

VILLAGE OF MORSE, LOUISIANA

**FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2017**

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THIBODEAUX ACCOUNTING COMPANY

A LIMITED LIABILITY COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

The Honorable Darlene Thibodeaux, Mayor
And the Board of Alderman
Village of Morse
Morse, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Morse, Louisiana, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Morse, Louisiana, as of June 30, 2017, and the respective changes in financial position

MEMBER OF
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

The Honorable Darlene Thibodeaux, Mayor
And the Board of Alderman
Village of Morse
Morse, Louisiana

and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles general accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in United States of America require that the budgetary comparison information on pages 32-34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Morse, Louisiana's basic financial statements. The budgetary comparison schedule-expenditures: General Fund, Budgetary comparison schedules- water fund and sewer fund and the schedules of compensation, benefits, and other payments to agency head or chief executive officer are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2016 on our consideration of the Village of Morse, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Morse, Louisiana's internal control over financial reporting and compliance.


Thibodeaux Accounting Company
A Limited Liability Company

Rayne, Louisiana
December 18, 2017

BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

VILLAGE OF MORSE
MORSE, LOUISIANA

Statement of Net Position
June 30, 2017

	Primary Government			Total (Memorandum Only) 2016
	Governmental Activities	Business-type Activities	Total 2017	
ASSETS				
Current Assets				
Cash	\$ 32,237	\$ 10,966	\$ 43,203	\$ 29,862
Internal balances	9,312	(9,312)	-	-
Receivables	8,258	29,576	37,834	30,426
Total Current Assets	<u>\$ 49,807</u>	<u>\$ 31,230</u>	<u>\$ 81,037</u>	<u>\$ 60,288</u>
Non-Current Assets				
Restricted assets	\$ 9,651	\$ -	\$ 9,651	\$ 10,301
Capital assets, net of accumulated depreciation	1,490,003	1,187,171	2,677,174	2,277,925
Total Non-Current Assets	<u>\$ 1,499,654</u>	<u>\$ 1,187,171</u>	<u>\$ 2,686,825</u>	<u>\$ 2,288,226</u>
TOTAL ASSETS	<u>\$ 1,549,461</u>	<u>\$ 1,218,401</u>	<u>\$ 2,767,862</u>	<u>\$ 2,348,514</u>
LIABILITIES				
Current Liabilities				
Overdraft	\$ -	\$ 708	\$ 708	\$ 7,465
Accounts payable and accrued expenses	64,930	36,640	101,570	121,384
Current portion of long-term debt	2,943	-	2,943	5,121
Total Current Liabilities	<u>\$ 67,873</u>	<u>\$ 37,348</u>	<u>\$ 105,221</u>	<u>\$ 133,970</u>
Non-Current Liabilities				
Accrued interest payable	\$ -	\$ -	\$ -	\$ -
Long-term liabilities				
Due in more than one year	5,012	-	5,012	7,955
Total Non-Current Liabilities	<u>\$ 5,012</u>	<u>\$ -</u>	<u>\$ 5,012</u>	<u>\$ 7,955</u>
TOTAL LIABILITIES	<u>\$ 72,885</u>	<u>\$ 37,348</u>	<u>\$ 110,233</u>	<u>\$ 141,925</u>
NET POSITION				
Investment in capital assets, net of related debt	\$ 1,482,048	\$ 1,187,171	\$ 2,669,219	\$ 2,264,849
Restricted for:				
Grants	1,002	-	1,002	1,002
Recreation department	8,649	-	8,649	9,299
Unrestricted (deficit)	(15,123)	(6,118)	(21,241)	(68,562)
Total Net Position	<u>\$ 1,476,576</u>	<u>\$ 1,181,053</u>	<u>\$ 2,657,629</u>	<u>\$ 2,206,588</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF MORSE
MORSE, LOUISIANA

