

VILLAGE OF EPPS  
Epps, Louisiana

General Purpose Financial Statements  
With Independent Auditor's Report  
As of and for the Year Ended  
December 31, 1995  
With Supplemental Information Schedules

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**Independent Auditor's Report**

MAYOR AND BOARD  
OF ALDERMEN  
VILLAGE OF EPPS  
Epps, Louisiana

I have audited the general purpose financial statements of the Village of Epps as of December 31, 1995, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Village of Epps' management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards; *Government Auditing Standards*, issued by the Comptroller General of the United States; Office of Management and Budget Circular A-128, *Audits of State and Local Governments*; and the United States Department of Agriculture *Farmers Home Administration (FmHA) Audit Program (1989 edition)*. Those standards, OMB Circular A-128, and the FmHA audit program require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Village of Epps, as of December 31, 1995, and the results of its operations and cash flows of its proprietary fund for the year then ended, in conformity with generally accepted accounting principles.

MAYOR AND BOARD  
OF ALDERMEN  
VILLAGE OF EPPS  
Epps, Louisiana  
Independent Auditor's Report,  
December 31, 1995

My audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplemental information schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the general purpose financial statements of the Village of Epps. Such information, except for the schedules marked "unaudited," on which I express no opinion, has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

In accordance with *Government Auditing Standards*, I have also issued a report dated June 26, 1996 on my consideration of the Village of Epps' internal control structure and a report dated June 26, 1996, on the village's compliance with laws, regulations, contracts, and grants.



Calhoun, Louisiana  
June 26, 1996

**GENERAL PURPOSE FINANCIAL STATEMENTS**

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

Combined Balance Sheet, December 31, 1995

	GOVERNMENTAL FUND ..... TYPE.....			ACCOUNT GROUP - GENERAL FIXED ASSETS	TOTAL (MEMORANDUM ONLY)
	GENERAL FUND	COMMUNITY DEVELOPMENT BLOCK GRANT CAPITAL PROJECTS FUND	PROPRIETARY FUND TYPE - WATER ENTERPRISE FUND		
<b>ASSETS</b>					
Current assets:					
Cash	\$32,570	\$100	\$30,135		\$62,805
Receivables (net of allowance for doubtful accounts)	3,665		9,880		13,545
Due from General Fund			16,195		16,195
Total current assets	<u>36,235</u>	<u>100</u>	<u>56,210</u>	NONE	<u>92,545</u>
Restricted assets - cash			18,902		18,902
Water system plant and equipment (net of accumulated depreciation)			434,395		434,395
Land, buildings, and equipment				\$457,086	457,086
<b>TOTAL ASSETS</b>	<u><u>\$36,235</u></u>	<u><u>\$100</u></u>	<u><u>\$509,507</u></u>	<u><u>\$457,086</u></u>	<u><u>\$1,002,928</u></u>
<b>LIABILITIES AND FUND EQUITY</b>					
Liabilities:					
Current liabilities payable from current assets):					
Accounts payable	\$736		\$1,074		\$1,810
Sales tax payable			498		498
Due to Water and Sewer Fund	16,195				16,195
Customer meter deposits			8,454		8,454
Total current liabilities (payable from current assets)	<u>16,931</u>	NONE	<u>10,026</u>	NONE	<u>26,957</u>
Current liabilities (payable from restricted assets):					
Accrued interest payable			10,237		10,237
Revenue bonds payable			2,422		2,422
Total current liabilities (payable from restricted assets)	NONE	NONE	<u>12,659</u>	NONE	<u>12,659</u>

(Continued)

VILLAGE OF EPPS  
 Epps, Louisiana  
 ALL FUND TYPES AND ACCOUNT GROUP  
 Combined Balance Sheet, December 31, 1995

	GOVERNMENTAL FUND ..... TYPE.....				TOTAL (MEMORANDUM ONLY)
	GENERAL FUND	COMMUNITY DEVELOPMENT BLOCK GRANT CAPITAL PROJECTS FUND	PROPRIETARY FUND TYPE - WATER ENTERPRISE FUND	ACCOUNT GROUP - GENERAL FIXED ASSETS	
<b>LIABILITIES AND FUND EQUITY (CONTD.):</b>					
Long-term liabilities - revenue bonds payable			\$235,914		\$235,914
Total Liabilities	\$16,931	NONE	258,599	NONE	275,530
Fund Equity:					
Investment in general fixed assets				\$457,086	457,086
Contributed capital (net of accumulated depreciation on fixed assets acquired with federal grant			229,607		229,607
Retained earnings:					
Reserved for bonds payable			6,243		6,243
Unreserved - undesignated			15,058		15,058
Total retained earnings	NONE	NONE	21,301	NONE	21,301
Fund balance - unreserved - undesignated	19,304	\$100			19,404
Total Fund Equity	19,304	100	250,908	457,086	727,398
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$36,235</b>	<b>\$100</b>	<b>\$509,507</b>	<b>\$457,086</b>	<b>\$1,002,928</b>

(Concluded)

The accompanying notes are an integral part of this statement.

