

The Honorable Leon Clement, Mayor,
and the Board of Aldermen
Village of Morse, Louisiana

This report is intended solely for the use of management of Village of Morse, Louisiana and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

BROUSSARD, POCHE, LEWIS & BREAUX

Crowley, Louisiana
December 19, 1996

The Honorable Leon Clement, Mayor,
and the Board of Aldermen
Village of Morse, Louisiana

- (b) determine if payments were properly coded to the correct fund and general ledger account; and

All six of the payments were properly coded to the correct fund and general ledger account.

- (c) determine whether payments received approval from proper authorities.

Inspection of documentation supporting each of the six selected disbursements indicated approvals.

Meetings

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

Village of Morse, Louisiana is required to post a notice of each meeting and the accompanying agenda on the door of the Village's office building; the Village made proper notice of each meeting; however the Village did not post the agendas.

Debt

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

We scanned copies of bank deposit slips for the period under examination and noted no deposits which appeared to be proceeds of bank loans, bonds, or like indebtedness.

Advances and Bonuses

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

A reading of the minutes of the Village for the year did not reveal any such payments. We also inspected payroll records for the year and did not note any instances which would indicate payments to employees which would constitute bonuses, advances, or gifts.

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

The Honorable Leon Clement, Mayor,
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Village of Morse, Louisiana

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

Management provided us with the required list.

4. Determine whether any of those employees included in the listing obtained from management in agreed-upon procedure (3) were also included on the listing obtained from management in agreed-upon procedure (2) as immediate family members.

None of the employees included on the list of employees provided by management [agreed-upon procedure (3)] appeared on the list provided by management in agreed-upon procedure (2).

Budgeting

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

Management provided us with a copy of the original budget and the amendments made to the budget during the year.

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

We traced the adoption of the original budget and amendments to the minutes of a meeting held on June 28, 1995 and June 12, 1996, respectively, which indicated that the budget and amendments had been adopted by the Board of Aldermen of the Village of Morse, Louisiana.

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

We compared the revenues and expenditures of the amended budget to actual revenues and expenditures. Actual expenditures for the year exceeded budget in the general fund, water utility fund, and sewer utility fund by 7%, 82%, and 35%, respectively.

Accounting and Reporting

8. Randomly select six disbursements made during the period under examination and:

(a) trace payments to supporting documentation as to proper amount and payee;

We examined supporting documentation for each of the six selected disbursements and found that payment was for the proper amount and made to the correct payee.



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Frank A. Stagno, CPA*
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Kenneth R. Dugas, CPA*
P. John Blanchet III, CPA*
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Craig C. Balmeaux, CPA*
Peter C. Borrello, CPA*
Michael P. Crochet, CPA*
George J. Trappay III, CPA*
Daniel E. Gilder, CPA*
Gregory B. Milton, CPA*
S. Scott Sollean, CPA*
Karl G. Guidry, CPA*

Retired:

Sidney L. Broussard, CPA 1980
Leon K. Poche, CPA 1981
James H. Breaux, CPA 1987
Eyma B. Walton, CPA 1988
George A. Lewis, CPA* 1992
Geraldine J. Wimberley, CPA* 1995
Rodney J. Savoy, CPA* 1996

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**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

The Honorable Leon Clement, Mayor,
and the Board of Aldermen
Village of Morse, Louisiana

We have performed the procedures included in the *Louisiana Government Audit Guide* and enumerated below, which were agreed to by the management of Village of Morse, Louisiana and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about Village of Morse, Louisiana's compliance with certain laws and regulations during the year ended June 30, 1996 included in the accompanying *Louisiana Attestation Questionnaire*. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Public Bid Law

1. Select all expenditures made during the year for material and supplies exceeding \$5,000, or public works exceeding \$50,000, and determine whether such purchases were made in accordance with LSA-RS 38:2211-2251 (the public bid law).

There were not any expenditures made during the year for materials and supplies exceeding \$5,000 nor expenditures made for public works exceeding \$50,000.

Code of Ethics for Public Officials and Public Employees

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

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

VILLAGE OF MORSE, LOUISIANA

SCHEDULE OF PER DIEM PAID TO ELECTED OFFICIALS
Year Ended June 30, 1996

Leon Clement, Mayor	\$ 180
Donlean Gary	180
Allen Hargrave	180
Raymond Leger	180
	<u>720</u>
	<u>\$ 720</u>

OTHER SUPPLEMENTARY DATA

VILLAGE OF MORSE, LOUISIANA
GENERAL FIXED ASSETS ACCOUNT GROUP

STATEMENT OF CHANGES IN GENERAL FIXED ASSETS
Year Ended June 30, 1996

	Balance July 1, 1995	Additions	Deletions	Balance June 30, 1996
General fixed assets - at cost:				
Buildings	\$ 601	\$ -	\$ -	\$ 601
Equipment	12,064	1,225	-	13,289
Improvements	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
	<u>\$ 22,665</u>	<u>\$ 1,225</u>	<u>\$ -</u>	<u>\$ 23,890</u>
Investment in general fixed assets:				
Chattel mortgage	\$ 2,300	\$ -	\$ -	\$ 2,300
General fund	9,422	1,225	-	10,647
Sales tax	943	-	-	943
Capital projects fund	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
	<u>\$ 22,665</u>	<u>\$ 1,225</u>	<u>\$ -</u>	<u>\$ 23,890</u>

GENERAL FIXED ASSET ACCOUNT GROUP

To account for fixed assets not used in proprietary fund operations.

