epps, Louisiana

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS - BUSINESS-TYPE ACTIVITIES**
For the Year Ended December 31, 2004

	<u>Water and Sewer Enterprise</u>
OPERATING REVENUES	
Water sales	\$67,824
Sewer fees	50,717
Penalties	1,517
Total operating revenue	<u>120,058</u>
OPERATING EXPENSES	
Office expense	1,771
Advertising	666
Postage	725
Repairs and maintenance	7,002
Utilities and telephone	21,152
Supplies	12,363
Insurance	16,471
Legal and accounting	6,092
Gas, oil, and fuel	3,077
Fees and dues	1,811
Water and sewer analysis	4,136
Taxes and licenses	863
Truck expense	1,636
Depreciation	64,833
Other operating expenses	201
Total operating expenses	<u>142,799</u>
OPERATING INCOME (Loss)	<u>(22,741)</u>
NON-OPERATING REVENUES (Expenses)	
Interest earned on deposits	209
Property taxes	4,858
Transfers out	(5,939)
Interest expense	(22,250)
Total non-operating revenues	<u>(23,122)</u>
CHANGE IN NET ASSETS	<u>(45,863)</u>
NET ASSETS - BEGINNING	<u>661,400</u>
NET ASSETS - ENDING	<u>\$615,537</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF EPPS
Epps, Louisiana

STATEMENT OF CASH FLOWS - BUSINESS-TYPE ACTIVITIES
For the Year Ended December 31, 2004

	<u>Water and Sewer Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$126,602
Payments to suppliers	<u>(78,660)</u>
Net cash provided by operating activities	<u>47,942</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer to General Fund	<u>(5,939)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on capital debt	(13,806)
Interest paid on capital debt	(22,491)
Purchase of fixed assets	(1,600)
Increase in restricted cash and cash equivalents	<u>(208)</u>
Net cash used by capital and related financing activities	<u>(38,105)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>209</u>
NET INCREASE IN CASH	<u>4,107</u>
CASH AT BEGINNING OF YEAR	<u>17,538</u>
CASH AT END OF YEAR	<u>\$21,645</u>
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	<u>(\$22,741)</u>
Adjustments:	
Depreciation	64,833
Decrease in accounts receivable	6,544
Decrease in accounts and taxes payable	<u>(694)</u>
Total adjustments	<u>70,683</u>
Net cash provided by operating activities	<u>\$47,942</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF EPPS
Epps, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2004

INTRODUCTION

The Village of Epps was incorporated under the provisions of the Lawrason Act in 1939. The village is governed by the mayor-board of aldermen form of government. The mayor and three aldermen serve four-year terms which expire on December 31, 2006. The aldermen receive a per diem of \$75 per month. The village provides general government, public safety, and water and sewer services to its residents. The village has a full-time clerk, an elected Chief of Police and eight other employees.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Village of Epps is considered a primary government, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments. As used in GASB Statement No. 14, fiscally independent means that the municipality may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. The village has no component units.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the Village of Epps. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

VILLAGE OF EPPS
Notes to the Financial Statements

Separate financial statements are provided for governmental funds and business-type activities funds. All individual governmental funds and individual enterprise funds are reported as separate columns in the fund financial statements.

**B. Measurement Focus, Basis of Accounting, and
Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the business-type fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

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

The Village of Epps reports the following governmental funds:

General Fund

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

VILLAGE OF EPPS
Notes to the Financial Statements

Capital Projects - LCDBG Fund

The LCDBG Fund is used to account for a grant from the United States Department of Housing and Urban Development, Division of Administration for the improvement of the village's sewerage system.

The Village of Epps reports the following business-type activity fund:

Water and Sewer Enterprise Fund

The Water and Sewer Enterprise fund accounts for the operations of the village's water and sewer systems.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and business-type activities fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. *The village has elected not to follow subsequent private-sector guidance.*

As a general rule, the effect of interfund activity is eliminated from the government-wide financial statements.

Amounts reported as program revenues include charges to customers for goods, services, or privileges provided and capital grants. General revenues include all taxes, interest and other miscellaneous revenue.