Statement of Activities
June 30, 2017

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Total (Memorandum Only) 2016	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities		Total 2017
Functions/Programs:								
Primary Government:								
Governmental Activities:								
General government	\$ 196,100	\$ -	\$ 13,223	\$ 505,688	\$ 322,811	\$ -	\$ 322,811	\$ (218,075)
Public safety	8,468	-	-	-	(8,468)	-	(8,468)	(7,538)
Public works	4,335	-	-	-	(4,335)	-	(4,335)	(7,523)
Interest on long-term debt	1,924	-	-	-	(1,924)	-	(1,924)	(2,251)
Total Governmental Activities	\$ 210,827	\$ -	\$ 13,223	\$ 505,688	\$ 308,084	\$ -	\$ 308,084	\$ (235,387)
Business-Type Activities:								
Water	\$ 114,174	\$ 107,871	\$ -	-	\$ -	\$ (6,303)	\$ (6,303)	\$ (26,939)
Sewer	140,852	111,656	8,478	-	-	(20,718)	(20,718)	(34,900)
Total Business-Type Activities	\$ 255,026	\$ 219,527	\$ 8,478	\$ -	\$ -	\$ (27,021)	\$ (27,021)	\$ (61,839)
Total Primary Government	\$ 465,853	\$ 219,527	\$ 21,701	\$ 505,688	\$ 308,084	\$ (27,021)	\$ 281,063	\$ (297,226)
General Revenues and Transfers:								
Taxes:								
Ad valorem taxes					\$ 11,421	\$ -	\$ 11,421	\$ 11,724
Sales taxes					48,355	-	48,355	45,863
Other taxes					32,610	-	32,610	31,809
Licenses and permits					4,945	-	4,945	4,785
Fines and forfeitures					9,436	-	9,436	16,068
DOTD					2,500	-	2,500	2,500
Interest						12	12	71
Miscellaneous					44,354	-	44,354	38,139
Transfers					2,631	(2,631)	-	-
Total General Revenues and Transfers					\$ 156,252	\$ (2,619)	\$ 153,633	\$ 150,959
Change in Net Position					\$ 464,336	\$ (29,640)	\$ 434,696	\$ (146,267)
Prior Period Adjustment					14,291	2,054	16,345	(293)
NET POSITION AT BEGINNING OF YEAR					997,949	1,208,639	2,206,588	2,353,148
NET POSITION AT END OF YEAR					\$ 1,476,576	\$ 1,181,053	\$ 2,657,629	\$ 2,206,588

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

MAJOR FUND DESCRIPTIONS

General Fund

To account for resources traditionally associated with governments which are not required to be accounted for in another fund.

Sales Tax

To account for the collection and disbursement of the Village's one percent (1%) sales and use tax.

Water System Fund

To account for the provision of the water services to the residents of the Village of Morse, Louisiana and some residents of the Parish of Acadia. 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, billing, and collections.

Sewer System Fund

To account for the provision of the sewerage services to the residents of the Village of Morse, Louisiana. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, billing, and collections.

VILLAGE OF MORSE
MORSE, LOUISIANA
GOVERNMENTAL FUNDS
Balance Sheet
June 30, 2017

	<u>Major Funds</u>			<u>Total</u>	
	<u>General Fund</u>	<u>Sales Tax Fund</u>	<u>Other Governmental Funds</u>	<u>2017</u>	<u>2016</u>
ASSETS					
Cash and cash equivalents	\$ 29,802	\$ 11,984	\$ 102	\$ 41,888	\$ 19,653
Receivables:					
Sales tax	-	2,861	-	2,861	4,782
Property taxes	335	-	-	335	335
Other receivables	5,062	-	-	5,062	-
Advances from other funds	60,821	6,531	-	67,352	72,934
TOTAL ASSETS	<u>\$ 96,020</u>	<u>\$ 21,376</u>	<u>\$ 102</u>	<u>\$ 117,498</u>	<u>\$ 97,704</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued expenses	\$ 32,868	\$ -	\$ -	\$ 32,868	\$ 37,551
Due to other governments	32,062	-	-	32,062	32,062
Overdraft	-	-	-	-	6,855
Advances to other funds	37,875	20,065	100	58,040	43,062
Total liabilities	<u>\$ 102,805</u>	<u>\$ 20,065</u>	<u>\$ 100</u>	<u>\$ 122,970</u>	<u>\$ 119,530</u>
Fund Balances:					
Restricted:					
Grants	\$ 1,000	\$ -	\$ 2	\$ 1,002	\$ 1,002
Committed for:					
Recreation department	8,649	-	-	8,649	9,299
Unassigned	(16,434)	1,311	-	(15,123)	(32,127)
Total fund balances	<u>\$ (6,785)</u>	<u>\$ 1,311</u>	<u>\$ 2</u>	<u>\$ (5,472)</u>	<u>\$ (21,826)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 96,020</u>	<u>\$ 21,376</u>	<u>\$ 102</u>	<u>\$ 117,498</u>	<u>\$ 97,704</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF MORSE
MORSE, LOUISIANA

Reconciliation of Governmental Funds
Balance Sheet to the Statement of Net Position
June 30, 2017