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VILLAGE OF MORSE, LOUISIANA
ENTERPRISE FUNDS

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS - RESTRICTED ACCOUNTS
REQUIRED BY REVENUE BOND ORDINANCE
Year Ended June 30, 1996

	<u>Sewer Utility</u>			<u>Total</u>
	<u>Bond and Interest Sinking Fund</u>	<u>Bond Reserve Account</u>	<u>Depreciation and Contingencies</u>	
Beginning cash and cash equivalents	\$ 7,201	\$ 13,112	\$ 8,040	\$ 28,353
Cash receipts:				
Transfer from operating account	34,040	1,587	1,559	37,186
Interest received	-	221	189	410
Total cash available	<u>\$ 41,241</u>	<u>\$ 14,920</u>	<u>\$ 9,788</u>	<u>\$ 65,949</u>
Cash disbursements:				
Principal payment	\$ 15,561	\$ -	\$ -	\$ 15,561
Interest and fiscal charges	11,870	-	-	11,870
Transfer to operating account	-	7,161	-	7,161
	<u>\$ 27,431</u>	<u>\$ 7,161</u>	<u>\$ -</u>	<u>\$ 34,592</u>
Ending cash and cash equivalents	<u>\$ 13,810</u>	<u>\$ 7,759</u>	<u>\$ 9,788</u>	<u>\$ 31,357</u>

VILLAGE OF MORSE, LOUISIANA
ENTERPRISE FUNDS

COMBINING STATEMENT OF CASH FLOWS
Year Ended June 30, 1996

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating loss	\$(20,421)	\$ (2,851)	\$(23,272)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation	20,365	27,260	47,625
Change in assets and liabilities:			
Increase (decrease) in accounts payable	1,035	(200)	835
Decrease in other payables	<u>(238)</u>	<u>(247)</u>	<u>(485)</u>
Net cash provided by operating activities	\$ 741	\$ 23,962	\$ 24,703
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating transfers in	<u>\$ -</u>	<u>\$ 4,412</u>	<u>\$ 4,412</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Payment on revenue bonds	\$ -	\$(15,561)	\$(15,561)
Interest paid	<u>-</u>	<u>(11,870)</u>	<u>(11,870)</u>
Net cash used by capital and related financing activities	<u>\$ -</u>	<u>\$(27,431)</u>	<u>\$(27,431)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	<u>\$ 56</u>	<u>\$ 410</u>	<u>\$ 466</u>
Net change in cash and cash equivalents	\$ 797	\$ 1,353	\$ 2,150
Cash and cash equivalents - beginning	<u>3,148</u>	<u>31,889</u>	<u>35,037</u>
Cash and cash equivalents - ending	<u>\$ 3,945</u>	<u>\$ 33,242</u>	<u>\$ 37,187</u>

NONCASH INVESTING ACTIVITY

Contributed capital and plant and equipment were increased in the water utility fund by capital outlays made in the general fund of \$7,060 for the purchase of equipment.

Contributed capital and plant and equipment were increased in the sewer utility fund by capital outlays made in the LCDBG Sewer Project Fund of \$19,878 for rehabilitation of the sewer collection system.

