

VILLAGE OF MORGANZA, LOUISIANA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2004

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

Release Date 1-19-05

VILLAGE OF MORGANZA
POINTE COUPEE PARISH, LOUISIANA
P. O. BOX 66
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MAYOR
Charles Landry

ALDERMEN
Eric Gustin
John Mitch Langlois
Salvador J. Tuminello

CITY MANAGER
Mark S. Ramagos

CITY CLERK
Diane Grantham

CHIEF OF POLICE
Joseph B. Robillard

MEETING DATE
1st Thursday of Every Month
7:00 PM - Town Hall

**VILLAGE OF MORGANZA, LOUISIANA
FOR THE YEAR ENDED JUNE 30, 2004
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George F. Delaune

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INDEPENDENT AUDITOR'S REPORT

The Honorable Charles Landry, Mayor
and Members of the Board of Aldermen
Village of Morganza, Louisiana

I have audited the accompanying financial statements of the governmental activities and business-type activities of the VILLAGE OF MORGANZA, LOUISIANA, as of and for the year ended June 30, 2004, which collectively comprise the Village's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Village of Morganza, Louisiana, management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the business-type activities of the Village of Morganza, Louisiana, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 29, 2004, on my consideration of the Village of Morganza, Louisiana's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

As described in Note 10, the Village has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of June 30, 2004.

The management's discussion and analysis and budgetary comparison information on pages 3 through 6 and 29, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

George F. Delaune, CPA

November 29, 2004

Management's Discussion and Analysis

Our discussion and analysis of the Village of Morganza's financial performance provides an overview of the Village's financial activities for the year ended June 30, 2004. Please read it in conjunction with the Village's financial statements, which begin on page 5.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on page 9-10) provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. Fund financial statements start on page 11. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide statements by providing information about the Village's most significant funds.

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

Our analysis of the Village as a whole begins on page 4. One of the most important questions asked about the Village's finances is, "Is the Village as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Village as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Village's net assets and changes in them. You can think of the Village's net assets—the difference between assets and liabilities—as one way to measure the Village's financial health, or financial position. Over time, increases or decreases in the Village's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as a changes in the Village's property tax base and the condition of the Village's roads, to assess the overall health of the Village.

In the Statement of Net Assets and the Statement of Activities, we divide the Village into two kinds of activities:

- **Governmental activities** – Most of the Village's basic services are reported here, including the general administration, police, and streets. Property taxes, sales taxes, franchise fees, and fines finance most of these activities.
- **Business-type activities** – The Village charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Village's natural gas, water, and sewer systems are reported here.

Reporting the Village's Most Significant Funds

Fund Financial Statements

Our analysis of the Village's major funds begins on page 5. The fund financial statements begin on page 19 and provide detailed information about the most significant funds – not the Village as a whole. Some funds are required to be established by State law and by bond covenants. However, the Village Council establishes many other funds to help it control and manage money for particular purposes or to show that it is

meeting legal responsibilities for using certain taxes, grants, and other money. The Village's two kinds of funds – governmental and proprietary – use different accounting approaches.

- **Governmental funds** – Most of the Village's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Village's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.
- **Proprietary funds** – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Village's enterprise fund is the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

THE CITY AS A WHOLE

For the year ended June 30, 2004, net assets changed as follows:

	Governmental Activities	Business-type Activities	Total
Beginning net assets	\$ 93,753	\$ 2,301,426	\$ 2,395,179
Increase (decrease) in net assets	6,184	(40,072)	(33,888)
Ending net assets	<u>\$ 99,937</u>	<u>\$ 2,261,354</u>	<u>\$ 2,361,291</u>

That reflects a slight increase of 6.6% for governmental activities and a decrease of 1.74% for business-type activities.

Since this is the first year to report all activities on the accrual basis of accounting, a comparison to the prior year is not possible (with the exception of the above comparison). However, in future years, this section will explain the differences between the current- and prior-year assets, liabilities, and changes in net assets.

Governmental Activities

Again, because this is the first year to report governmental activities on the accrual basis of accounting, a comparison to the prior year is not possible. However, in next year's discussion this section will show a condensed financial comparison of revenues and expenses and provide explanations for significant differences.

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the Village's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants. Some of the individual line item revenues reported for each function are:

General government	Building permits, occupational licenses
Police	Fines
Streets	Grass cutting

All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose.

Business-type Activities

In reviewing the department net (expense)/revenue, it should be pointed out that general and administrative expenses have not been allocated to natural gas, water, or sewer operations; therefore, if allocated, net (expense)/revenue would be significantly different for each of these operations.