Fund balances - total governmental funds		\$ (5,472)
Amounts reported for governmental activities are not financial resources and, therefore, are not reported in the governmental funds		
Governmental capital assets	\$ 2,105,519	
Less: accumulated depreciation	<u>(615,516)</u>	
		1,490,003
Long-term liabilities including bonds payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Bonds, notes payable, and capital leases	\$ (7,955)	
		<u>(7,955)</u>
Net position of governmental activities		<u>\$ 1,476,576</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF MORSE
MORSE, LOUISIANA

Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
June 30, 2017

	Major Funds			Total Governmental Funds (Memorandum Only)	
	General Fund	Sales Tax Fund	Other Governmental Funds	2017	2016
REVENUES:					
Taxes:					
Ad valorem	\$ 11,421	\$ -	\$ -	\$ 11,421	\$ 11,724
Franchise	29,822	-	-	29,822	30,476
Sales	-	48,355	-	48,355	45,863
Licenses, permits, and assessments	4,945	-	-	4,945	4,785
Intergovernmental:					
Beer tax	1,189	-	-	1,189	1,112
State grants	13,223	-	-	13,223	-
FEMA	505,688	-	-	505,688	-
Video poker tax	1,599	-	-	1,599	221
DOTD	2,500	-	-	2,500	2,500
Fines and forfeitures	9,436	-	-	9,436	16,068
Other revenues	44,354	-	-	44,354	38,139
Total Revenues	<u>\$ 624,177</u>	<u>\$ 48,355</u>	<u>\$ -</u>	<u>\$ 672,532</u>	<u>\$ 150,888</u>
EXPENDITURES:					
Current:					
General government	\$ 90,465	\$ 49,468	\$ -	\$ 139,933	\$ 149,850
Public safety	8,468	-	-	8,468	7,538
Public works	4,335	-	-	4,335	7,523
Capital expenditures	513,319	-	-	513,319	-
Debt service	-	-	7,045	7,045	11,557
Total Expenditures	<u>\$ 616,587</u>	<u>\$ 49,468</u>	<u>\$ 7,045</u>	<u>\$ 673,100</u>	<u>\$ 176,468</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 7,590</u>	<u>\$ (1,113)</u>	<u>\$ (7,045)</u>	<u>\$ (568)</u>	<u>\$ (25,580)</u>
OTHER FINANCING SOURCES/(USES)					
Operating transfers in	\$ 7,419	\$ -	\$ 7,045	\$ 14,464	\$ 18,266
Donation of assets	-	-	-	-	-
Operating transfers out	(7,045)	(4,788)	-	(11,833)	(15,660)
Total Other Financing Sources/(Uses)	<u>\$ 374</u>	<u>\$ (4,788)</u>	<u>\$ 7,045</u>	<u>\$ 2,631</u>	<u>\$ 2,606</u>
Net Change in Fund Balance	\$ 7,964	\$ (5,901)	\$ -	\$ 2,063	\$ (22,974)
Prior Period Adjustment	\$ 12,050	\$ 2,241	\$ -	\$ 14,291	\$ (427)
Fund Balances, Beginning of Year	(26,797)	4,969	2	(21,826)	1,575
FUND BALANCES, END OF YEAR	<u>\$ (6,783)</u>	<u>\$ 1,309</u>	<u>\$ 2</u>	<u>\$ (5,472)</u>	<u>\$ (21,826)</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF MORSE
MORSE, LOUISIANA

Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the
Statement of Activities
June 30, 2017

Net change in fund balances - total governmental funds		\$	2,063
Amount reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.			
Capital outlay	\$	513,319	
Depreciation expense		<u>(56,168)</u>	
			457,151
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.			
Issuance of capital leases		-	
Lease principal payments		<u>5,123</u>	
			<u>5,123</u>
Change in net assets of governmental activities		\$	<u><u>464,337</u></u>

The accompanying notes are an integral part of this statement.