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

C. Deposits

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

VILLAGE OF EPPS
Notes to the Financial Statements

or less from the date of acquisition. State law allows the village to invest in collateralized certificates of deposits, government-backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government-backed securities. *If the original maturities of investments exceed 90 days, they are classified as investments.*

D. Receivables

Activity between funds that are representative of lending/borrowing arrangements at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Trade receivables are generally shown net of an allowance for uncollectible amounts. The allowance for uncollectibles is based a percentage of past due accounts at year-end.

Property taxes are levied on a calendar year basis and become due on January 1 of each year. The village's authorized property tax expired with the 2003 tax roll.

E. Restricted Assets

Certain resources set aside for the repayment of revenue bonds are classified as restricted assets on the balance sheet because their use is limited by the debt agreement.

F. Capital Assets

Capital assets, which include land, buildings, the water and sewer systems and improvements, vehicles and equipment, and construction in progress are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Approximately 70 percent of the village's capital assets have been capitalized at cost and the remaining 30 percent have been capitalized at estimated cost based on the historical cost of similar assets. The Village of Epps maintains a threshold level of \$1,000 or more for capitalizing capital assets. The costs of 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.

VILLAGE OF EPPS
Notes to the Financial Statements

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest has been incurred in connection with the construction during the year ended December 31, 2004.

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

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

G. Compensated Absences

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

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

H. Long-Term Obligations

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

I. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. At December 31, 2004, the village's governmental fund balances were unreserved and undesignated.

VILLAGE OF EPPS
Notes to the Financial Statements

J. Special Items

Special items, such as sale of building, are transactions or events within the control of the Village, which are either unusual in nature or infrequent in occurrence.

K. 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.

L. Interest Costs

The following provides disclosure on interest costs for the year ended December 31, 2004 for the Water and Sewer Enterprise Fund:

Total interest cost expensed	\$22,250
Total interest cost capitalized	<u>NONE</u>
Total interest costs incurred	<u>\$22,250</u>

**2. STEWARDSHIP, COMPLIANCE, AND
ACCOUNTABILITY**

A. Budget Information

The Village of Epps uses the following budget practices:

A proposed budget for the General Fund, prepared on the modified accrual basis of accounting, is presented to the board of aldermen each year. The budget is legally adopted by the board of aldermen and amended during the year as necessary. Budgets are established and controlled by the board at the object level of expenditure. Appropriations lapse at year-end and must be reappropriated for the following year to be expended. There were no budget amendments during the year ended December 31, 2004.

B. Excess of Expenditures Over Appropriations

The following individual fund had actual expenditures and other financing uses over budgeted appropriations for the year ended December 31, 2004:

VILLAGE OF EPPS
Notes to the Financial Statements

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
General Fund	<u>\$158,197</u>	<u>\$158,197</u>	<u>\$222,986</u>	<u>\$64,789</u>

3. DEPOSITS IN FINANCIAL INSTITUTIONS

At December 31, 2004, the village has cash and cash equivalents (book balances) as follows:

Checking accounts	\$48,542
Short-term investments - certificates of deposit	<u>38,472</u>
Total	<u>\$87,014</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits, or the resulting bank balances, must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These deposits are secured from risk by federal deposit insurance.

4. RECEIVABLES

The following is a summary of receivables at December 31, 2004:

	<u>General Fund</u>	<u>Water and Sewer Enterprise Fund</u>	<u>Total</u>
Franchise taxes	\$3,131		\$3,131
Charges for services	981	\$15,014	15,995
Allowance for doubtful accounts		<u>(1,606)</u>	<u>(1,606)</u>
Total	<u>\$4,112</u>	<u>\$13,408</u>	<u>\$17,520</u>

5. INTERFUND RECEIVABLES/PAYABLES

The following is a summary of interfund receivables and payables at December 31, 2004:

VILLAGE OF EPPS
Notes to the Financial Statements

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

The amount due to the General Fund is for administrative costs associated with the federal grant. All interfund balances are expected to be repaid at the end of the grant period.

6. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended December 31, 2004, is as follows:

	Balance at January 1, 2004	Increases	Decreases	Balance at December 31, 2004
Governmental activities:				
Capital assets not being depreciated:				
Land	\$38,000		(\$24,000)	\$14,000
Construction in progress	59,345	\$299,110		358,455
	<u>\$97,345</u>	<u>\$299,110</u>	<u>(\$24,000)</u>	<u>\$372,455</u>
Capital assets being depreciated:				
Buildings	\$426,039			\$426,039
Vehicles and equipment	102,425	\$8,029		110,454
Total capital assets being depreciated	<u>528,464</u>	<u>8,029</u>	NONE	<u>536,493</u>
Less accumulated depreciation for:				
Buildings	154,536	10,651		165,187
Vehicles and equipment	48,181	7,976		56,157
Total accumulated depreciation	<u>202,717</u>	<u>18,627</u>	NONE	<u>221,344</u>
Total assets being depreciated, net	<u>\$325,747</u>	<u>(\$10,598)</u>	NONE	<u>\$315,149</u>

VILLAGE OF EPPS
Notes to the Financial Statements

	Balance at January 1, 2004	Increases	Decreases	Balance at December 31, 2004
Business-type activities:				
Capital assets being depreciated:				
Water and sewer systems and improvements	\$1,759,757			\$1,759,757
Building	2,618			2,618
Equipment	17,454	\$1,600		19,054
Total capital assets being depreciated	<u>1,779,829</u>	<u>1,600</u>	NONE	<u>1,781,429</u>
Less accumulated depreciation for:				
Water and sewer systems and improvements	\$711,883	\$62,948		\$774,831
Building	505	104		609
Equipment	8,970	1,781		10,751
Total accumulated depreciation	<u>\$721,358</u>	<u>\$64,833</u>	NONE	<u>\$786,191</u>
Total assets being depreciated, net	<u>\$1,058,471</u>	<u>(\$63,233)</u>	NONE	<u>\$995,238</u>

Depreciation expense of \$18,627 was charged to the general government governmental function and \$64,833 was charged to the water and sewer business-type activities function for the year ended December 31, 2004.

7. INTERFUND TRANSFERS

The following is a summary of interfund transfers during the year ended December 31, 2004:

	Transfer In	Transfer Out
General Fund	\$5,939	
Water and Sewer Enterprise Fund		\$5,939
Total	<u>\$5,939</u>	<u>\$5,939</u>

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

VILLAGE OF EPPS
Notes to the Financial Statements

8. SHORT-TERM BANK LOAN

On December 5, 2003, the Village of Epps borrowed \$15,000 to purchase recreational equipment and repair buildings. The loan beared interest at 6.5 percent and was to be repaid on December 30, 2003. The village did not repay the loan until February 3, 2004. The following is a summary of short-term debt (bank loan payable) transactions for the year ended December 31, 2004:

Bank loan payable at January 1, 2004	\$15,000
Additions	NONE
Reductions	<u>(15,000)</u>
Bank loan payable at December 31, 2004	<u>NONE</u>

Interest expense in the amount of \$188 was included in the general government governmental function expenses.

9. LONG-TERM OBLIGATIONS

The following is a summary of long-term debt (revenue bonds payable) transactions for the year ended December 31, 2004:

Revenue bonds payable at January 1, 2004	\$430,990
Additions	NONE
Reductions	<u>(13,806)</u>
Revenue bonds payable at December 31, 2004	<u>\$417,184</u>

Interest expense in the amount of \$22,250 is included in the water and sewer service business type activities function expenses.