VILLAGE OF EPPS  
Epps, Louisiana  
GOVERNMENTAL FUND TYPE

Combined Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
For the Year Ended December 31, 1995

	<u>GENERAL FUND</u>	<u>COMMUNITY DEVELOPMENT BLOCK GRANT CAPITAL PROJECTS FUND</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
<b>REVENUES</b>			
Taxes:			
Ad valorem taxes	\$4,028		\$4,028
Franchise	7,135		7,135
Occupational licenses	9,503		9,503
Intergovernmental revenues:			
Federal grant		\$16,552	16,552
State funds	3,658		3,658
Traffic fines	9,931		9,931
Use of money and property:			
Rent	19,580		19,580
Interest earnings	418		418
Other revenues	5,053		5,053
Total revenues	<u>59,306</u>	<u>16,552</u>	<u>75,858</u>
<b>EXPENDITURES</b>			
General government - current:			
Personal services and related benefits	24,079		24,079
Operating services	30,929		30,929
Materials and supplies	2,930		2,930
Capital outlay	5,287		5,287
Public safety	2,800		2,800
Economic development and assistance	1,000		
Facilities acquisition and construction		16,552	16,552
Total expenditures	<u>67,025</u>	<u>16,552</u>	<u>82,577</u>

(Continued)

**Statement B**

VILLAGE OF EPPS  
 Epps, Louisiana  
 GOVERNMENTAL FUND TYPE  
 Combined Statement of Revenues, Expenditures,  
 and Changes in Fund Balances

	<u>GENERAL FUND</u>	<u>COMMUNITY DEVELOPMENT BLOCK GRANT CAPITAL PROJECTS FUND</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
<b>EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES</b>	(\$7,719)	NONE	(\$7,719)
<b>OTHER FINANCING SOURCE - operating transfer in</b>	<u>          </u>	<u>\$100</u>	<u>100</u>
<b>EXCESS (Deficiency) OF REVENUES AND OTHER SOURCE OVER EXPENDITURES</b>	(7,719)	100	(7,619)
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<u>27,023</u>	<u>NONE</u>	<u>27,023</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u><u>\$19,304</u></u>	<u><u>\$100</u></u>	<u><u>\$19,404</u></u>

(Concluded)

The accompanying notes are an integral part of this statement.

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

Statement of Revenues, Expenditures,  
and Changes in Fund Balances - Budget  
(GAAP Basis) and Actual  
For the Year Ended December 31, 1995

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b>REVENUES</b>			
Taxes:			
Ad valorem	\$4,400	\$4,028	(\$372)
Franchise		7,135	7,135
Occupational licenses	6,500	9,503	3,003
Intergovernmental - state funds - tobacco tax	4,000	3,658	(342)
Traffic fines	7,500	9,931	2,431
Use of money and property:			
Rent	2,000	19,580	17,580
Interest earnings	350	418	68
Other revenues	16,000	5,053	(10,947)
Total revenues	<u>40,750</u>	<u>59,306</u>	<u>18,556</u>
<b>EXPENDITURES</b>			
General government - current:			
Personal services and related benefits	25,100	24,079	1,021
Operating services	43,350	30,929	12,421
Materials and supplies	3,800	2,930	870
Capital outlay		5,287	(5,287)
Public safety		2,800	(2,800)
Economic development and assistance		1,000	(1,000)
Total expenditures	<u>72,250</u>	<u>67,025</u>	<u>5,225</u>
<b>EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES</b>	<b>(31,500)</b>	<b>(7,719)</b>	<b>23,781</b>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<b>NONE</b>	<b>27,023</b>	<b>27,023</b>
<b>FUND BALANCES (Deficit) AT END OF YEAR</b>	<b><u>(\$31,500)</u></b>	<b><u>\$19,304</u></b>	<b><u>\$50,804</u></b>

The accompanying notes are an integral part of this statement.

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

Statement of Revenues, Expenses,  
and Changes in Retained Earnings  
For the Year Ended December 31, 1995

**OPERATING REVENUES**

Water sales	\$51,290
Sewer sales	12,717
Penalties	1,731
Other operating revenue	36
Total operating income	<u>65,774</u>

**OPERATING EXPENSES**

Salaries	24,091
Payroll taxes	1,933
Advertising	300
Utilities	4,056
Repairs and maintenance	1,754
Insurance	5,651
Materials and supplies	7,339
Professional services	1,354
Telephone	830
Truck expense	2,355
Postage	832
Accounting	3,800
Depreciation	26,996
Bad debt expense	1,874
Other operating expenses	2,030
Total operating expenses	<u>85,195</u>

**OPERATING LOSS**(19,421)**NON-OPERATING REVENUES (Expenses)**

Interest income	984
Ad valorem taxes	3,915
State grant	15,000
Interest expense	(14,350)
Net non-operating revenues (expenses)	<u>5,549</u>

(Continued)

## VILLAGE OF EPPS

Epps, Louisiana

## PROPRIETARY FUND TYPE -

## WATER AND SEWER ENTERPRISE FUND

Statement of Revenues, Expenses,  
and Changes in Retained Earnings

<b>INCOME (Loss) BEFORE OPERATING TRANSFERS</b>	(\$13,872)
Operating transfers to other funds	<u>(100)</u>
<b>NET INCOME (Loss)</b>	(13,972)
Adjustment for depreciation on fixed assets acquired with federal grant	<u>9,765</u>
<b>NET INCREASE IN RETAINED EARNINGS</b>	(4,207)
<b>RETAINED EARNINGS AT BEGINNING OF YEAR, Restated</b>	<u>25,508</u>
<b>RETAINED EARNINGS AT END OF YEAR</b>	<u><u>\$21,301</u></u>

Concluded)

The accompanying notes are an integral part of this statement.

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

Statement of Cash Flows  
For the Year Ended December 31, 1995

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Operating Loss	(\$19,421)
Adjustments to Reconcile Operating Loss to Net Cash	
Provided (Used) by Operating Activities:	
Depreciation	26,996
Bad debt expense	1,874
Increase in accounts receivable	(4,797)
Decrease in customer deposits	(132)
Decrease in taxes payable	(67)
Increase in accounts payable	292
Total adjustments	<u>24,166</u>
Net cash provided by operating activities	<u>4,745</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Transfer to other funds	<u>(100)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Principal and interest on long-term debt	(16,739)
State grant	15,000
Net cash provided by capital and related financing activities	<u>(1,739)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest earnings	<u>984</u>
<b>NET INCREASE IN CASH</b>	3,890
<b>CASH AT BEGINNING OF PERIOD</b>	<u>45,147</u>
<b>CASH AT END OF PERIOD</b>	<u><u>\$49,037</u></u>

The accompanying notes are an integral part of this statement.