THE VILLAGE'S FUNDS

With the implementation of two new accounting standards, an analysis of current- and prior-year governmental fund (in particular the general fund) balance sheets is difficult to do. In subsequent years, this section will discuss and analyze significant differences.

The following schedule presents a summary of general fund revenues and expenditures for the fiscal year ended June 30, 2004, and the amount and percentage of increases and decreases in relation to the prior year.

Revenues	FYE 2004 Amount	Percent of Total	Increase (Decrease) from FYE 2003	Percent Increase (Decrease)
Taxes	\$ 75,317	57.18%	\$ (3,080)	-11.35%
Intergovernmental	19,850	15.07%	(16,513)	-60.83%
Charges for services	1,934	1.47%	(1,934)	-7.12%
Fines and forfeitures	13,354	10.14%	(4,994)	-18.40%
Licenses and permits	21,096	16.02%	(378)	-1.39%
Interest	111	0.08%	(102)	-0.38%
Miscellaneous	46	0.04%	(143)	-0.53%
Total Revenues	\$ 131,708	100.00%	\$ (27,144)	-100.00%

Intergovernmental revenues during FYE 2003 included a \$15,000 grant, which accounts for the significant decline in that category.

Expenditures	FYE 2004 Amount	Percent of Total	Increase (Decrease) from FYE 2003	Percent Increase (Decrease)
General government	\$ 54,518	35.72%	\$ 8,296	48.83%
Police	49,253	32.27%	(7,098)	-41.78%
Street	34,555	22.64%	(27,630)	-162.63%
Capital outlay	14,293	9.37%	9,443	55.58%
Total Expenditures	\$ 152,619	100.00%	\$ (16,989)	-100.00%

The significant decrease in street expenditures is attributed to the grant monies received used to maintain the streets in the amount of \$15,000.

GENERAL FUND BUDGETARY HIGHLIGHTS

The budget relied heavily on the expectation of a moderate increase in fines. However, fines actually showed a moderate decrease that made a revenue shortfall of approximately \$6,646. To compensate for this shortfall, transfers from public utility increased from \$30,000 to \$35,000.

CAPITAL ASSET

Capital Assets

At the end of June 30, 2004, the Village had \$2.8 million invested in capital assets including police, streets, and water, sewer, and gas lines. (See table below.) This represents a net increase of \$26,666, or 0.95%, over last year.

	Governmental Activities		Business-type Activities		Totals	
	2004	2003	2004	2003	2004	2003
Land	\$ 2,000	\$ 2,000	\$ 12,610	\$ 12,610	\$ 14,610	\$ 14,610
Buildings	48,588	35,375	11,291	5,618	59,879	40,993
Improvements			16,553	16,553	16,553	16,553
Equipment	130,180	129,100	130,309	123,609	260,489	252,709
Infrastructure					0	0
Utility property			2,477,624	2,477,624	2,477,624	2,477,624
Totals	<u>\$ 180,768</u>	<u>\$ 166,475</u>	<u>\$ 2,648,387</u>	<u>\$ 2,636,014</u>	<u>\$ 2,829,155</u>	<u>\$ 2,802,489</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

With the decrease in revenues experienced this year, next year's general fund budget was determined based on another decrease. While hopes are that this does not occur, we are making plans to be prepared.

The business-type activities will see a major change due to strict enforcement of new collections policies on delinquent accounts.

CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Diane Grantham, Clerk at 113 West Railroad Avenue, Morganza, LA (225) 694-3655, fax (225) 694-2472.

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BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- **Government-wide financial statements**
- **Fund financial statements**
 - **Governmental funds**
 - **Proprietary (enterprise) fund**