<u>Sewer Utility</u>			<u>Total</u>		
<u>Budget</u>	<u>Actual</u>	<u>Variance-Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance-Favorable (Unfavorable)</u>
\$ 53,000	\$ 53,191	\$ 191	\$ 78,000	\$ 78,394	\$ 394
\$ 9,000	\$ 9,380	\$ (380)	\$ 18,025	\$ 18,720	\$ (695)
500	519	(19)	1,050	1,067	(17)
-	327	(327)	-	1,776	(1,776)
100	-	100	100	-	100
21,350	27,260	(5,910)	24,050	47,625	(23,575)
8,000	9,213	(1,213)	12,500	13,676	(1,176)
1,400	7,417	(6,017)	3,900	9,892	(5,992)
-	235	(235)	500	2,235	(1,735)
900	1,462	(562)	5,100	5,465	(365)
250	229	21	1,350	1,210	140
<u>\$ 41,500</u>	<u>\$ 56,042</u>	<u>\$ (14,542)</u>	<u>\$ 66,575</u>	<u>\$ 101,666</u>	<u>\$ (35,091)</u>
<u>\$ 11,500</u>	<u>\$ (2,851)</u>	<u>\$ (14,351)</u>	<u>\$ 11,425</u>	<u>\$ (23,272)</u>	<u>\$ (34,697)</u>
\$ 500	\$ 410	\$ (90)	\$ 575	\$ 466	\$ (109)
<u>(12,000)</u>	<u>(11,080)</u>	<u>920</u>	<u>(12,000)</u>	<u>(11,080)</u>	<u>920</u>
<u>\$ (11,500)</u>	<u>\$ (10,670)</u>	<u>\$ 830</u>	<u>\$ (11,425)</u>	<u>\$ (10,614)</u>	<u>\$ 811</u>
\$ -	\$ (13,521)	\$ (13,521)	\$ -	\$ (33,886)	(33,886)
-	4,412	4,412	-	4,412	4,412
\$ -	\$ (9,109)	\$ (9,109)	\$ -	\$ (29,474)	\$ (29,474)
<u>(102,155)</u>	<u>(102,155)</u>	<u>-</u>	<u>(131,096)</u>	<u>(131,096)</u>	<u>-</u>
<u>\$ (102,155)</u>	<u>\$ (111,264)</u>	<u>\$ (9,109)</u>	<u>\$ (131,096)</u>	<u>\$ (160,570)</u>	<u>\$ (29,474)</u>

VILLAGE OF MORSE, LOUISIANA
ENTERPRISE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
Year Ended June 30, 1996

	Water Utility		
	Budget	Actual	Variance - Favorable (Unfavorable)
Operating revenues:			
Charges for services	\$ 25,000	\$ 25,203	\$ 203
Operating expenses:			
Labor	\$ 9,025	\$ 9,340	\$ (315)
Payroll taxes	550	548	2
Plant supplies	-	1,449	(1,449)
Office supplies	-	-	-
Depreciation	2,700	20,365	(17,665)
Heat, light and power	4,500	4,463	37
Repairs and maintenance	2,500	2,475	25
Accounting and auditing	500	2,000	(1,500)
Chemicals and testing	4,200	4,003	197
Other	<u>1,100</u>	<u>981</u>	<u>119</u>
	<u>\$ 25,075</u>	<u>\$ 45,624</u>	<u>\$ (20,549)</u>
Operating income (loss)	<u>\$ (75)</u>	<u>\$ (20,421)</u>	<u>\$ (20,346)</u>
Non-operating revenues (expenses):			
Interest revenue	\$ 75	\$ 56	\$ (19)
Interest expense	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 75</u>	<u>\$ 56</u>	<u>\$ (19)</u>
Loss before operating transfers	\$ -	\$ (20,365)	\$ (20,365)
Operating transfers:			
Operating transfers in	<u>-</u>	<u>-</u>	<u>-</u>
Net loss	\$ -	\$ (20,365)	\$ (20,365)
Retained earnings (deficit) - beginning	<u>(28,941)</u>	<u>(28,941)</u>	<u>-</u>
Retained earnings (deficit) - ending	<u><u>\$ (28,941)</u></u>	<u><u>\$ (49,306)</u></u>	<u><u>\$ (20,365)</u></u>

LIABILITIES AND FUND EQUITY	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total</u>
CURRENT LIABILITIES (payable from current assets)			
Accounts payable	\$ 1,500	\$ -	\$ 1,500
Due to other funds	2,351	5,520	7,871
Unearned revenue	504	1,008	1,512
Accrued payroll taxes	54	63	117
	<u>\$ 4,409</u>	<u>\$ 6,591</u>	<u>\$ 11,000</u>
CURRENT LIABILITIES (payable from restricted assets)			
Revenue bonds	\$ -	\$ 16,102	\$ 16,102
Accrued interest	-	6,673	6,673
	<u>\$ -</u>	<u>\$ 22,775</u>	<u>\$ 22,775</u>
Total current liabilities	<u>\$ 4,409</u>	<u>\$ 29,366</u>	<u>\$ 33,775</u>
OTHER LIABILITIES			
Revenue bonds payable	<u>\$ -</u>	<u>\$ 210,484</u>	<u>\$ 210,484</u>
FUND EQUITY			
Contributed capital	\$ 681,814	\$ 935,383	\$1,617,197
Retained earnings (deficit):			
Reserved for revenue bond retirement	-	8,582	8,582
Unreserved	(49,306)	(119,846)	(169,152)
	<u>\$ 632,508</u>	<u>\$ 824,119</u>	<u>\$1,456,627</u>
	<u>\$ 636,917</u>	<u>\$1,063,969</u>	<u>\$1,700,886</u>