VILLAGE OF MORSE
MORSE, LOUISIANA

Proprietary Funds
Statement of Net Position
June 30, 2017

	Business-Type Activities		Total (Memorandum Only)	
	Enterprise Funds		2017	2016
	Water Fund	Sewer Fund		
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 5,060	\$ 5,906	\$ 10,966	\$ 20,510
Receivables	13,309	16,267	29,576	25,309
Due from other funds	9,643	16,050	25,693	15,412
Total Current Assets	<u>\$ 28,012</u>	<u>\$ 38,223</u>	<u>\$ 66,235</u>	<u>\$ 61,231</u>
Non-Current Assets				
Restricted assets				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Total Non-Current Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Capital Assets				
Capital assets, net of accumulated depreciation	<u>\$ 654,833</u>	<u>\$ 532,338</u>	<u>\$ 1,187,171</u>	<u>\$ 1,245,073</u>
Total Capital Assets	<u>\$ 654,833</u>	<u>\$ 532,338</u>	<u>\$ 1,187,171</u>	<u>\$ 1,245,073</u>
TOTAL ASSETS	<u><u>\$ 682,845</u></u>	<u><u>\$ 570,561</u></u>	<u><u>\$ 1,253,406</u></u>	<u><u>\$ 1,306,304</u></u>
LIABILITIES				
Current Liabilities				
Overdrawn cash	\$ -	\$ 708	\$ 708	\$ 610
Due to other funds	18,209	16,796	35,005	45,285
Accounts payable and accrued payables	5,195	31,445	36,640	51,770
Total Current Liabilities	<u>\$ 23,404</u>	<u>\$ 48,949</u>	<u>\$ 72,353</u>	<u>\$ 97,665</u>
Liabilities Payable from Restricted Assets				
Accrued interest payable	\$ -	\$ -	\$ -	\$ -
Current portion of revenue bonds payable	-	-	-	-
Total Restricted Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Noncurrent Liabilities				
Revenue bonds payable	\$ -	\$ -	\$ -	\$ -
Total Noncurrent Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL LIABILITIES	<u><u>\$ 23,404</u></u>	<u><u>\$ 48,949</u></u>	<u><u>\$ 72,353</u></u>	<u><u>\$ 97,665</u></u>
NET POSITION				
Invested in capital assets, net of related debt	\$ 654,833	\$ 532,338	\$ 1,187,171	\$ 1,245,073
Restricted	-	-	-	-
Unrestricted	<u>4,608</u>	<u>(10,727)</u>	<u>(6,118)</u>	<u>(36,434)</u>
TOTAL NET POSITION	<u><u>\$ 659,441</u></u>	<u><u>\$ 521,611</u></u>	<u><u>\$ 1,181,053</u></u>	<u><u>\$ 1,208,639</u></u>

The accompanying notes are an integral part of this statement.

VILLAGE OF MORSE
MORSE, LOUISIANA

Proprietary Funds Statement of Revenues, Expenses
and Changes in Net Position
June 30, 2017

	Business-Type Activities		Total (Memorandum Only)	
	Enterprise Funds		2017	2016
	Water Fund	Sewer Fund		
OPERATING REVENUES				
Charges for services	\$ 107,871	\$ 111,656	\$ 219,527	\$ 206,484
Miscellaneous revenues	-	12	12	71
Total Operating Revenues	<u>\$ 107,871</u>	<u>\$ 111,668</u>	<u>\$ 219,539</u>	<u>\$ 206,555</u>
OPERATING EXPENSES				
Payroll expenses	\$ 29,120	\$ 29,120	\$ 58,240	\$ 55,123
Insurance	8,698	11,413	20,111	15,588
Plant supplies	323	-	323	5,234
Office expenses	2,781	2,984	5,765	6,441
Depreciation	24,021	35,577	59,598	60,465
Utilities	11,719	16,437	28,156	29,424
Repairs and maintenance	7,701	18,112	25,813	47,718
Professional fees	5,743	7,553	13,296	15,773
Chemicals and testing	16,386	13,454	29,840	36,694
Miscellaneous	7,682	6,202	13,884	13,049
Total Operating Expenses	<u>\$ 114,174</u>	<u>\$ 140,852</u>	<u>\$ 255,026</u>	<u>\$ 285,509</u>
Operating income (loss)	<u>\$ (6,303)</u>	<u>\$ (29,184)</u>	<u>\$ (35,487)</u>	<u>\$ (78,954)</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest income	\$ -	\$ -	\$ -	\$ -
Grant revenue	-	8,478	8,478	17,186
Total Non-Operating Revenues (Expenses)	<u>\$ -</u>	<u>\$ 8,478</u>	<u>\$ 8,478</u>	<u>\$ 17,186</u>
Net income (loss) before transfers	<u>\$ (6,303)</u>	<u>\$ (20,706)</u>	<u>\$ (27,009)</u>	<u>\$ (61,768)</u>
Other Sources (uses)				
Capital contributions	\$ -	\$ -	\$ -	\$ -
Operating transfers in	-	-	-	-
Operating transfers out	(1,385)	(1,246)	(2,631)	(2,606)
Total Other Sources (Uses)	<u>\$ (1,385)</u>	<u>\$ (1,246)</u>	<u>\$ (2,631)</u>	<u>\$ (2,606)</u>
Change in Net Position	\$ (7,688)	\$ (21,952)	\$ (29,640)	\$ (64,374)
Prior period adjustment	4,291	(2,237)	2,054	-
Net position, beginning of year	<u>662,835</u>	<u>545,804</u>	<u>1,208,639</u>	<u>1,273,013</u>
Net position, end of year	<u>\$ 659,438</u>	<u>\$ 521,615</u>	<u>\$ 1,181,053</u>	<u>\$ 1,208,639</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF MORSE
MORSE, LOUISIANA