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

VILLAGE OF MORGANZA, LOUISIANA
STATEMENT OF NET ASSETS
JUNE 30, 2004

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash including time deposits	\$ 24,162	\$ 307,209	\$ 331,371
Investments		203,236	203,236
Accounts receivable (net)	4,836	196,526	201,362
Receivable from other governments	4,126		4,126
Due from other funds		15,654	15,654
Prepaid expenses		3,689	3,689
Total current assets	<u>33,124</u>	<u>726,314</u>	<u>759,438</u>
Noncurrent Assets:			
Capital assets (net)	<u>86,067</u>	<u>1,652,327</u>	<u>1,738,394</u>
Total noncurrent assets	<u>86,067</u>	<u>1,652,327</u>	<u>1,738,394</u>
Total Assets	<u>119,191</u>	<u>2,378,641</u>	<u>2,497,832</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	2,041	13,161	15,202
Accrued salaries payable	560		560
Payroll deductions and accruals	999	5,203	6,202
Due to other governments		50,054	50,054
Due to other funds	15,654		15,654
Consumer deposits		48,869	48,869
Total current liabilities	<u>19,254</u>	<u>117,287</u>	<u>136,541</u>
Total Liabilities	<u>19,254</u>	<u>117,287</u>	<u>136,541</u>
NET ASSETS			
Invested in capital assets	86,067	1,652,327	1,738,394
Unrestricted - undesignated	<u>13,870</u>	<u>609,027</u>	<u>622,897</u>
Total Net Assets	<u>\$ 99,937</u>	<u>\$ 2,261,354</u>	<u>\$ 2,361,291</u>

See accompanying notes to the basic financial statements.

VILLAGE OF MORGANZA, LOUISIANA
STATEMENT OF NET ASSETS
JUNE 30, 2004

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	
<i>Governmental activities:</i>					
General government	56,096	21,096			(35,000)
Police	50,926	13,354			(37,572)
Streets	39,414	1,934			(37,480)
Total governmental activities	146,436	36,384	0	0	(110,052)
<i>Business-type activities:</i>					
General and administrative	142,527	(974)		15,000	(128,501)
Natural gas	192,198	309,480			117,282
Water	52,640	58,721			6,081
Sewer	60,876	55,133			(5,743)
Total business-type activities	448,241	422,360	0	15,000	(10,881)
Total	\$ 594,677	\$ 458,744	\$ 0	\$ 15,000	\$ (120,933)
 <i>Change in Net Assets:</i>					
			<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net (expense)/revenue			\$ (110,052)	\$ (10,881)	\$ (120,933)
 <i>General revenues:</i>					
<i>Taxes:</i>					
Property taxes, net			11,054		11,054
Sales and use taxes			43,685		43,685
Franchise taxes			20,578		20,578
Intergovernmental			19,850		19,850
Investment income			111	5,809	5,920
Miscellaneous			46		46
Transfers – internal activity			35,000	(35,000)	0
Total general revenues and transfers			130,324	(29,191)	101,133
 Change in net assets			 20,272	 (40,072)	 (19,800)
Net assets – beginning			79,665	2,301,426	2,381,091
Net Assets - Ending			\$ 99,937	\$ 2,261,354	\$ 2,361,291

See accompanying notes to the basic financial statements.

**VILLAGE OF MORGANZA, LOUISIANA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004**

	General Fund	Total Governmental Funds
ASSETS		
Cash, including time deposits	\$ 24,162	\$ 24,162
Accounts receivable (net)	4,836	4,836
Receivable from other governments	4,126	4,126
Total Assets	33,124	33,124
LIABILITIES		
Accounts payable	2,041	2,041
Accrued salaries payable	560	560
Payroll deductions and accruals	999	999
Due to other funds	15,654	15,654
Total Liabilities	19,254	19,254
FUND BALANCES		
Unreserved, reported in:		
General fund	13,870	13,870
Total Liabilities and Fund Balances	\$ 33,124	
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$94,701		86,067
Net Assets of Governmental Activities		\$ 99,937

See accompanying notes to the basic financial statements.

VILLAGE OF MORGANZA, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004

	General Fund	Total Governmental Funds
REVENUES		
Taxes	\$ 75,316	\$ 75,316
Intergovernmental	19,850	19,850
Charges for services	1,934	1,934
Fines and forfeitures	13,354	13,354
Licenses and permits	21,096	21,096
Investment income	111	111
Miscellaneous	46	46
Transfer from Public Utility Fund	35,000	35,000
Total Revenues	166,707	166,707
EXPENDITURES		
Current:		
General government	54,518	54,518
Police	49,253	49,253
Streets	34,555	34,555
Capital outlays:		
Police	1,080	1,080
Streets	13,213	13,213
Total Expenditures	152,619	152,619
Net Change in Fund Balances	14,088	14,088
Fund Balances - Beginning	(218)	
Fund Balances - Ending	\$ 13,870	
 Reconciliation of the change in fund balances – total governmental funds to the change in net assets of governmental activities:		
Net change in fund balances – total governmental funds		
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital asset purchases capitalized		14,293
Depreciation expense		(8,109)
Change in Net Assets of Governmental Activities		\$ 20,272

See accompanying notes to the basic financial statements.