VILLAGE OF MORSE, LOUISIANA
ENTERPRISE FUNDS

COMBINING BALANCE SHEET
June 30, 1996

ASSETS	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total</u>
CURRENT ASSETS			
Cash and cash equivalents	\$ 3,945	\$ 1,885	\$ 5,830
Accounts receivable, net of allowance for uncollectible accounts of \$1,996	<u>624</u>	<u>1,346</u>	<u>1,970</u>
Total current assets	<u>\$ 4,569</u>	<u>\$ 3,231</u>	<u>\$ 7,800</u>
RESTRICTED ASSETS			
Cash and cash equivalents	<u>\$ -</u>	<u>\$ 31,357</u>	<u>\$ 31,357</u>
PLANT AND EQUIPMENT			
Plant and equipment, at cost	\$ 800,797	\$1,306,646	\$2,107,443
Accumulated depreciation	<u>(168,449)</u>	<u>(277,265)</u>	<u>(445,714)</u>
	<u>\$ 632,348</u>	<u>\$1,029,381</u>	<u>\$1,661,729</u>
	<u>\$ 636,917</u>	<u>\$1,063,969</u>	<u>\$1,700,886</u>

ENTERPRISE FUNDS

Water Utility Fund -

To account for the provision of water services to the residents of the Village. All activities necessary to provide such services are accounted for in this fund including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

Sewer Utility Fund -

To account for the provision of sewer services to the residents of the Village. All activities necessary to provide such services are accounted for in this fund including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

NOTES TO FINANCIAL STATEMENTS

Note 14. Contributed Capital

During the year ended June 30, 1996, contributed capital in the sewer utility fund was increased by capital outlays made in the LCDBG Capital Projects Fund - Sewer Project of \$19,878 for the rehabilitation of the sewer collection system. Contributed capital in the water utility fund was increased by capital outlays made in the general fund of \$7,060 for the purchase of equipment.

NOTES TO FINANCIAL STATEMENTS

Note 12. Retirement Commitments

Substantially all employees of the Village of Morse, except for the police chief, are members of the federal Social Security System. The police chief is a member of the Municipal Police Employees' Retirement System.

Plan description:

The Municipal Police Employees' Retirement System (the System) is a cost-sharing multiple-employer public employee retirement system (PERS).

Membership is mandatory for any full-time police officer employed by a municipality of the State of Louisiana and engaged in law enforcement, empowered to make arrest, providing they do not have to pay social security and providing they meet the statutory criteria. Employees who retire at or after age 50 with at least 20 years of credited service, or at or after age 55 with at least 12 years of credited service are entitled to a retirement benefit payable monthly for life, equal to 3-1/3 percent of their average final compensation multiplied by the employee's years of credited service. Final compensation is the employee's monthly earnings during the 36 consecutive or joined months that produce the highest average. The System also provides death and disability benefits. Benefits are established by state statute.

The Municipal Police Employee's Retirement System issues a publicly available report that includes financial statements and required supplemental information. That report may be obtained by writing to Municipal Police Employee's Retirement System, 8401 United Plaza Blvd., Suite 270, Baton Rouge, LA 70809-7017.

Funding policy:

Plan members are required to contribute 7.5% of their annual covered salary and the Village is required to contribute 9.0% as established by the state statute. The Village's contributions to the System for the year ended June 30, 1996 was \$617.

Note 13. Compensated Absences

The Village has no policy on compensated absences and only a few regular employees. The compensated absences are not material to the financial statements as a whole and therefore not accrued.

NOTES TO FINANCIAL STATEMENTS

Note 8. Enterprise Fund Operations

The operations of the individual funds which comprise the total combined enterprise fund operations are summarized as follows:

	<u>Water Utility Fund</u>	<u>Sewer Utility Fund</u>
Operating revenues	\$ 25,203	\$ 53,191
Operating expenses	<u>45,624</u>	<u>56,042</u>
Operating loss	\$(20,421)	\$ (2,851)
Nonoperating items:		
Revenues (expenses)	56	(10,670)
Transfers in	<u>-</u>	<u>4,412</u>
Net loss	<u>\$(20,365)</u>	<u>\$ (9,109)</u>

Note 9. Allowance for Uncollectibles

The receivable recorded in the enterprise fund is net of allowance for uncollectibles of \$628 in the Water Utility and \$1,368 in the Sewer Utility.

Note 10. Cash and Cash Equivalents

For reporting purposes, cash and cash equivalents includes cash and savings deposits. Bank deposits at June 30, 1996 were fully secured by FDIC insurance.