Proprietary Funds
Statement of Cash Flows
June 30, 2017

	Business-type Activities		Total (Memorandum Only)	
	Enterprise Funds		2017	2016
	Water Fund	Sewer Fund		
Cash flows from operating activities				
Cash received from customers	\$ 95,208	\$ 99,502	\$ 194,710	\$ 207,902
Cash payments to suppliers for goods and services	(90,748)	(119,809)	(210,557)	(158,681)
Net cash provided by (used for) operating activities	\$ 4,460	\$ (20,307)	\$ (15,847)	\$ 49,221
Cash flows from capital and related financing activities				
Acquisition of capital assets	\$ (1,696)	\$ -	\$ (1,696)	\$ -
Net cash (used for) financing activities	\$ (1,696)	\$ -	\$ (1,696)	\$ -
Cash flows from noncapital financing activities				
Operating transfers to other funds	\$ (1,385)	\$ (1,246)	\$ (2,631)	\$ (58,006)
Operating transfers from other funds	-	-	-	1,000
Grants	-	8,478	8,478	17,187
Net cash provided by investing activities	\$ (1,385)	\$ 7,232	\$ 5,847	\$ (39,819)
Cash flows from investing activities				
Interest on investments	\$ -	\$ -	\$ -	\$ -
Net increase (decrease) in cash and cash equivalents	\$ 1,379	\$ (13,075)	\$ (11,696)	\$ 9,402
Prior period adjustment	4,291.00	(2,237)	2,054	-
Cash and cash equivalents, July 1, 2015	(610)	20,510	19,900	10,498
Cash and cash equivalents, June 30, 2016	\$ 5,060	\$ 5,198	\$ 10,258	\$ 19,900
Reconciliation of operating income to net cash provided by (used for) operating activities				
Operating income/(loss)	\$ (6,303)	\$ (29,184)	\$ (35,487)	\$ (78,954)
Adjustment to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation	24,021	35,577	59,598	60,465
Change in assets and liabilities				
Receivables	(2,383)	(12,162)	(14,545)	1,347
Payable	(595)	(14,538)	(15,133)	11,240
Other payables	(10,280)	-	(10,280)	-
Net cash provided by (used for) operating activities	\$ 4,460	\$ (20,307)	\$ (15,847)	\$ (5,902)
Cash and cash equivalents reporting in all enterprise funds				
Current	\$ 5,060	\$ 5,198	\$ 10,258	\$ 19,900
Restricted	-	-	-	-
	\$ 5,060	\$ 5,198	\$ 10,258	\$ 19,900

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

VILLAGE OF MORSE
MORSE, LOUISIANA

Notes to the Basic Financial Statements

Note 1. Summary of Significant Accounting Policies

The accompanying financial statements of the Village of Morse, Louisiana have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

A. Financial Reporting Entity

The Village of Morse was incorporated in 1906, under the provisions of the Lawrason Act. The Village operates under a Mayor-Board of Alderman form of government and provides services as authorized by its charter: public safety, highways and streets, sanitation, health, recreation, public improvements, planning and zoning, and general and administrative services.

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

GASB Statement No. 14 established criteria for determining which component units should be considered part of the Village for financial reporting purposes. The basic criteria for including a potential component unit within the reporting entity is financial accountability. This criterion includes:

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

Based on the previous criteria, the Village has determined that they have no component units.

GASB Statement No. 54 establishes new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual financial reports easier to understand and more useful to the people who use governmental financial information to make decisions.

B. Basis of Presentation

Government-Wide Financial Statements (GWFS)

The government-wide financial statements, the statement of net assets and the statement of changes in net assets, report information on all of the non-fiduciary activities of the primary government and its component

VILLAGE OF MORSE
MORSE, LOUISIANA

Notes to the Basic Financial Statements

units. For the most part, the effect of interfund activity has been removed from these statements. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities presents a comparison between direct expenses and program revenues for the business-type activities of the Village and for each function of the Village's governmental activities. Direct expenses are those that are specifically associated with a program or function. Program revenues include (1) fees, fines, and charges paid by the recipients of goods or services offered by the programs, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements (FFS)

The accounts of the Village of Morse are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The various funds of the Village are classified into two categories: governmental and proprietary. The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the Village or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The major funds of the Village are described below:

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.