**VILLAGE OF MORGANZA, LOUISIANA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2004**

	<u>Public Utility Enterprise Fund</u>
ASSETS	
Current Assets:	
Cash, including time deposits	\$ 307,209
Investments	203,236
Accounts receivable (net)	196,526
Due from General Fund	15,654
Prepaid expenses	3,689
Total Current Assets	<u>726,314</u>
Noncurrent Assets:	
Capital assets (net)	<u>1,652,327</u>
Total Noncurrent Assets	<u>1,652,327</u>
Total Assets	<u>2,378,641</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	13,161
Payroll deductions and accruals	5,203
Due to other governments	50,054
Total Current Liabilities	<u>68,418</u>
Noncurrent Liabilities:	
Customer deposits payable	<u>48,869</u>
Total Noncurrent Liabilities	<u>48,869</u>
Total Liabilities	<u>117,287</u>
NET ASSETS	
Invested in capital assets, net of related debt	1,652,327
Unrestricted	609,027
Total Net Assets	<u>\$ 2,261,354</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF MORGANZA, LOUISIANA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2004**

	<u>Public Utilities Enterprise Fund</u>
Operating Revenues	
Charges for services -	
Gas charges	\$ 309,480
Water charges	58,721
Sewer charges	55,133
Penalties	8,997
Utility billing fee	2,683
Miscellaneous	350
Total changes for services	<u>435,364</u>
Revenue adjustments	(13,004)
Total Operating Revenues	<u>422,360</u>
Operating Expenses	
General and administrative	142,527
Natural gas expenses	192,198
Water expenses	52,640
Sewer expenses	60,876
Total Operating Expenses	<u>448,241</u>
Net Operating Loss	<u>(25,881)</u>
Nonoperating Revenue	
Interest earned	5,809
Louisiana Community Development Block Grant	15,000
Total Nonoperating Revenue	<u>20,809</u>
Other Financing Sources	
Transfer to General Fund	(35,000)
Total Other Financing Sources	<u>(35,000)</u>
Net Loss	(40,072)
Net Assets - Beginning	<u>2,301,426</u>
Net Assets - Ending	<u>\$ 2,261,354</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF MORGANZA, LOUISIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2004**

	<u>Public Utilities Enterprise Fund</u>
Cash Flows from Operating Activities	
Receipts from customers	\$ 401,944
Payments to suppliers	(347,950)
Payments to employees and benefits	(106,322)
Net Cash (Used) by Operating Activities	<u>(52,328)</u>
Cash Flows from Non-Operating Activities	
Increase in amount due on Pointe Coupee Parish Solid Waste Program	<u>7,274</u>
Net Cash Provided by Non-Operating Activities	<u>7,274</u>
Cash Flows from Capital and Related Financing Activities	
Proceeds from grants	16,972
Purchase of capital assets	(11,569)
Net Cash Provided by Capital and Related Financing Activities	<u>5,403</u>
Cash Flows from Investing Activities	
Interest earned	<u>5,809</u>
Net Cash Provided by Investing Activities	<u>5,809</u>
Net (Decrease) in Cash and Cash Equivalents	<u>(33,842)</u>
Balances - Beginning of Year	<u>544,287</u>
Balances - End of Year	<u><u>\$ 510,445</u></u>
 Reconciliation of Net Operating Loss to Net Cash Provided (Used) by Operating Activities	
Net operating loss	\$ (25,881)
Adjustments to reconcile net operating loss to net cash provided (used) by operating activities:	
Cash flows reported in other categories:	
Depreciation expense	52,112
Change in assets and liabilities:	
Receivables	(20,416)
Accounts payable	(58,674)
Payroll deductions and accruals	531
Net Cash Provided by Operating Activities	<u><u>\$ (52,328)</u></u>

See accompanying notes to the basic financial statements.

VILLAGE OF MORGANZA, LA
NOTES TO BASIC FINANCIAL STATEMENTS

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VILLAGE OF MORGANZA, LOUISIANA NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Village of Morganza, Louisiana (the "Village") was incorporated on March 6, 1908, under the provisions of Title 33, Chapter 2, Part 1, of the Louisiana Revised Statutes (Lawrason Act - Act No. 36 of 1898). The Village provides police protection; streets and drainage maintenance; public improvements; gas, water, and sewer services; and general administration. The Village operates under a Mayor-Board of Aldermen Council form of government. The Mayor and three Council Members are elected at large to serve four year terms. The Mayor is entitled to a per diem of \$200 per month and each Council Member \$120 for each meeting attended. The Village of Morganza is located in Pointe Coupee Parish with a geographic area of approximately six square miles. The estimated population as of July 1, 1997 was 759. The Village employs six full-time employees. The Village serves 489 gas customers, 326 water customers, and 298 sewer customers; and maintains 20 miles of streets.