**VILLAGE OF EPPS**  
Epps, Louisiana

Notes to the Financial Statements  
As of and for the Year Ended December 31, 1995

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Village of Epps was incorporated under the provisions of the Lawrason Act in 1939. The village operates under a Mayor-Board of Aldermen form of government. The mayor and aldermen serve four-year terms which expired on December 31, 1998.

**A. REPORTING ENTITY**

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

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

1. Appointing a voting majority of an organization's governing body,  
and
  - a. The ability of the village to impose its will on that organization and/or
  - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the village.
2. Organizations for which the village does not appoint a voting majority but are fiscally dependent on the village.

## VILLAGE OF EPPS

Epps, Louisiana

Notes to the Financial Statements (Continued)

3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

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

### **B. FUND ACCOUNTING**

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

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

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

#### **Governmental Funds:**

Governmental funds are used to account for all or most of the village's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term debt. Governmental funds include:

#### **General Fund**

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

**VILLAGE OF EPPS**

Epps, Louisiana

Notes to the Financial Statements (Continued)

**Community Development Block Grant  
Capital Projects Fund**

The Community Development Block Grant Capital Projects Fund accounts for a grant from the United States Department of Housing and Urban Development, Division of Administration for the improvement of the village's wastewater treatment facility.

**Proprietary Funds**

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds differ from governmental funds in that their focus is on income measurement, which, together with the maintenance of equity, is an important financial indicator. Proprietary funds include the Water and Sewer Enterprise Fund which is used to account for the operations of the village's water and sewer system. The operations are financed and operated in a manner similar to private business enterprise, where the intent of the village is that the cost (expenses, including depreciation) of providing service to the general public on a continuing basis be financed or recovered primarily through user charges.

**C. BASIS OF ACCOUNTING**

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

**Revenues**

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the village and billed to taxpayers in November. Billed taxes become delinquent on January 1 of the following year. The taxes are normally collected in December, January and February of the current year.

VILLAGE OF EPPS

Epps, Louisiana

Notes to the Financial Statements (Continued)

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

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

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

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

**Expenditures**

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

**Other Financing Sources (Uses)**

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

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

**D. 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.

VILLAGE OF EPPS

Epps, Louisiana

Notes to the Financial Statements (Continued)

Formal budgetary integration is not employed as a management control device during the year. Budgeted amounts included in the accompanying financial statements include the original adopted budget amount. There were no budget amendments.

**E. CASH**

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Under state law, the village may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts or time deposits with state banks organized under Louisiana law and national banks having principal offices in Louisiana.

At December 31, 1995, the village has cash (book balances) totaling \$81,707 as follows:

Cash on hand	\$8,109
Demand deposits	19,215
Interest-bearing demand deposits	44,245
Money market account	<u>10,138</u>
Total	<u>\$81,707</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits, or the resulting bank balances, must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. Deposit balances (bank balances) at December 31, 1995, total \$78,971, and are fully secured by federal deposit insurance.

**F. FIXED ASSETS AND LONG-TERM DEBT**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures (capital outlay) in governmental funds and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost where historical records are available and at estimated cost where no historical records are available. Approximately 70 per cent of fixed assets are valued at actual cost, while the remaining 30 per cent are valued at estimated cost based on the actual cost of like items. No depreciation has been provided on general fixed assets. There are no general long-term obligations at December 31, 1995.

**VILLAGE OF EPPS**

Epps, Louisiana

Notes to the Financial Statements (Continued)

The cost of normal maintenance and repairs that do not add to the value of fixed assets or materially extend their useful lives are not capitalized but are only recognized as a normal current expenditure of the governmental funds. Public domain or infrastructure general fixed assets consisting of roads, sidewalks, bridges, parking lots, and drainage systems are not capitalized, as these assets are immovable and of value only to the village.

The fixed assets used in the proprietary fund type operations are included on the balance sheet of the fund net of accumulated depreciation. Depreciation of all exhaustible fixed assets used by the proprietary fund type operations is charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful lives as follows:

Water distribution system	30 years
Buildings	25 years
Equipment	7 years

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

**G. VACATION AND SICK LEAVE**

Permanent, full-time employees receive from five to ten days of vacation leave each year depending on length of service. Employees may not carry over or accumulate vacation leave. 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. TOTAL COLUMNS ON THE COMBINED STATEMENTS**

Total columns on the combined statements are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position nor results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

VILLAGE OF EPPS  
 Epps, Louisiana  
 Notes to the Financial Statements (Continued)

**2. BUDGETED EXPENDITURES**

For the year ended December 31, 1995, the General Fund's budgeted expenditures exceeded estimated funds available by \$31,500.

**3. LEVIED TAXES**

For the year ended December 31, 1995, ad valorem tax millages levied by the village were 5.75 for the General Fund and 5.58 for the Water and Sewer Enterprise Fund.