Sales Tax

The Sales Tax Fund is to account for the collection and disbursement of the Village's one percent (1%) sales and use tax.

VILLAGE OF MORSE
MORSE, LOUISIANA

Notes to the Basic Financial Statements

Proprietary Funds -

Enterprise Fund

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.

C. Measurement Focus/Basis of Accounting

Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet in the funds statements. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in the net current assets.

On the government-wide statements of net assets and statements of activities, both the governmental and business type activities are presented using the economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these activities are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of Accounting

The statements of net assets, statements of activities, and financial statements of the proprietary funds are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred without regard to receipt or disbursement of cash.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures (including capital outlay) generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded when payment is due.

The proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses when the liability is incurred.

D. Assets, Liabilities and Equity

Cash and Investments

The Village of Morse's cash and cash equivalents consist of cash on hand and amounts in demand deposit accounts and interest bearing demand deposits.

VILLAGE OF MORSE
MORSE, LOUISIANA

Notes to the Basic Financial Statements

Interfund receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Restricted Assets

Restricted assets include cash and interest-bearing deposits of the proprietary fund that are legally restricted as to their use. The restricted assets are for the recreation department.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Village of Morse maintains a threshold level of \$1,000 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	20-40 years
Equipment	5-20 years
Utility System & Improvements	10-50 years
Infrastructure	10-50 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Long-term debt

In the government-wide statements, all long-term debt is reported as liabilities and is repaid from governmental and business-type resources.

In the fund financial statements, the long-term debt for governmental funds is not reported as liabilities. The debt proceeds are reported as other financing sources and payment of principal and interest is reported as expenditures. The accounting for proprietary fund long-term debt is the same in the fund statements as it is in the government-wide statements.

Compensated Absences

Employees of the Village are allowed one week of vacation after being employed for one year. These vacation days must be used by December 31 of the current year. There is no sick leave policy. Therefore, there are no accumulations of such absences to be accrued as a liability in these financial statements.

VILLAGE OF MORSE
MORSE, LOUISIANA

Notes to the Basic Financial Statements

Equity Classifications

In the government-wide statements, equity is classified as net position and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments: or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Proprietary fund equity is classified the same as in the government-wide statements.

In the fund financial statements, governmental fund equity is classified as fund balance. As such, fund balances of the governmental funds are classified as follows:

Nonspendable - funds that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – funds that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – funds that are constrained by limitations that the government imposes on itself. These amounts are imposed at the highest level of authority. These amounts are binding unless removed in the same manner that it was imposed and any action must be taken prior to year-end. Committed fund balance is a result of either a policy of the Village or motions passed at the Village Board of Alderman meeting committing the funds.

Assigned - funds whose intended use has been established. These amounts can be, but are not required to be, imposed at the highest level of authority. They do not have to be binding and action does not have to be taken prior to year-end. Intent should be expressed by the Board of Alderman

Unassigned – all other spendable amounts.

VILLAGE OF MORSE
MORSE, LOUISIANA

Notes to the Basic Financial Statements

Fund balances for the periods ending June 30, 2017:

	General Fund	Sales Tax Fund	Other Gov't Funds	Total
Restricted:				
Grants	\$ 1,000	\$ -	\$ 2	\$ 1,002
Committed:				
Recreation Department	8,649	-	-	8,649
Unassigned	(16,434)	1,311	-	(15,123)
Total Fund Balances	<u>\$ (6,785)</u>	<u>\$ 1,311</u>	<u>\$ 2</u>	<u>\$ (5,472)</u>

The Village considers restricted fund balances to be spent for governmental expenditures first when both restricted and unrestricted resources are available. The Village also considers committed fund balances to be spent first then assigned fund balances when other unrestricted fund balances classifications are available for use.

E. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities. In the fund financial statements, the governmental funds expenditures are classified by character and the proprietary fund expenditures are classified by operating and nonoperating.

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

F. Budget and Budgetary Accounting

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

1. Prior to June 1, the Village Clerk prepares a proposed budget and submits this budget to the Mayor and the Board of Aldermen no later than 15 days prior to the beginning of each fiscal year.

VILLAGE OF MORSE
MORSE, LOUISIANA

Notes to the Basic Financial Statements

2. A summary of the proposed budget is published and the public is notified that the proposed budget is available for inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfer of funds from one department, program, or function to another, or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the Board of Aldermen.
6. All budgetary appropriations lapse at the end of each fiscal year.
7. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted or as amended by the Board of Aldermen.