As the municipal governing authority, for reporting purposes, the Village of Morganza is considered a separate financial reporting entity. The financial reporting entity consists of [a] the primary government (municipality), [b] organizations for which the primary government is financially accountable, and [c] other organizations for which 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 Morganza 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 include:

- Appointing a voting majority of an organization's governing body, and
 - The ability of the municipality to impose its will on that organization and/or
 - The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the municipality.
- Organizations for which the municipality does not appoint a voting majority but are fiscally dependent on the municipality.
- Organizations for which the reporting entity financial statements should be misleading if data of the organization is not included because of the nature or significance of the relationship.

As required by generally accepted accounting principles, since the Village has no component units, these financial statements present the primary government of the Village of Morganza.

Other Organizations

The municipality may appoint some, or all, governing board members of organizations that are not included as component units in the primary government's reporting entity. These organizations are classified as [a] related organizations, [b] joint ventures and jointly governed organizations, and [c] component units of another government with characteristics of a joint venture or jointly governed organization.

Considered in the determination of component units of the reporting entity were the Pointe Coupee Parish Police Jury, Sheriff, Clerk of Court, Assessor, and School Board and the District Attorney and Judges for the 18th Judicial District. It was determined that these governmental entities are not component units of the Village of Morganza reporting entity because they have separately elected governing bodies, are legally separate, and are fiscally independent of the Village of Morganza.

VILLAGE OF MORGANZA, LOUISIANA NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Also, excluded from the reporting entity:

Fire Protection District No. 2 of the Parish of Pointe Coupee, Louisiana

This potential component unit has a separate board appointed jointly by the area governments' governing bodies. It provides services to residents, within the geographic boundaries of the government and other areas adjacent to it. This unit is excluded from the reporting entity because the government does not have the ability to exercise influence or control over its daily operations, approve budgets or provide funding.

Basis of Presentation

The accompanying financial statements of the Village have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Measurement Focus and Basis of Accounting

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 relating to certain government functions or activities.

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

Funds of the Village are classified into two categories: governmental and proprietary. In turn, each category 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 operating fund of the Village and accounts for all financial resources, except those required to be accounted for in other funds.

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:

Enterprise Fund -- account for operations (a) 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, expense incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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 -- modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are generally included on the

VILLAGE OF MORGANZA, LOUISIANA NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

balance sheet. Operating statements for 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 by all governmental funds. Under the modified accrual basis of accounting,

Revenues:

Revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Consequently, the Village recognizes revenues as follows:

- Ad valorem taxes and related state revenue sharing are recorded in the year the taxes are due and payable. Ad valorem taxes are assessed on a calendar year basis and attach as an enforceable lien and become due and payable on the date the tax rolls are filed with the recorder of mortgages. Louisiana Revised Statute 47:1993 requires that the tax roll be filed on or before November 15 of each year. Ad valorem taxes become delinquent if not paid by December 31. The taxes are normally collected in December of the current year and January and February of the ensuing year.
- Sales and use tax revenues are recorded in the month they are received by the centralized parish sales tax collector.
- Federal and state grants and reimbursements are recorded when the Village is entitled to the funds. Where grant revenue is dependent upon expenditures by the Village, revenue is recognized when the related expenditures are incurred.
- Fines, forfeitures, and court costs are recorded in the year they are received by the Village or parish tax collector.
- Fees, charges and commissions are recognized as revenue in the month in which they are earned and billed.
- Substantially all other revenues are recorded when received by the Village.

Expenditures:

Expenditures are 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 (and any other financing source/use) are accounted for as other financing sources (uses). Transfers are recorded when the funds are actually transferred.

All proprietary funds are 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 these funds are included on the balance sheet. The proprietary funds use the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized at the time liabilities are incurred.

Encumbrances

The Village does not follow the encumbrance method of accounting.

Budgets

The Village uses the following budget practices:

VILLAGE OF MORGANZA, LOUISIANA NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- Budgets are prepared for the General Fund and Enterprise Fund on the GAAP Basis and appropriations (unexpended budget balances) lapse at year end.
- A notice of the proposed operating budgets are published and since the budget for the General Fund is less than \$250,000; the Village is required to hold at least one public hearing. Publication of the budget was made after adoption.
- There were no budget amendments; consequently, the financial statements present the original budgets.