Note 11. Interfund Receivables, Payables

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General fund	\$ 7,871	\$ 1,566
Special revenue	-	3,435
Capital projects	5,001	-
Enterprise fund -		
Water Utility	-	2,351
Sewer Utility	-	5,520
	<u>\$ 12,872</u>	<u>\$ 12,872</u>

NOTES TO FINANCIAL STATEMENTS

After all required payments above have been met, the revenue fund must transfer \$115 into the depreciation and contingencies fund. The first monthly payment is to be made by the 20th day of the first full month following completion of the sewer system and by the 20th day of each month thereafter. The money in the depreciation and contingencies fund shall be used first to pay currently maturing principal and interest for which there is insufficient money in the bond fund or reserve account and secondly for making replacements, improvements or extensions to the system. Any deficiencies in the depreciation and contingencies fund shall be made up from money in the revenue fund whenever such money is not needed for maintenance and operation or payment of current principal, interest and reserve account requirements.

The required and current balances of the above funds at June 30, 1996 are as follows:

	<u>Required</u>	<u>Actual</u>	<u>Excess (Deficiency)</u>
Bond and interest sinking fund	\$ 16,002	\$ 13,810	\$ (2,192)
Bond reserve account	11,746	7,759	(3,987)
Depreciation and contingencies fund	<u>11,845</u>	<u>9,788</u>	<u>(2,057)</u>
	<u>\$ 39,593</u>	<u>\$ 31,357</u>	<u>\$ (8,236)</u>

Note 6. Deficit Retained Earnings

The Water and Sewer Utility Fund have a deficit retained earnings balance at June 30, 1996 of \$49,306 and \$111,264, respectively.

Note 7. Dedication of Sales Tax Proceeds

Proceeds of the 1% sales and use tax are dedicated to the following purposes:

1. Construction, acquiring, extending, improving, and/or maintaining drainage facilities, streets, and sidewalks.
2. Collection and disposal of refuse.
3. Purchasing and acquiring equipment and furnishings for the aforesaid public works.
4. Improvements and facilities, title to which improvements shall be in the public.
5. For any one or more of said purposes.

NOTES TO FINANCIAL STATEMENTS

Bonds payable at June 30, 1996 are comprised of the following individual issue:

\$370,000 Sewer Revenue Bonds issued November 17, 1981, due in annual installments of \$27,431 through November 17, 2006; interest at 5%	<u>\$226,586</u>
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The annual requirements to amortize all debt outstanding as of June 30, 1996, including interest payments of \$73,881 are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Revenue</u>
1997	\$ 27,431
1998	27,431
1999	27,431
2000	27,431
2001	27,431
Thereafter	<u>163,312</u>
	<u>\$300,467</u>

Under the terms of various bond indentures on outstanding Sewer Utility Revenue Bonds, all income and revenues (hereinafter referred to as revenue) of every nature, earned or derived from the operation of the Utilities System are pledged and dedicated to the retirement of said bonds and are to be deposited in funds as indicated below:

All revenue must be deposited into a revenue fund. The revenue fund must transfer from time to time amounts into the maintenance and operation fund that are sufficient to pay the cost of maintaining and operating the utility system.

After transferring the required amounts into the maintenance and operation fund, the revenue fund must transfer monthly to the bond and interest sinking fund an amount equal to one-twelfth of the interest and one-twelfth of the principal falling due on their next respective payment date. Money so accumulated is to pay for currently maturing principal and interest.

After the above requirements are met, the revenue fund must transfer monthly on or before the 20th day of each month of each year as long as the system is revenue producing, a sum equal to 5% of the monthly payment of the Revenue Bond into the Reserve Fund. The payments are to continue until such time as there has been accumulated therein a sum equal to the highest combined principal and interest requirement in any succeeding fiscal year on the outstanding principal of the bond.

NOTES TO FINANCIAL STATEMENTS

Note 4. Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

	<u>Balance, July 1, 1995</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, June 30, 1996</u>
Buildings	\$ 601	\$ -	\$ -	\$ 601
Equipment	12,064	1,225	-	13,289
Improvements other than buildings	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
	<u>\$ 22,665</u>	<u>\$ 1,225</u>	<u>\$ -</u>	<u>\$ 23,890</u>

A summary of proprietary fund type property, plant, and equipment at June 30, 1996 follows:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Land	\$ 13,000	\$ 40,350	\$ 53,350
Water wells	65,881	-	65,881
Water	221,270	-	221,270
Sewer treatment plant	-	468,039	468,039
Distribution system	487,088	798,257	1,285,345
Other equipment	<u>13,558</u>	<u>-</u>	<u>13,558</u>
	\$ 800,797	\$1,306,646	\$2,107,443
Less accumulated depreciation	<u>(168,449)</u>	<u>(277,265)</u>	<u>(445,714)</u>
	<u>\$ 632,348</u>	<u>\$1,029,381</u>	<u>\$1,661,729</u>

Note 5. Changes in Long-Term Debt

The following is a summary of bond transactions for the Village for the year ended June 30, 1996.