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of the assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Note 2. Cash and Interest-Bearing Deposits

Under state law, the Village may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Village may invest in certificates and time deposits of the state banks organized under Louisiana law and national banks having principal offices in Louisiana. At June 30, 2017, the Village had cash and interest-bearing deposits (bank balances) as follows:

Demand Deposits	\$ 64,570
FDIC Insurance	\$ 250,000
Pledged Securities	96,469
Total of pledged securities and FDIC Insurance	\$ 346,469
Excess of pledged securities and FDIC Insurance over demand deposits	\$ 281,899

VILLAGE OF MORSE
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Notes to the Basic Financial Statements

These deposits are stated at cost, which approximates market. Under state law, these deposits (or resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These 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. At June 30, 2017, the carrying amount of the Village's deposits was \$52,103 and the bank balance was \$64,570. The deposits are secured from risk by \$ 250,000 of FDIC insurance and \$96,469 of pledged securities.

Note 3 Restricted Assets – Governmental Fund Type

Restricted assets in the amount of \$10,301 at June 30, 2017 consisted of:

	<u>June 30,</u> <u>2017</u>
Recreational Festival Cash Acct.	\$ 8,649
Municipal Infrastructure Program Cash Acct.	1,000
LCDBG Grant Cash Acct.	<u>2</u>
Total Restricted Assets	<u>\$ 9,651</u>

Note 4. Ad Valorem Taxes

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Village on October 1 and payable on December 31. Billed taxes become delinquent on January 1 of the following year. The Village bills and collects its own property taxes using the assessed values determined by the tax assessor of Acadia Parish. Village property taxes are budgeted in the year billed.

For the year ended June 30, 2017, taxes of 7.02 mills were levied on property with assessed valuations totaling \$1,592,860 and were dedicated as follows:

General Ad Valorem Tax	7.02 mills
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The total taxes levied were \$11,182 for the year ended June 30, 2017.

Note 5. Receivables

The governmental activities receivables at June 30, 2017 consist of \$335 of property tax, \$5,062 of grant funds pertaining to the 2013-2014 LGAP grant and \$2,861 of sales tax. The proprietary funds receivables at June 30, 2017 consists of \$13,309 of water utility fund, and \$16,267 sewer utility fund. The Village does not calculate an allowance for bad debt because the effect, if any, would be immaterial.

VILLAGE OF MORSE
MORSE, LOUISIANA

Notes to the Basic Financial Statements

Note 6. Interfund Receivables, Payables

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$60,821	\$37,875
Water Fund	9,643	18,209
Sewer Fund	16,049	16,796
Sales Tax	6,531	20,064
LCDGB-Street Imp.	<u>-</u>	<u>100</u>
Total	<u>\$ 93,044</u>	<u>\$93,044</u>

The interfund balances are not expected to be paid back within a year.

Note 7. Accounts and Other Payables

The accounts and other payables consisted of the following at June 30, 2017:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts Payable	\$64,930	\$36,640	\$101,570
Other liabilities	<u>2,943</u>	<u>-</u>	<u>2,943</u>
Totals	<u>\$67,873</u>	<u>\$36,640</u>	<u>\$104,513</u>

Note 8. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	<u>Balance 6/30/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/17</u>
GOVERNMENTAL ACTIVITIES:				
Capital Assets:				
Land	\$ 83,030	\$ -	\$ -	\$ 83,030
Land Improvements	1,056,918	-	-	1,056,918
Buildings and improvements	299,986	505,688	-	805,674
Equipment, furniture and fixtures	104,398	7,631	-	112,029
Vehicles	47,868	-	-	47,868
Total capital assets	<u>\$ 1,592,200</u>	<u>\$ 513,319</u>	<u>\$ -</u>	<u>\$ 2,105,519</u>
Less Accumulated Depreciation:				
Land Improvements	\$ 140,846	\$ 39,520	-	\$ 180,366
Buildings and improvements	273,130	7,407	-	280,537
Equipment, furniture and fixtures	87,260	2,021	-	89,281
Vehicles	58,112	7,220	-	65,332
Total accumulated depreciation	<u>\$ 559,348</u>	<u>\$ 56,168</u>	<u>\$ -</u>	<u>\$ 615,516</u>
Governmental activities Capital assets, net	<u>\$ 1,032,852</u>	<u>\$ 457,151</u>	<u>\$ -</u>	<u>\$ 1,490,003</u>