Cash, Cash Equivalents, and Investments

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. 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 their principal offices in Louisiana.

State statutes authorize the Village of Morganza, Louisiana to invest in United States bonds, treasury notes and bills, or certificates or time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP), a non-profit corporation formed by an initiative of the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool.

These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at market value.

Accounts Receivable and Bad Debts

The Village uses the direct charge-off method whereby uncollectible amounts due from ad valorem taxes are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable. The direct charge-off method is used because it does not cause a material departure from GAAP and it approximates the valuation method.

Inventories

Inventories for supplies are immaterial and are recorded as expenditures when purchased.

General Fixed Assets

Fixed assets used in governmental fund type operations are accounted for in the General Fixed Asset Group of Accounts rather than in governmental funds. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, streets, drainage system, and lighting systems, are not capitalized with other fixed assets. No depreciation has been provided on such assets.

All fixed assets are valued at historical cost. Repairs and maintenance are recorded as expenditures; renewals and betterments are capitalized.

Property, Plant and Equipment - Proprietary Fund

Additions to the utility plant in service are recorded at cost or, if contributed property, at their estimated fair value at time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of fixed assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

**VILLAGE OF MORGANZA, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

Depreciation has been calculated on depreciable property using the straight-line method. Estimated useful lives are as follows:

Natural Gas System	50 Years
Water System	10 - 50 Years
Sewer System	5 - 50 Years
Equipment	5 Years
Furniture and Office Equipment	3 - 10 Years
Vehicles	5 Years

Compensated Absences

Accumulated unpaid vacation and sick leave is accrued when incurred in proprietary funds. The amount of accumulated vacation and sick leave recorded in the governmental funds is that amount, adjusted to current salary costs, which is expected to be liquidated with expendable available financial resources. Only the current portion is reflected in the funds. The remainder of the liability is reported in the General Long-Term Debt Account Group. The guidelines of GASB Codification Section C60 were applied in determining the liability for both governmental and proprietary funds.

Fund Equity

Reserves

Reserves represent those portions of fund equity not appropriable for expenditures or legally segregated for a specific future use.

Designated Fund Balances

Designated fund balances represent tentative plans for future use of financial resources.

Sales and Use Tax

The Village has a one per cent sales and use tax approved by the voters, for an indefinite period. The tax, after all necessary costs for collection and administration, is available for general purposes.

Total Columns on 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 or 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.

NOTE 3 - LEVIED TAXES

All taxable property located within the State of Louisiana is subject by law to taxation on the basis of its assessed valuation. The assessed value is determined by the Parish Assessor, except for public utility property which is assessed by the Louisiana Tax Commission.

The 1974 Louisiana Constitution provided that, beginning in 1978, all land and residential property were to be assessed at 10% of fair market value; agricultural, horticultural, marsh lands, timber lands and certain historic buildings are to be assessed at 10% of "use" value; and all other property is to be assessed at 15% of fair market value. Fair market values are determined by the elected assessor of the parish and are subject to review and final certification by the Louisiana Tax Commission. The Assessor is required to reappraise all property every four years.

**VILLAGE OF MORGANZA, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

The Sheriff of Pointe Coupee Parish, as provided by State Law, is the official tax collector of property taxes levied by the Village. All taxes are due by December 31 of the year and are delinquent on January 1 of the next year, which is also the lien date.

State law requires the Sheriff to collect property taxes in the calendar year in which the assessment is made. If the taxes are not paid by the due date of December 31st, the taxes bear interest at 1.25% per month until the taxes are paid. After notice is given to the delinquent taxpayers, the Sheriff is required by the Constitution of the State of Louisiana to sell the least quantity of property necessary to settle the taxes and interest owed.

Property taxes are recognized as revenue in the year for which they are levied and become due. The majority of the year's taxes are collected from November to February by the Sheriff. Any amounts not collected at June 30th are shown as accounts receivable.

The following is a summary of authorized and levied ad valorem taxes for the year 2003:

Fund	Authorized Millage	Levied Millage	Expiration Date
General Fund	7.00	6.54	Indefinite

The difference between authorized and levied millages is the result of reassessments of taxable property in the parish as required by Article 7, Section 18 of the Louisiana Constitution of 1974.