The following is a summary of the current (due in one year or less) and long-term (due in more than one year) portions of long-term obligations as of December 31, 2004:

Current portion	\$14,363
Long-term portion	<u>402,821</u>
Total	<u>\$417,184</u>

All outstanding long-term debt at December 31, 2004, in the amount of \$417,184 are revenue bonds payable with maturities from 2005 until 2029 and 4.5% to 6.125% interest rates. Loan principal and interest payable in the next fiscal year are \$14,363 and \$21,934, respectively. The individual bonds are as follows:

VILLAGE OF EPPS
Notes to the Financial Statements

	<u>\$237,000</u>	<u>\$13,000</u>	<u>\$359,000</u>
	<u>Bonds</u>	<u>Bonds</u>	<u>Bonds</u>
Original issue date	4/5/88	4/5/88	5/22/96
Interest rate	6.00%	6.125%	4.50%
Final payment due	4/5/29	4/5/28	5/20/22
Interest to maturity	\$183,853	\$9,851	\$80,002
Principal outstanding	\$199,693	\$10,999	\$206,492
Funding source	Water revenue	Water revenue	Sewer revenue

The loans are due as follows:

<u>Year Ending December 31,</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2005	\$14,363	\$21,934	\$36,297
2006	15,071	21,225	36,296
2007	15,814	20,482	36,296
2008	16,595	19,702	36,297
2009	17,415	18,882	36,297
2010 - 2014	100,896	80,588	181,484
2015 - 2019	121,699	52,904	174,603
2020 - 2024	55,349	28,344	83,693
2025 - 2029	59,982	9,645	69,627
Total	<u>\$417,184</u>	<u>\$273,706</u>	<u>\$690,890</u>

10. RESTRICTED NET ASSETS

The bond covenants with the United States Department of Agriculture, Farmers Home Administration for the 1988 Water Revenue Bonds discussed in note 9 above, require the village to establish the following reserve accounts:

- A. A "Sinking Fund". The village must transfer into this fund, each month, one-twelfth of the principal and interest due on the next principal and interest payment date. This fund is used to pay bond principal and interest as they become due.
- B. A "Reserve Fund". The village must transfer into this fund, each month, an amount equal to 5 per cent of the amount to be paid into the Sinking Fund each month until \$16,738 has been accumulated therein. Such

VILLAGE OF EPPS
Notes to the Financial Statements

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 9 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, 2004 the village has \$25,963, 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, 2004:

Reserve for revenue bonds payable at January 1, 2004	\$25,755
Interest earnings	<u>208</u>
Reserve for bonds payable at December 31, 2004	<u>\$25,963</u>

11. FEDERAL GRANT CONTINGENCIES

During the year ended December 31, 2004, the Village of Epps received federal grant funds totaling \$299,110. These grant funds are subject to audit by agents of the granting authorities, the purpose of which is to ensure compliance with the conditions of the grant. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

VILLAGE OF EPPS
Notes to the Financial Statements

12. RISK MANAGEMENT

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

13. CONTINGENT LIABILITIES

The village is involved in two lawsuits at December 31, 2004. It is the opinion of the village's legal counsel that any liability to the village would be covered by insurance; therefore, no provision for any liability that may result is recorded in the accompanying financial statements.

14. OPERATING AGREEMENT

In September 1996, the village entered into an agreement with Correctional Operations Management Company, L.L.C., (COMCO) to become the sponsoring agent for COMCO to operate and manage the facility known as West Carroll Detention Center. The village agreed to sponsor COMCO and lease property to them for an original term of five years. The agreement contains an option to extend the term of sponsorship and lease agreement for three additional five year terms. During 2003, COMCO changed the name of its operation to Emerald Corporation. The village received \$108,000 in connection with the agreement for the year ended December 31, 2004.