The following are the principal taxpayers for the village and their 1995 assessed valuation:

	Assessed Valuation	Percent of Total Assessed Valuation
South Central Bell	\$131,220	17.70
Elah Farms, Inc.	31,400	4.24
Peter and Mary Chouccoli, Jr.	21,970	2.96
Louisiana Gas Service Co.	13,800	1.86
West Carroll National Bank	11,910	1.60
Louisiana Power and Light	11,510	1.55
Epps Feed and Seed	8,930	1.20
James M. Jones, Jr.	8,130	1.10
W. A. Lusk	7,500	1.01
Earl K. Neathery	7,500	1.01
Total	<u>\$253,870</u>	<u>34.23</u>

**4. RECEIVABLES**

The following is a summary of receivables at December 31, 1995:

	General Fund	Water and Sewer Enterprise Fund	Total
Taxes:			
Ad valorem	\$1,313	\$1,274	\$2,587

VILLAGE OF EPPS  
 Epps, Louisiana  
 Notes to the Financial Statements (Continued)

	General Fund	Water and Sewer Enterprise Fund	Total
Taxes (Contd.):			
Franchise	\$1,621		\$1,621
Intergovernmental revenue - state funds	731		731
Accounts		\$10,480	10,480
Allowance for doubtful accounts		(1,874)	(1,874)
Total	<u>\$3,665</u>	<u>\$9,880</u>	<u>\$13,545</u>

Bad debt expense for the year ended December 31, 1995 was \$1,874 which represents an estimate of the past due accounts at December 31, 1995 that will not be collected.

**5. FIXED ASSETS**

The following presents changes in general fixed assets for the year ended December 31, 1995:

	Land and Buildings	Furniture and Equipment	Total
Balance, January 1, 1995	\$436,039	\$15,760	\$451,799
Additions		5,287	5,287
Retirements	NONE	NONE	NONE
Balance, December 31, 1995	<u>\$436,039</u>	<u>\$21,047</u>	<u>\$457,086</u>

A summary of proprietary fund type property, plant, and equipment at December 31, 1995, follows:

	Basis	Accumulated Depreciation	Net Book Value
Water and sewer system	\$729,062	(\$294,667)	\$434,395
Buildings	1,089	(1,089)	NONE
Equipment	15,000	(15,000)	NONE
Total	<u>\$745,151</u>	<u>(\$310,756)</u>	<u>\$434,395</u>

VILLAGE OF EPPS

Epps, Louisiana

Notes to the Financial Statements (Continued)

**6. PENSION PLAN**

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

**7. REVENUE BONDS PAYABLE**

The long-term liability for revenue bonds represents water revenue bonds sold by the village in 1988 in the amount of \$237,000 and \$13,000 to the United States Department of Agriculture, Farmers Home Administration, under the Water and Waste Disposal Systems for Rural Communities Loan Program (CFDA 10.418) to construct the water system. The 1988 issues bear interest at 6 and 6.125 per cent annually. Principal and interest payments are made solely from revenues derived from operation of the water and sewer system.

The following is a summary of revenue bonds payable transactions for the year ended December 31, 1995:

Revenue bonds payable at January 1, 1995	\$240,323
Retirements	<u>(1,987)</u>
Revenue bonds payable at December 31, 1995	<u>\$238,336</u>

The annual requirements to amortize the revenue bonds outstanding at December 31, 1995, including interest of \$314,024, are as follows:

Year	
1996	\$16,738
1997	16,738
1998	16,738
1999	16,738
2000	16,738
2001 - 2005	83,691
2006 - 2010	83,691
2011 - 2015	83,691
2016 - 2020	83,691
2021 - 2025	83,691
2026 - 2028	<u>50,215</u>

VILLAGE OF EPPS  
 Epps, Louisiana  
 Notes to the Financial Statements (Continued)

Year	
Total	<u>\$552,360</u>

**8. CONTRIBUTED CAPITAL**

In 1989, the village received a grant totaling \$293,000 from the United States Department of Agriculture, Farmers Home Administration to finance approximately 54 per cent of the construction and acquisition of the water system. The grant amount, shown as contributed capital on the balance sheet, is reduced each year by the amount of depreciation expense recognized on fixed assets constructed or acquired with the grant funds. At December 31, 1995, accumulated depreciation on these assets is \$63,393.

**9. RESTATED RETAINED EARNINGS**

Retained earnings at January 1, 1995, as previously reported, was understated due to an error in the amount reported as accounts receivable at December 31, 1994. This overstatement had no material effect on net income for the year ended December 31, 1994. Retained earnings at January 1, 1995, as reported in the accompanying financial statements is restated as follows:

Retained earnings at January 1, 1995, as previously reported	\$24,294
Adjustment for understatement of accounts receivable	<u>1,214</u>
Retained earnings at January 1, 1995, restated	<u>\$25,508</u>

**10. RESERVED RETAINED EARNINGS**

The bond covenants with the United States Department of Agriculture, Farmers Home Administration for the 1988 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

VILLAGE OF EPPS

Epps, Louisiana

Notes to the Financial Statements (Continued)

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.

At December 31, 1995 the district has \$18,902 in restricted accounts to meet reserve requirements. Of that amount, \$12,659 is offset by current liabilities, with the remaining \$6,243 reported as a reserve of retained earnings on Statement A. The following is a summary of transactions in the bond reserve accounts for the year ended December 31, 1995:

Reserve for revenue bonds payable at January 1, 1995	\$7,943
Deposits	27,306
Interest earnings	405
Loan payment	(16,738)
Bank charges	<u>(14)</u>
Reserve for bonds payable at December 31, 1995	<u>\$18,902</u>

**11. LITIGATION AND CLAIMS**

The village is not involved in any pending or threatened litigation, claims, or assessments at December 31, 1995. Various complaints that have been filed against the village have been turned over to the village's insurance carrier but there are no pending lawsuits associated with the complaints at December 31, 1995.