The following are the principal taxpayers for the Village and their 2003 assessed valuation:

Taxpayer	Type of Business	Assessed Valuation	Tax Paid
Regions Bank of Louisiana	Banking	\$201,005	\$12,145
BellSouth Telecommunications, Inc.	Telephone	116,140	7,015
Entergy Services, Inc.	Electric	39,890	2,409
Pointe Coupee Electric Membership Corp.	Electric	38,090	2,297
Joseph J. III & Stephanie B. Ewing	Various	37,400	2,259
Union Pacific Railroad Co.	Railroad	34,464	2,078
Joseph C. & Rose V. Bergeron	Various	29,240	1,667
H. M. & W. Super Mart	Grocery	21,885	1,320
Guaranty Bank & Trust Company	Banking	28,380	1,308
Renaissance Media Group LLC	Cable TV	17,950	1,082

NOTE 4 - CASH and CASH EQUIVALENTS

The following is a summary of cash and cash equivalents at June 30, 2004:

Demand deposits	\$ 228,517
Interest-bearing demand deposits	203,326
Total	<u>\$ 431,843</u>

These deposits are stated at cost, which approximates market. Under state statutes, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

**VILLAGE OF MORGANZA, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

At June 30, 2004, the Village has \$442,623 in deposits (collected bank balances). These deposits are secured from risk by \$300,000 of federal deposit insurance and \$142,623 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No. 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand.

Investments held at June 30, 2004 consist of \$101,788 in the Louisiana Asset Management Pool (LAMP), a local government investment pool. In accordance with GASB Codification Section 150.126, the investment in LAMP at June 30, 2004 is not categorized in the three risk categories provided by GASB Codification Section 150.125 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form.

NOTE 5 - CHANGES IN FIXED ASSETS

A summary of changes in general fixed assets follows:

	7-1-2003	Additions	Deletions	6-30-2004
Land	\$ 2,000			\$ 2,000
Buildings	35,375	\$ 13,213		48,588
Equipment	129,100	1,080		130,180
	<u>\$ 166,475</u>	<u>\$ 14,293</u>		<u>\$ 180,768</u>

A summary of changes in proprietary property, plant and equipment follows:

	7-1-2003	Additions	Deletions	6-30-2004
Land	\$ 12,610			\$ 12,610
Buildings	5,618	\$ 5,673		11,291
Improvements	16,553			16,553
Equipment	123,609	6,700	\$ (31,701)	98,608
Utility property	2,477,624			2,477,624
	2,636,014	<u>\$ 12,373</u>	<u>\$ (31,701)</u>	2,616,685
Accumulated depreciation	(912,246)	<u>\$ (52,112)</u>	<u>\$ 31,701</u>	(964,359)
	<u>\$ 1,723,768</u>			<u>\$ 1,652,326</u>

NOTE 6 - UTILITY SERVICE AGREEMENT

An agreement between the Solid Waste Disposal System of the Parish of Pointe Coupee and the Village of Morganza provides for the *billing of customers on the Village's system*. This billing agreement went into effect for the month of October 1985. Under the terms of the agreement, the Village retains a \$.75 per customer as a billing fee. The amount owed to the Solid Waste Disposal System as of June 30, 2004 is \$50,054.

NOTE 7 - CENTRALIZED COLLECTION AGENCY AGREEMENT

In accordance with Paragraph (B)(1) of Section 3 of Article VII of the Constitution of the State of Louisiana, the Village entered into an agreement on May 20, 1992 with all of the sales and use taxing authorities of the Parish of Pointe Coupee designating the Sales Tax Department of the Pointe Coupee Parish Police Jury as the single tax collection

**VILLAGE OF MORGANZA, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

entity. The agreement is effective as of July 1, 1992, the agreement authorizes the Village to compensate the collection agency 1.25% of the gross amounts collected.

NOTE 8 - PENSION PLAN AND RETIREMENT COMMITMENTS

Social Security and Medicare -

All employees of the Village are members of the Federal Social Security and Medicare System. The total payroll for employees of the Village covered by the System for the year ended June 30, 2004, was \$133,150.

The total contribution to the System is 15.3% of taxable payroll of which the Village and employees contribute 7.65% each. For the year ended June 30, 2004, the Village contributed \$10,186 to the System.

NOTE 9 - CONTINGENT LIABILITIES

There is no pending litigation against the Village.