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, 2004

	BudgetedAmounts.....		Actual Amounts (Budgetary Basis - GAAP)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Franchise taxes	\$11,500	\$11,500	\$13,568	\$2,068
Licenses and permits	13,500	13,500	15,975	2,475
Intergovernmental revenue - state grants	15,000	15,000	6,029	(8,971)
Fines	19,000	19,000	50,234	31,234
Rent	111,500	111,500	110,510	(990)
Interest earnings			9	9
Other revenue	4,500	4,500	5,079	579
Total revenues	<u>175,000</u>	<u>175,000</u>	<u>201,404</u>	<u>26,404</u>
EXPENDITURES				
General government:				
Personal services	90,000	90,000	138,861	(48,861)
Operating services	65,197	65,197	66,455	(1,258)
Materials and supplies	3,000	3,000	9,453	(6,453)
Capital outlay			8,029	(8,029)
Debt service - interest			188	(188)
Total expenditures	<u>158,197</u>	<u>158,197</u>	<u>222,986</u>	<u>(64,789)</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	16,803	16,803	(21,582)	(38,385)
OTHER FINANCING SOURCES				
Transfers in			5,939	5,939
Sale of assets			25,075	25,075
	<u>NONE</u>	<u>NONE</u>	<u>31,014</u>	<u>31,014</u>
NET CHANGE IN FUND BALANCE	16,803	16,803	9,432	(7,371)
FUND BALANCE AT BEGINNING OF YEAR	<u>15,523</u>	<u>15,523</u>	<u>7,048</u>	<u>(8,475)</u>
FUND BALANCE AT END OF YEAR	<u>\$32,326</u>	<u>\$32,326</u>	<u>\$16,480</u>	<u>(\$15,846)</u>

There were no budget amendments during the year ended December 31, 2004.

OTHER SUPPLEMENTAL INFORMATION SCHEDULES

VILLAGE OF EPPS
Epps, Louisiana

OTHER SUPPLEMENTAL INFORMATION SCHEDULES
As of and For the Year Ended December 31, 2004

COMPENSATION PAID ALDERMEN

The schedule of per diem paid aldermen is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Compensation of the aldermen is included in the general government personal services expenditures of the General Fund. Aldermen receive a per diem of \$75 per month.

STATUS OF PRIOR YEAR FINDINGS

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

VILLAGE OF EPPS
Epps, Louisiana

Schedule of Per Diem Paid Aldermen
For the Year Ended December 31, 2004

Maggie Hale	\$1,012
Katherine Johnson	975
Faye White	<u>1,012</u>
Total	<u>\$2,999</u>

VILLAGE OF EPPS
Epps, Louisiana

STATUS OF PRIOR YEAR FINDINGS
For the Year Ended December 31, 2004

<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>
Procedure 6	2003	Need to Adopt Budget prior to January 1st	No	See current year findings.
Procedure 7	2002	Need to Adopt Budget Amendments	No	No longer applicable.

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

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

M. Carleen Dumas
CERTIFIED PUBLIC ACCOUNTANT

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

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

MAYOR AND BOARD OF ALDERMEN
VILLAGE OF EPPS
Epps, Louisiana

I have audited the financial statements of the governmental activities, the business-type activities and each major fund of the Village of Epps, as of and for the year ended December 31, 2004, which collectively comprise the Village of Epps basic financial statements and have issued my report thereon dated June 6, 2005. 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.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Village of Epps' internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted a certain matter involving the internal control over financial reporting and its operation that I consider to be a reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the Village of Epps' ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2004-1.

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

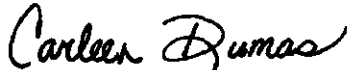
BOARD OF DIRECTORS
Village of Epps
Epps, Louisiana
Independent Auditor's Report
on Internal Control and on
Compliance, etc.,
December 31, 2004

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 its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-2 and 2004-3.

I also noted certain additional matters that I reported to management of the Village of Epps in a separate letter dated June 6, 2005.

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.



Calhoun, Louisiana
June 6, 2005

Village of Epps
Epps, Louisiana

Schedule of Findings
For the Year Ended December 31, 2004

I have audited the financial statements of the governmental activities, the business-type activities and each major fund of the Village of Epps, as of and for the year ended December 31, 2004, which collectively comprise the Village of Epps basic financial statements and have issued my report thereon dated June 6, 2005. 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, 2004 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

2004-1. 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 deficiency in internal controls over cash disbursements was noted for the year ended December 31, 2004:

1. I examined a total of 50 checks that were written during the year. 3 of the 50 checks (6%) were not properly supported by an original invoice or other supporting documentation.

Village of Epps
Epps, Louisiana
Schedule of Findings

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

Recommendation: I recommend that all disbursements be supported by original, detailed invoices or other supporting documentation.