Bonds payable at July 1, 1995	\$242,147
Bonds retired	<u>(15,561)</u>
Bonds payable at June 30, 1996	<u>\$226,586</u>

NOTES TO FINANCIAL STATEMENTS

Bad debts:

Uncollectible amounts due from customers' utility receivables are recognized as bad debts by the use of the allowance method of accounting for bad debts.

Total columns on Combined Statements - Overview:

Total columns on the Combined Statements - Overview are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position 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.

Note 2. Property Tax

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are payable by December 31. The Village bills and collects its own property taxes.

The Village currently levies taxes at 7 mills on the dollar of assessed valuation of property for general corporate purposes.

Note 3. Due from Other Governmental Units

As of June 30, 1996, the amount due from other governments in the General Fund of \$2,664 represents amounts due from the Louisiana State Department of Revenue for beer tax of \$519, tobacco tax of \$1,057, and video poker tax of \$1,088. The amount due from the other governments in the Special Revenue Funds - Sales Tax represents sales taxes collected of \$1,978 by the Acadia Parish School Board.

NOTES TO FINANCIAL STATEMENTS

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated unpaid vacation, sick pay, and other employee amounts which are not accrued; and (2) principal and interest on general long-term debt which is recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Budgets and budgetary accounting:

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Mayor submits to the Board of Aldermen a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. The budget is then legally enacted through passage of an ordinance. Budget amounts shown in this report are as originally adopted by the Village.
3. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
4. All budget appropriations lapse at year end.

For the year ended June 30, 1996 the Village's actual expenditures exceeded budgeted expenditures by 7%, 82%, and 35% in the General Fund, the Water Utility Fund, and the Sewer Utility Fund, respectively. Louisiana Revised Statute (LSA-R.S.) 39:1310 requires that a budget be amended if actual expenditures exceed budgeted expenditures by 5 percent or more.

Cash and cash equivalents:

For purposes of reporting cash flows, the Village considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

NOTES TO FINANCIAL STATEMENTS

Account Groups

Fixed assets and long-term liabilities:

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the general fixed assets account group, rather than in governmental funds. General fixed assets, except for streets, drainage and improvements thereon, are capitalized in the account group. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost.

The account group is not a "fund." It is concerned only with the measurement of financial position. It is not involved with the measurement of results of operations.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the general long-term debt account group.

Basis of accounting:

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Taxpayer-assessed income, gross receipts, and sales taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

NOTES TO FINANCIAL STATEMENTS

Proprietary Funds

Enterprise funds:

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Proprietary funds are reported in accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting. This standard requires that all applicable GASB pronouncements, Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) issued on or before November 30, 1989 be applied to proprietary activities unless they (FASB Statements and Interpretations, APB Opinions, and ARBs) conflict with or contradict GASB pronouncements.

GASB Statement No. 20 also states that for proprietary activities, management may elect to apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements. Proprietary activities under the control of the Village have elected not to apply FASB Statements and Interpretations issued after November 30, 1989, unless they are adopted by GASB.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Water wells	50 years
Lines	20-50 years
Equipment	10-12 years

VILLAGE OF MORSE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The Village of Morse was incorporated March 27, 1906, under the provisions of Section 11 of Louisiana Act No. 136. The Village operates under a Mayor-Aldermen form of government and provides the following services as authorized by its charter; public safety (police), highways and streets, sanitation, health, recreation, public improvements, planning and zoning, and general administrative services.

The accounting policies of the Village of Morse conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

Fund accounting:

The accounts of the Village are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report as follows:

Governmental Funds

General fund:

The general fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Special revenue funds:

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital projects funds:

Capital projects funds are used to account for financial resources to be used for acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

VILLAGE OF MORSE, LOUISIANA
 PROPRIETARY FUND TYPE

COMBINED STATEMENT OF CASH FLOWS
 Year Ended June 30, 1996

CASH FLOWS FROM OPERATING ACTIVITIES	
Operating loss	\$(23,272)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	47,625
Change in assets and liabilities:	
Decrease in other payables	(485)
Increase in accounts payable	<u>835</u>
Net cash provided by operating activities	<u>\$ 24,703</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating transfers in	<u>\$ 4,412</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payment on revenue bonds	\$(15,561)
Interest paid	<u>(11,870)</u>
Net cash used in capital and related financing activities	<u>\$(27,431)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>\$ 466</u>
Net change in cash and cash equivalents	\$ 2,150
Cash and cash equivalents - beginning	<u>35,037</u>
Cash and cash equivalents - ending	<u>\$ 37,187</u>
NONCASH INVESTING ACTIVITIES	

During the year ended June 30, 1996, contributed capital and plant and equipment in the sewer utility fund were increased by capital outlays made in the LCDBG Sewer Project Fund of \$19,878 for the rehabilitation of the sewer collection system. Contributed capital and plant and equipment in the water utility fund were increased by capital outlays made in the general fund of \$7,060 for the purchase of equipment.