NOTE 10 - COMPENSATION PAID TO BOARD MEMBERS

In compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature, compensation paid to the mayor and board members is as follows:

Mayor	- Charles Landry	\$ 2,400
Council Members	- John Mitch Langlois	1,440
	- Salvador J. Tuminello	1,440
	- Carmella Guedry	1,440
		<hr/>
		<u>\$ 6,720</u>

NOTE 11 - RESTATEMENTS

Implementation of New Accounting Standards

As of and for the year ended June 30, 2004, the Village implemented the following Governmental Accounting Standards Board pronouncements:

Statements

- No. 34 – Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments
- No. 37 – Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus
- No. 38 – Certain Financial Statement Note Disclosures

Interpretation

- No. 6 – Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements

**VILLAGE OF MORGANZA, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

The above pronouncements are all related to the new financial reporting requirements for all state and local governments. These pronouncements are scheduled for a phased implementation (based on the size of the government) through fiscal years ending in 2005. The Village is required to implement the new requirements for the fiscal year ending June 30, 2004.

The more significant of the changes required by the new standards include:

- Management's discussion and analysis
- Basic financial statements that include:
 - Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting;
 - Fund financial statements, consisting of a series of statements that focus on a government's major governmental funds and enterprises funds;
 - Schedules to reconcile the fund financial statements to the governmental wide financial statements;
 - Notes to the basic financial statements;
- Required supplementary information, including certain budgetary schedules.

As a result of implementing these pronouncements for the fiscal year ended June 30, 2004, the following restatements were made to beginning net assets:

Government-wide financial statements. Beginning net assets for governmental activities were determined as follows:

Fund balances of general fund as of 6/30/2003	\$ (218)
Add: governmental capital assets, as of 6/30/2003	166,475
Deduct: accumulated depreciation as of 6/30/2003 on above governmental fixed assets	(86,592)
	79,665
Governmental Net Assets, restated, as of 6/30/2003	\$ 79,665

REQUIRED SUPPLEMENTARY INFORMATION

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**VILLAGE OF MORGANZA, LOUISIANA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004**

	Budgeted Amounts Original	Actual	Variance with Original Budget Positive (Negative)
REVENUES			
Taxes	\$ 75,800	\$ 75,316	\$ (484)
Intergovernmental	12,400	19,850	7,450
Charges for services	1,934	1,934	0
Fines and forfeitures	20,000	13,354	(6,646)
Licenses and permits	20,500	21,096	596
Investment income	200	111	(89)
Miscellaneous	100	46	(54)
Transfer from Public Utility Fund	30,000	35,000	5,000
<i>Total Revenues</i>	<u>160,934</u>	<u>166,707</u>	<u>4,516</u>
EXPENDITURES			
<i>Current:</i>			
General government	45,620	54,518	(8,898)
Police	53,330	49,253	4,077
Streets	42,936	34,555	8,381
<i>Capital outlays:</i>			
Police		1,080	(1,080)
Streets	15,000	13,213	1,787
<i>Total Expenditures</i>	<u>156,886</u>	<u>152,619</u>	<u>4,267</u>
Net Change in Fund Balances	4,048	14,088	10,040
Fund Balances - Beginning	(218)	(218)	0
Fund Balances - Ending	<u>\$ 3,830</u>	<u>\$ 13,870</u>	<u>\$ 10,040</u>

George F. Delaune

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OFFICERS ASSOCIATION

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable Charles Landry
and the Board of Aldermen
Village of Morganza, Louisiana

I have audited the financial statements of the governmental activities and business-type activities of the VILLAGE OF MORGANZA, LOUISIANA, as of and for the year ended June 30, 2004, which collectively comprise the Village of Morganza, Louisiana's basic financial statements and have issued my report thereon dated November 29, 2004. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Louisiana Governmental Audit Guide*.

Compliance

As part of obtaining reasonable assurance about whether the Village of Morganza, Louisiana's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instance of noncompliance that is required to be reported under *Government Auditing Standards* and the provisions of the *Louisiana Governmental Audit Guide*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Village of Morganza, Louisiana's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic 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 over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information of management, the Town Council, the Legislative Auditor for the State of Louisiana, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

George F. Delaune, CPA

November 29, 2004

**VILLAGE OF MORGANZA, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2004**

Section A - Summary of Auditor's Reports

- The auditor's report expresses an unqualified opinion on the financial statements of the Village of Morganza.
- No reportable conditions were disclosed during the audit of the financial statements.
- No instances of noncompliance were disclosed during the audit of the financial statements.
- The Village of Morganza was determined to be a low-risk auditee.

Section B - Findings – Financial Statements Audit

None

VILLAGE OF MORGANZA, LOUISIANA
RESOLUTION OF PRIOR YEAR OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2004

There were no prior year audit findings or questioned costs.