**12. COMMITMENTS UNDER CONTRACTS**

In 1994, the village received a grant from the United States Department of Housing and Urban Development through the Louisiana Office of Community Development, Division of Administration in the amount of \$313,111 to finance a portion of the cost of sewer system improvements. In connection with this grant, the village entered into contracts for consulting and engineering services totaling \$70,469. At December 31, 1995, the village had incurred expenditures of \$16,552 under these contracts.

VILLAGE OF EPPS

Epps, Louisiana

Notes to the Financial Statements (Continued)

**13. SUBSEQUENT EVENTS**

In February 1996, the village passed a resolution to issue \$359,000 in sewer revenue bonds to finance a portion of the cost of sewer system improvements. Additionally, the village entered into a construction contract for improvements to the sewer system totaling \$556,029.

**SUPPLEMENTAL INFORMATION SCHEDULES**

VILLAGE OF EPPS  
Epps, LouisianaSchedule of Water Rates  
For the Year Ended December 31, 1995

<u>Classification</u>	<u>Tariff</u>	<u>Rate</u>
Residential	Monthly minimum for first 2,000 gallons	\$8.00
	Per 1,000 gallons for the next 3,000 gallons	2.00
	Per 1,000 gallons for all over 5,000 gallons	1.50
Commercial	Monthly minimum for first 20,000 gallons	53.00
	Per 1,000 gallons for all over 20,000 gallons	1.50

VILLAGE OF EPPS  
Epps, Louisiana

Schedule of Insurance Coverage  
As of December 31, 1995

Type of Coverage	Name of Insurer	Policy Number	Amount of Coverage	Expiration Date
Commercial General Liability	Louisiana Municipal Risk Management Agency	LML-196	Aggregate - \$500,000 Each Occurrence - \$500,000 Medical Payments - \$1,000 per person - \$10,000 per accident Fire Legal Liability - \$50,000 per occurrence	11/08/98
Automobile Liability	Louisiana Municipal Risk Management Agency	LML-196	\$500,000	05/23/99
Law Enforcement Officers Comprehensive Liability	Louisiana Municipal Risk Management Agency	LML-196	\$500,000	11/08/98
Public Officials Errors and Omissions Liability	Louisiana Municipal Risk Management Agency	LML-196	\$500,000	11/08/98
Worker's Compensation and Employers Liability	Louisiana Municipal Risk Management Agency	WC-0198	Statutory	01/01/96
Commercial Property	American Liberty Insurance Company	1X0-74-75-96	Various - 80% coinsurance	03/22/96

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

Statement of Revenues and Operating Expenses -  
Budget and Actual  
For the Year Ended December 31, 1995  
(Unaudited)

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b>REVENUES</b>			
Water sales	\$43,000	\$51,290	\$8,290
Sewer sales	15,000	12,717	(2,283)
Other	1,000	1,767	767
State grant		15,000	15,000
Ad valorem taxes	4,400	3,915	(485)
Interest income	1,000	984	(16)
Total operating revenues	<u>64,400</u>	<u>85,673</u>	<u>21,273</u>
<b>OPERATING EXPENSES</b>			
Accounting	750	3,800	(3,050)
Advertising	500	300	200
Agent fees	350		350
Insurance	5,500	5,651	(151)
Materials and supplies	3,900	7,339	(3,439)
Payroll taxes	2,000	1,933	67
Postage	850	832	18
Professional fees	4,000	1,354	2,646
Repairs and maintenance	2,000	1,754	246
Salaries	22,500	24,091	(1,591)
Truck expenses	600	2,355	(1,755)
Utilities and telephone	6,000	4,886	1,114
Depreciation		26,996	(26,996)
Bad debt expense		1,874	(1,874)
Interest expense		14,350	(14,350)
Operating transfer		100	(100)
Other operating expenses	2,500	2,030	470
Total operating expenses	<u>51,450</u>	<u>99,645</u>	<u>(48,195)</u>
<b>NET INCOME</b>	<u>\$12,950</u>	<u>(\$13,972)</u>	<u>(\$26,922)</u>

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

Proposed Operating Budget  
For the Year Ending December 31, 1996  
(Unaudited)

**REVENUES**

Water	\$59,800
Sewer	15,000
Other	1,000
Ad valorem taxes	4,400
Interest income	1,000
Total revenues	<u>81,200</u>

**EXPENSES**

Accounting	750
Advertising	500
Agent fees	350
Insurance	5,500
Materials	3,000
Miscellaneous	2,500
Payroll taxes	2,000
Postage	850
Professional fees	4,000
Repairs and maintenance	2,000
Salaries	22,500
Supplies	900
Truck expenses	600
Utilities and telephone	6,000
FmHA loan payment	16,740
Special funds	1,680
Total expenses	<u>69,870</u>

**NET INCOME**

\$11,330

VILLAGE OF EPPS  
Epps, Louisiana  
SUPPLEMENTAL INFORMATION SCHEDULE  
As of and For the Year Ended December 31, 1995

**COMPENSATION PAID ALDERMEN**

The schedule of compensation paid aldermen is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. In accordance with Louisiana Revised Statute 33:405, aldermen receive \$12.50 for each regular meeting and \$7.50 for each special meeting they attend. Compensation of aldermen is included in personal services and related benefits expenditures of the General Fund.

VILLAGE OF EPPS  
Epps, Louisiana

Schedule of Compensation Paid Aldermen  
For the Year Ended December 31, 1995

John Chestnut	\$188
Katherine Johnson	188
Lennie Raley	<u>188</u>
Total	<u>\$564</u>

**Independent Auditor's Reports Required by  
Government Auditing Standards, OMB  
Circular A-128, Audits of State and Local  
Governments, and United States Department of  
Agriculture Farmers Home Administration  
(FmHA) Audit Program (1989 edition)**

The following independent auditor's reports on the schedule of federal financial assistance, compliance with laws, regulations, contracts, and grants and the internal control structure are presented in compliance with the requirements of *Government Auditing Standards*, issued by the Comptroller General of the United States; Office of Management and Budget Circular A-128, *Audits of State and Local Governments*; the United States Department of Agriculture *Farmers Home Administration (FmHA) Audit Program, (1989 edition)* and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.