See Notes to Financial Statements.

VILLAGE OF MORSE, LOUISIANA
 PROPRIETARY FUND TYPE

COMBINED STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN RETAINED EARNINGS
 Year Ended June 30, 1996

Operating revenues:		
Charges for services		\$ 78,394
Operating expenses:		
Labor	\$ 18,720	
Payroll taxes	1,067	
Plant supplies	1,776	
Depreciation	47,625	
Heat, light, and power	13,676	
Repairs and maintenance	9,892	
Accounting and auditing	2,235	
Chemicals and testing	5,465	
Other	<u>1,210</u>	<u>101,666</u>
Operating loss		\$ (23,272)
Non-operating revenues (expenses):		
Interest revenue	\$ 466	
Interest expense	<u>(11,080)</u>	<u>(10,614)</u>
Net loss before operating transfers		\$ (33,886)
Operating transfers:		
Operating transfers in		<u>4,412</u>
Net loss		\$ (29,474)
Retained earnings (deficit) - beginning		<u>(131,096)</u>
Retained earnings (deficit) - ending		<u><u>\$(160,570)</u></u>

See Notes to Financial Statements.

<u>Special Revenue Fund</u>		
<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
\$ 21,000	\$ 23,753	\$ 2,753
-	-	-
-	-	-
-	-	-
-	-	-
<u>\$ 21,000</u>	<u>\$ 23,753</u>	<u>\$ 2,753</u>
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	-
-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 21,000</u>	<u>\$ 23,753</u>	<u>\$ 2,753</u>
\$ -	\$ -	\$ -
<u>(12,000)</u>	<u>(21,243)</u>	<u>(9,243)</u>
<u>\$ (12,000)</u>	<u>\$ (21,243)</u>	<u>\$ (9,243)</u>
\$ 9,000	\$ 2,510	\$ (6,490)
<u>5,049</u>	<u>5,049</u>	<u>-</u>
<u>\$ 14,049</u>	<u>\$ 7,559</u>	<u>\$ (6,490)</u>

VILLAGE OF MORSE, LOUISIANA

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
GENERAL AND SPECIAL REVENUE FUNDS
Year Ended June 30, 1996

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Revenues:			
Taxes	\$ 29,000	\$ 30,934	\$ 1,934
Licenses and permits	15,000	21,787	6,787
Intergovernmental	8,700	10,385	1,685
Fines and forfeits	1,200	1,195	(5)
Other	3,500	5,200	1,700
	<u>\$ 57,400</u>	<u>\$ 69,501</u>	<u>\$ 12,101</u>
Expenditures:			
Current:			
General government	\$ 56,470	\$ 55,275	\$ 1,195
Public safety	830	847	(17)
Public works	4,000	3,819	181
Capital outlay	1,500	8,847	(7,347)
Debt service	1,600	-	1,600
	<u>\$ 64,400</u>	<u>\$ 68,788</u>	<u>\$ (4,388)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (7,000)</u>	<u>\$ 713</u>	<u>\$ 7,713</u>
Other financing sources (uses):			
Operating transfers in	\$ 7,000	\$ 13,396	\$ 6,396
Operating transfers out	-	(1,566)	(1,566)
	<u>\$ 7,000</u>	<u>\$ 11,830</u>	<u>\$ 4,830</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ 12,543	\$ 12,543
Fund balances - beginning	<u>1,526</u>	<u>1,526</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,526</u>	<u>\$ 14,069</u>	<u>\$ 12,543</u>

See Notes to Financial Statements.

VILLAGE OF MORSE, LOUISIANA

COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
Year Ended June 30, 1996

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total (Memorandum Only) 1996</u>
Revenues:				
Taxes	\$ 30,934	\$ 23,753	\$ -	\$ 54,687
Licenses and permits	21,787	-	-	21,787
Intergovernmental	10,385	-	14,850	25,235
Fines and forfeits	1,195	-	-	1,195
Other	5,200	-	-	5,200
	<u>\$ 69,501</u>	<u>\$ 23,753</u>	<u>\$ 14,850</u>	<u>\$108,104</u>
Expenditures:				
Current:				
General government	\$ 55,275	\$ -	\$ -	\$ 55,275
Public safety	847	-	-	847
Public works	3,819	-	-	3,819
Capital outlays	8,847	-	19,878	28,725
	<u>\$ 68,788</u>	<u>\$ -</u>	<u>\$ 19,878</u>	<u>\$ 88,666</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 713</u>	<u>\$ 23,753</u>	<u>\$ (5,028)</u>	<u>\$ 19,438</u>
Other financing sources (uses):				
Operating transfers in	\$ 13,396	\$ -	\$ 5,001	\$ 18,397
Operating transfers out	(1,566)	(21,243)	-	(22,809)
	<u>\$ 11,830</u>	<u>\$ (21,243)</u>	<u>\$ 5,001</u>	<u>\$ (4,412)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ 12,543	\$ 2,510	\$ (27)	\$ 15,026
Fund balances - beginning	<u>1,526</u>	<u>5,049</u>	<u>28</u>	<u>6,603</u>
Fund balances - ending	<u>\$ 14,069</u>	<u>\$ 7,559</u>	<u>\$ 1</u>	<u>\$ 21,629</u>

See Notes to Financial Statements.