2004-2. Need to Comply with Local Government Budget Act

Criteria: Louisiana Revised Statute 39:1308 (A) requires that all action necessary to adopt the budget for an ensuing fiscal year be completed prior to the end of the fiscal year in progress.

Condition: The General Fund budget for the year ended December 31, 2004 was adopted on February 9, 2004.

Effect: The adopted budget is intended to form the framework from which the village monitors revenue and controls expenditures. The village was unable to perform this function for the entire fiscal year.

Recommendation: I recommend that all action necessary to adopt and implement the budget be completed prior to January 1 each year.

2004-3. Need to Fund Reserve Requirements in Accordance with Amounts Specified in Loan Resolutions

Criteria: The loan resolutions with the United States Department of Agriculture for the 1988 and 1996 revenue bonds requires that the district set aside certain amounts in reserve accounts each year.

Condition: For the year ended December 31, 2004, the village did not transfer the required amounts to the reserve accounts.

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

Village of Epps
Epps, Louisiana
Schedule of Findings

Recommendation: I recommend that the village fund the reserve accounts in accordance with the loan resolutions.

**VILLAGE OF EPPS
MANAGEMENT'S CORRECTIVE ACTION PLAN
For the Year Ended December 31, 2004**

Section I Internal Control and Compliance Material to the Financial Statement	
<p>2004-1 Need to Improve Controls Over Cash Disbursements</p> <p><i>I recommend that all disbursements be supported by original, detailed invoices or other supporting documentation.</i></p>	<p>All disbursements will be supported by original, detailed invoices from now on.</p>
<p>2004-2 Need to Comply with Local Government Budget Act</p> <p><i>I recommend that action necessary to adopt and implement the budget be completed prior to January 1 each year.</i></p>	<p>The budgets will be adopted on time as required by law.</p>
<p>2004-3 Need to Fund Reserve Requirements</p> <p><i>I recommend that the village fund the reserve accounts in accordance with the loan resolutions.</i></p>	<p>The village will fund the reserve accounts in accordance with loan agreement.</p>
Section II Internal Control and Compliance Material To Federal Awards	
Not Applicable.	
Section III Management Letter	
<p>2004-1 Sales Tax Collection on Water Sales</p> <p><i>I recommend that the village collect and remit state sales tax on the sale of water for nonresidential purposes.</i></p>	<p>Taxes will be collected and remitted on nonresidential customers.</p>

**2004-2 Donation or Loan of
Public Funds**

I recommend that salaries not be paid in advance in the future and that the village request the official to repay the amount overpaid during 2004.

No salaries will be advanced from now on and the official that was overpaid will repay funds.

M. Carleen Dumas
CERTIFIED PUBLIC ACCOUNTANT

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

MANAGEMENT LETTER

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

In planning and performing my audit of the financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Epps, as of and for the year ended December 31, 2004, certain matters came to my attention which we feel should be conveyed to you. These matters, while not appropriate for inclusion in the auditor's report on internal control and compliance accompanying the financial statements, are items which I feel should be brought to your attention.

2004-1 SALES TAX COLLECTION ON WATER SALES

The village did not collect state sales tax on the sale of water during the year ended December 31, 2004. Article VII, Section 2.2 of the Louisiana Constitution provides that the sale of water for any building or facility that is used other than for residential purposes, such as a business, commercial, industrial, or institutional facility, is not eligible for the sales tax exemption on water sales. I recommend that the village collect and remit state sales tax on the sale of water for nonresidential purposes.

2004-2 DONATION OR LOAN OF PUBLIC FUNDS

The village advanced salaries to employees one month and paid one official \$800 more than the amount authorized. Both of these actions are considered a violation of Article VII, Section 14 of the Louisiana Constitution which prohibits the loan or donation of public funds. I recommend that salaries not be paid in advance in the future and that the village request the official to repay the amount overpaid during 2004.

I am available to assist you with any problems or questions that you have concerning the above or any other matters.

Respectfully,

Carleen Dumas

Calhoun, Louisiana

June 6, 2005