*M. Carleen Dumas*  
CERTIFIED PUBLIC ACCOUNTANT

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

**Independent Auditor's Report on Supplementary  
Schedule of Federal Financial Assistance**

MAYOR AND BOARD  
OF ALDERMEN  
VILLAGE OF EPPS  
Epps, Louisiana

I have audited the general purpose financial statements of the Village of Epps as of December 31, 1995, and for the year then ended, and have issued my report thereon dated June 26, 1996. These general purpose financial statements are the responsibility of the management of the Village of Epps. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards; *Government Auditing Standards*, issued by the Comptroller General of the United States; the provisions of Office of Management and Budget Circular A-128, *Audits of State and Local Governments* and the United States Department of Agriculture *Farmers Home Administration (FmHA) Audit Program (1989 edition)*. Those standards, OMB Circular A-128 and the FmHA audit program require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

My audit was made for the purpose of forming an opinion on the general purpose financial statements of the Village of Epps, taken as a whole. The accompanying Schedule of Federal Financial Assistance is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

  
Calhoun, Louisiana  
June 26, 1996

VILLAGE OF EPPS  
Epps, Louisiana

Schedule of Federal Financial Assistance  
For the Year Ended December 31, 1995

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM NAME</u>	<u>CFDA NUMBER</u>	<u>PASS- THROUGH GRANTOR'S NUMBER</u>	<u>ACCRUED REVENUE AT JANUARY 1, 1995</u>	<u>REVENUE RECOGNIZED</u>	<u>EXPENDITURES</u>	<u>ACCRUED REVENUE AT DECEMBER 31, 1995</u>
United States Department Housing and Urban Development Passed through Office of the Governor, Division of Administration - Community Development Block Grant (States Program)	14.228	101-5085	<u>NONE</u>	<u>\$16,552</u>	<u>\$16,552</u>	<u>NONE</u>

NOTE: Not included in the above schedule is \$238,336 in outstanding revenue bonds at December 31, 1995. The bonds were purchased by the Farmers Home Administration under CFDA number 10.418.

*M. Carleen Dumas*  
CERTIFIED PUBLIC ACCOUNTANT

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**Independent Auditor's Report on Compliance  
Based on An Audit of General Purpose  
Financial Statements Performed in Accordance with  
*Government Auditing Standards***

MAYOR AND BOARD  
OF ALDERMEN  
VILLAGE OF EPPS  
Epps, Louisiana

I have audited the general purpose financial statements of the Village of Epps as of December 31, 1995, and for the year then ended, and have issued my report thereon dated June 26, 1996.

I conducted my audit in accordance with generally accepted auditing standards; *Government Auditing Standards*, issued by the Comptroller General of the United States; the provisions of Office of Management and Budget Circular A-128 *Audits of State and Local Governments*; the United States Department of Agriculture *Farmers Home Administration (FmHA) Audit Program (1989 edition)*; and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor. Those standards, OMB Circular A-128, the FmHA audit program, and the audit guide require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the Village of Epps, is the responsibility of the village's management. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, I performed tests of the Village of Epps' compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of my audit of the general purpose financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, I do not express such an opinion.

The results of my tests of compliance disclosed the following instances of noncompliance that are required to be reported herein under *Government Auditing Standards* for which the ultimate resolution cannot presently be determined. Accordingly, no provision for any liability that may result has been recognized in the Village of Epps' 1995 financial statements.

MAYOR AND BOARD  
OF ALDERMEN  
VILLAGE OF EPPS  
Epps, Louisiana  
Independent Auditor's Report  
on Compliance, etc.,  
December 31, 1995

**Need to Comply with Local  
Government Budget Act**

**Finding:** Louisiana Revised Statutes (LRS) 39:1309 provides that a budget amendment shall be adopted by the village when there has been a change in operations upon which the original adopted budget was developed. The original adopted budget for 1995 was adopted for the fiscal year ended June 30, 1995. In January 1995, the village changed its year end date to December 31. The village did not amend its 1995 budget to reflect this change in operations. In addition, the 1995 budget included estimated expenditures exceeding estimated funds available by \$31,500. LRS 39:1308 (B) requires that the adopted budget be balanced with approved expenditures not exceeding the total of estimated funds available.

**Recommendation:** For all future fiscal years, I recommend that the Village of Epps' budgeted expenditures not exceed budgeted revenues plus budgeted beginning fund balance. The village should amend its original adopted budget when there has been a change in operations upon which the original adopted budget was developed or when actual expenditures exceed budgeted expenditures or actual revenues are failing to meet budgeted revenues by five percent or more.

**Management's Response:** For all future years, budgeted expenditures will not exceed estimated funds available and a budget amendment will be adopted when there is a change in operations upon which the original budget was developed.

**Property Taxes Should Be  
Expended in Accordance  
with Tax Proposition**

**Finding:** In November 1994, the voters of the village renewed a 5.58 mill property tax for the purpose of maintaining and improving the water and sewerage systems of the village. Since 1992, the water and sewerage tax receipts have been deposited in the General Fund and recorded as an amount due to the Water and Sewer Enterprise Fund. At December 31, 1995, the General Fund owes the Water and Sewer Enterprise Fund \$16,195 for 1992 through 1995 property taxes.