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Exhibit A
(Continued)

<u>Proprietary Fund Type</u>	<u>Account Group</u> General Fixed Assets	<u>Total (Memorandum Only)</u>
<u>Enterprise</u>		
\$ 1,500	\$ -	\$ 41,578
7,871	-	12,872
117	-	138
1,512	-	1,512
210,484	-	210,484
16,102	-	16,102
<u>6,673</u>	<u>-</u>	<u>6,673</u>
<u>\$ 244,259</u>	<u>\$ -</u>	<u>\$ 289,359</u>
\$1,617,197	\$ -	\$1,617,197
-	23,890	23,890
8,582	-	8,582
(169,152)	-	(169,152)
<u>-</u>	<u>-</u>	<u>21,629</u>
<u>\$1,456,627</u>	<u>\$ 23,890</u>	<u>\$1,502,146</u>
<u>\$1,700,886</u>	<u>\$ 23,890</u>	<u>\$1,791,505</u>

VILLAGE OF MORSE, LOUISIANA

COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS (CONTINUED)
 June 30, 1996

LIABILITIES AND FUND EQUITY	Governmental Fund Types		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
LIABILITIES			
Accounts payable	\$ 20,200	\$ -	\$ 19,878
Due to other funds	1,566	3,435	-
Accrued liabilities	21	-	-
Unearned revenue	-	-	-
Revenue bonds payable	-	-	-
Payable from restricted assets:			
Revenue bonds	-	-	-
Accrued interest	-	-	-
	<u>\$ 21,787</u>	<u>\$ 3,435</u>	<u>\$ 19,878</u>
FUND EQUITY			
Contributed capital	\$ -	\$ -	\$ -
Investment in general fixed assets	-	-	-
Retained earnings (deficit):			
Reserved for revenue bond retirement	-	-	-
Unreserved	-	-	-
Fund balances:			
Unreserved	<u>14,069</u>	<u>7,559</u>	<u>1</u>
	<u>\$ 14,069</u>	<u>\$ 7,559</u>	<u>\$ 1</u>
	<u>\$ 35,856</u>	<u>\$ 10,994</u>	<u>\$ 19,879</u>

See Notes to Financial Statements.

Exhibit A

<u>Proprietary Fund Type</u>	<u>Account Group</u>	<u>Total (Memorandum Only)</u>
<u>Enterprise</u>	<u>General Fixed Assets</u>	
\$ 5,830	\$ -	\$ 49,522
1,970	-	1,970
-	-	12,872
-	-	5,523
-	-	4,642
31,357	-	31,357
<u>1,661,729</u>	<u>23,890</u>	<u>1,685,619</u>
<u>\$1,700,886</u>	<u>\$ 23,890</u>	<u>\$1,791,505</u>

(Continued)

VILLAGE OF MORSE, LOUISIANA
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 June 30, 1996

ASSETS	Governmental Fund Types		
	General	Special Revenue	Capital Projects
Cash and cash equivalents	\$ 19,798	\$ 9,016	\$ 14,878
Receivables (net of allowances for uncollectibles):			
Accounts	-	-	-
Due from other funds	7,871	-	5,001
Other	5,523	-	-
Due from other governments	2,664	1,978	-
Restricted assets:			
Cash and cash equivalents	-	-	-
Fixed assets (net of accumulated depreciation)	-	-	-
	\$ 35,856	\$ 10,994	\$ 19,879

GENERAL PURPOSE FINANCIAL STATEMENTS
(Combined Statements - Overview)

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George A. Lewis, CPA* 1992
Geraldine J. Wimberley, CPA* 1995
Rodney L. Savoy, CPA* 1996

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INDEPENDENT ACCOUNTANT'S REPORT

The Honorable Leon Clement, Mayor,
and the Board of Aldermen
Village of Morse, Louisiana

We have compiled the accompanying general purpose financial statements of the Village of Morse, Louisiana, as of and for the year ended June 30, 1996 and the supplementary schedules, as listed in the table of contents. The statements and supplementary schedules, which are presented only for supplementary analysis purposes, were compiled in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

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

BROUSSARD, POCHE, LEWIS & BREAUX

Crowley, Louisiana
December 19, 1996

C O N T E N T S

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VILLAGE OF MORSE, LOUISIANA
FINANCIAL REPORT
JUNE 30, 1996

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Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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 FEB 26 1997