MAYOR AND BOARD  
OF ALDERMEN  
VILLAGE OF EPPS  
Epps, Louisiana  
Independent Auditor's Report  
on Compliance, etc.,  
December 31, 1995

**Recommendation:** I recommend that property taxes for the water and sewerage systems be deposited in the Water and Sewer Enterprise Fund and be expended for the purposes specified in the tax proposition. In addition, I recommend that the village develop a plan for repaying the amount due the Water and Sewer Enterprise Fund.

**Management's Response:** The 1996 property tax receipts for the Water and Sewer Enterprise Fund will be deposited into the fund. The village will repay the amount due the Water and Sewer Enterprise Fund as soon as funds are available in the General Fund to do so.

I considered the above instances of noncompliance in forming my opinion on whether the Village of Epps', 1995 financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles, and this report does not affect my report dated June 26, 1996, on those general purpose financial statements.

The audit report for the eighteen months ended December 31, 1994, included a finding related to the need to comply with the Local Government Budget Act. This finding has been resolved by management except as addressed above.

This report is intended for the information of the mayor and board of aldermen of the Village of Epps, management of the village, and interested state and federal agencies. This is not intended to limit the distribution of this report, which is a matter of public record.



Calhoun, Louisiana

June 26, 1996

*M. Carleen Dumas*  
CERTIFIED PUBLIC ACCOUNTANT

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

**Independent Auditor's Report on Compliance  
With General Requirements Applicable to  
Federal Financial Assistance Programs**

MAYOR AND BOARD  
OF ALDERMEN  
VILLAGE OF EPPS  
Epps, Louisiana

I have audited the general purpose financial statements of the Village of Epps as of December 31, 1995, and for the year then ended, and have issued my report thereon dated June 26, 1996.

I have applied procedures to test the Village of Epps' compliance with the following requirements applicable to its federal financial assistance programs, which are identified in the accompanying Schedule of Federal Financial Assistance, for the year ended December 31, 1995:

- Political activity
- Civil rights
- Cash management
- Federal financial reports
- Allowable costs/cost principles
- Administrative requirements

My procedures were limited to the applicable procedures described in the Office of Management and Budget's *Compliance Supplement for Single Audits of State and Local Governments*. My procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Village of Epps' compliance with the requirements listed in the preceding paragraph. Accordingly, I do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to my attention that caused me to believe that the Village of Epps had not complied, in all material respects, with those requirements.

MAYOR AND BOARD  
OF ALDERMEN  
VILLAGE OF EPPS  
Epps, Louisiana  
Independent Auditor's Report  
on Compliance With General  
Requirements, etc.,  
December 31, 1995

The audit report for the eighteen months ended December 31, 1994, included a finding related to the need to reimburse grantor for unallowable program costs. That finding has been resolved by management of the village.

This report is intended for the information of the mayor and board of aldermen of the Village of Epps, management of the village, and interested state and federal agencies. This is not intended to limit the distribution of this report, which is a matter of public record.



Calhoun, Louisiana  
June 26, 1996

*M. Carleen Dumas*  
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**Independent Auditor's Report on Compliance With  
Specific Requirements Applicable to Nonmajor  
Federal Financial Assistance Program Transactions**

MAYOR AND BOARD  
OF ALDERMEN  
VILLAGE OF EPPS  
Epps, Louisiana

I have audited the general purpose financial statements of the Village of Epps as of December 31, 1995, and for the year then ended, and have issued my report thereon dated June 26, 1996.

In connection with my audit of the general purpose financial statements of the Village of Epps and with my consideration of the Village of Epps' internal control structure used to administer federal financial assistance programs, as required by Office of Management and Budget Circular A-128, *Audits of State and Local Governments* and the United States Department of Agriculture *Farmers Home Administration (FmHA) Audit Program (1989 edition)*, I selected certain transactions applicable to certain nonmajor federal financial assistance programs for the year ended December 31, 1995. As required by OMB Circular A-128 and the FmHA audit program, I have performed auditing procedures to test compliance with the requirements governing types of services allowed, reporting, and special requirements - loan repayment and loan reserve requirements, record keeping, administrative costs, and environmental review that are applicable to those transactions. My procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Village of Epps' compliance with those requirements. Accordingly, I do not express such an opinion.

Material instances of noncompliance consist of failures to follow the specific requirements that caused me to conclude that the noncompliance resulting from those failures are material to the Community Development Block Grant program. The results of my tests of compliance disclosed the following material instance of noncompliance.

MAYOR AND BOARD  
OF ALDERMEN  
VILLAGE OF EPPS  
Epps, Louisiana  
Independent Auditor's Report  
on Compliance With Specific  
Requirements, etc.,  
December 31, 1995

**Need to Maintain Accounting  
Records in Accordance with  
Program Guidelines**

**Finding:** The contract between the Louisiana Division of Administration and the Village of Epps for the 1994 Louisiana Community Development Block Grant (LCDBG) program requires that the village prepare and retain accounting records required by the Division for program management purposes. The Division of Administration requires that the village maintain a complete set of accounting records for the LCDBG program. During the year ended December 31, 1995, the village did not maintain a complete set of accounting records for the LCDBG program. Program receipts and disbursements were not posted to a general ledger nor subsidiary cash journals.

**Recommendation:** I recommend that the village establish and maintain a complete set of accounting records for the LCDBG program as is required by contract with the Division of Administration. These accounting records should be maintained and balanced on a monthly basis.

**Management's Response:** The village is in the process of establishing the required accounting records.

I considered this instance of noncompliance in forming my opinion on whether the Village of Epps' 1995 general purpose financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles, and this report does not affect my report dated June 26, 1996, on those financial statements.

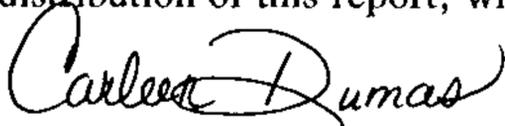
Except as described above, the results of my procedures to determine compliance indicate that, with respect to the items tested, the Village of Epps complied, in all material respects, with the requirements referred to in the second paragraph of this report. With respect to items not tested, nothing came to my attention that caused me to believe that the Village of Epps had not complied, in all material respects, with those requirements.

The audit report for the eighteen months ended December 31, 1994, included a finding related to bond reserve requirements. That finding has been resolved by management of the village.

MAYOR AND BOARD  
OF ALDERMEN  
VILLAGE OF EPPS

Epps, Louisiana  
Independent Auditor's Report  
on Compliance With Specific  
Requirements, etc.,  
December 31, 1995

This report is intended for the information of the mayor and board of aldermen of the Village of Epps, management of the village, and interested state and federal agencies. This is not intended to limit the distribution of this report, which is a matter of public record.



Calhoun, Louisiana  
June 26, 1996

*M. Carleen Dumas*  
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**Independent Auditor's Report on the Internal Control  
Structure Based on an Audit of General Purpose  
Financial Statements Performed in Accordance with  
*Government Auditing Standards***

MAYOR AND BOARD  
OF ALDERMEN  
VILLAGE OF EPPS  
Epps, Louisiana

I have audited the general purpose financial statements of the Village of Epps as of December 31, 1995, and for the year ended, and have issued my report thereon dated June 26, 1996.

I conducted my audit in accordance with generally accepted auditing standards; *Government Auditing Standards*, issued by the Comptroller General of the United States; the provisions of Office of Management and Budget Circular A-128 *Audits of State and Local Governments*; and the United States Department of Agriculture *Farmers Home Administration (FmHA) Audit Program (1989 edition)*. Those standards, OMB Circular A-128 and the FmHA audit program require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

The management of the Village of Epps is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

MAYOR AND BOARD  
OF ALDERMEN  
VILLAGE OF EPPS  
Epps, Louisiana  
Independent Auditor's Report  
on Internal Control, etc.,  
December 31, 1995

In planning and performing my audit of the general purpose financial statements of the Village of Epps, for the year ended December 31, 1995, I obtained an understanding of the internal control structure. With respect to the internal control structure, I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed risk in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, I do not express such an opinion.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control structure and its operation that I considered to be material weaknesses as defined above.

This report is intended for the information of the mayor and board of aldermen of the Village of Epps, management of the village, and interested state and federal agencies. This is not intended to limit the distribution of this report, which is a matter of public record.



Calhoun, Louisiana  
June 26, 1996

*M. Carleen Dumas*  
CERTIFIED PUBLIC ACCOUNTANT

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

**Independent Auditor's Report on Internal Control  
Structure Used in Administering Federal  
Financial Assistance Programs**

MAYOR AND BOARD  
OF ALDERMEN  
VILLAGE OF EPPS  
Epps, Louisiana

I have audited the general purpose financial statements of the Village of Epps as of December 31, 1995, and for the year then ended, and have issued my report thereon dated June 26, 1996.

I conducted my audit in accordance with generally accepted auditing standards; *Government Auditing Standards*, issued by the Comptroller General of the United States; the provisions of Office of Management and Budget Circular A-128, *Audits of State and Local Governments*; and the United States Department of Agriculture *Farmers Home Administration (FmHA) Audit Program (1989 edition)*. Those standards, OMB Circular A-128 and the FmHA audit program require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

In planning and performing my audit for the year ended December 31, 1995, I considered the internal control structure of the Village of Epps in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements of the Village of Epps and to report on the internal control structure in accordance with OMB Circular A-128 and the FmHA audit program. This report addresses my consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. I have addressed internal control structure policies and procedures relevant to my audit of general purpose financial statements in a separate report dated June 26, 1996.

MAYOR AND BOARD  
OF ALDERMEN  
VILLAGE OF EPPS

Epps, Louisiana  
Independent Auditor's Report on  
Internal Control Structure, etc.,  
December 31, 1995

The management of the Village of Epps is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles, and that federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, I have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

Accounting:

- Revenue, receivables and receipts
- Expenditures
- Debt and debt service

General Requirements:

- Political activity
- Civil rights
- Davis-Bacon Act
- Cash management
- Federal financial reports
- Allowable costs/cost principles
- Administrative requirements

Specific Requirements:

- Types of services allowed
- Reporting

Special requirements:

- Record keeping

MAYOR AND BOARD  
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Environmental review  
Administrative costs  
Loan repayment and loan  
reserve requirements  
Claims for reimbursement

For all of the internal control structure categories listed above, I obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and I assessed control risk.

During the year ended December 31, 1995, the Village of Epps had no major federal financial assistance programs and expended 100 per cent of its federal financial assistance under the Community Development Block Grant nonmajor program.

I performed tests of controls, as required by OMB Circular A-128 and the FmHA audit program, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that I have considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for reimbursements that are applicable to the aforementioned nonmajor program. My procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, I do not express such an opinion.

My consideration of the internal control structure policies and procedures used in administering federal financial assistance programs would not necessarily disclose all matters in the internal control structure that might constitute material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control structure and its operations that I consider to be material weaknesses as defined above.

MAYOR AND BOARD  
OF ALDERMEN  
VILLAGE OF EPPS  
Epps, Louisiana  
Independent Auditor's Report on  
Internal Control Structure, etc.,  
December 31, 1995

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Calhoun, Louisiana  
June 26, 1996