VILLAGE OF MORSE
MORSE, LOUISIANA

Notes to the Basic Financial Statements

	Balance 6/30/2016	Additions	Deletions	Balance 6/30/17
BUSINESS-TYPE ACTIVITIES:				
Capital Assets:				
Land	\$ 53,350	\$ -	\$ -	\$ 53,350
Water System and Improvements	1,238,617	1,696	-	1,240,313
Machinery & Equip – Water	25,040	-	-	25,040
Sewer System & Improvements	1,456,752	-	-	1,456,752
Total	<u>\$ 2,773,759</u>	<u>\$ 1,696</u>	<u>\$ -</u>	<u>\$ 2,775,455</u>
Less Accumulated Depreciation:				
Water System and Improvements	\$ 574,057	\$ 24,021	\$ -	\$ 598,078
Machinery & Equip – Water	25,443	-	-	25,443
Sewer System and Improvements	929,186	35,577	-	964,763
Total accumulated depreciation	<u>\$ 1,528,686</u>	<u>\$ 59,598</u>	<u>\$ -</u>	<u>\$ 1,588,284</u>
Business-type activities, Capital assets, net	<u>\$ 1,245,073</u>	<u>\$ (57,902)</u>	<u>\$ -</u>	<u>\$ 1,187,171</u>

Depreciation expense was charged to governmental activities as follows:

General Government	<u>\$ 56,168</u>
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Depreciation expense was charged to business-type activities as follows:

Water	\$ 24,021
Sewer	<u>35,577</u>
Total depreciation expense	<u>\$ 59,598</u>

Note 9. Dedication of Sales Tax Proceeds

The proceeds of the 1% sales and use tax are accounted for in the Sales Tax Fund (special revenue fund) and are to be used for any lawful corporate purpose as authorized by the May 3, 2003 election.

Note 10. Retirement Commitments

All employees of the Village of Morse are participants of the Federal Social Security system. The Village and its employees contribute a percentage of each employee's salary to the system (7.65% contributed by the Town; 7.65% by the employee). The Village has no other retirement plans.

VILLAGE OF MORSE
MORSE, LOUISIANA

Notes to the Basic Financial Statements

Note 11. Segment Information for the Enterprise Fund

The Village of Morse maintains two enterprise funds which provide water and sewerage services. Segment information for the year ended June 30, 2017 was as follows:

	<u>Water</u>	<u>Sewerage</u>	<u>Total Enterprise Fund</u>
Charges for services and other revenues	\$ 107,871	\$ 111,668	\$ 219,539
Operating expenses --			
Depreciation	\$ 24,021	\$ 35,577	\$ 59,598
Other expenses	90,153	105,275	195,428
Total operating expenses	<u>\$ 114,174</u>	<u>\$ 140,852</u>	<u>\$ 255,026</u>
Operating income	<u>\$ (6,303)</u>	<u>\$ (29,184)</u>	<u>\$ (35,487)</u>

Note 12. Franchise Agreements

The Village entered into franchise agreements with various public utility companies that provide services within the corporate limits of the Village. A summary of each such agreement follows:

1. Entergy Gulf States, Inc. – Franchise fee is based on five percent (5%) of the gross receipts from sale and delivery of electric energy for residential and commercial purposes billed on commercial and residential rates within the limits of the Village. Fees are payable on a quarterly basis.
2. Centerpoint Energy – Franchise fee is based on five percent (5%) of the gross receipts from the sale of gas for residential and commercial purposes billed on residential and commercial rates within the limits of the Village.
3. Bell South, Inc. – Bell South, Inc. pays a franchise fee based on five percent (5%) of the gross receipts from local exchange telephone services for residential and commercial purposes billed on established rates provided within the corporate limits of the Village. Fees are payable to the Village in quarterly installments.
4. SLEMCO – Slemco pays a franchise fee based on five percent (5%) of the gross revenues collected by SLEMCO from the metered kilowatt-hour consumption sold by SLEMCO to its customers within the corporate limits of the Village and based on SLEMCO rates as approved by the Louisiana Public Service Commission. Fees are payable to the Village on a monthly basis.

Note 13. Litigation

The Village has a pending claim against August Guillory. There appears to have been an inappropriate claim for reimbursement made by the Chief of Police for which criminal charges are now pending. The outcome of this claim is unknown as of the date of this report.

VILLAGE OF MORSE
MORSE, LOUISIANA

Notes to the Basic Financial Statements

Note 14. Compensation of Town Officials

A detail of the compensation paid to the elected Mayor and Board of Aldermen with expiring terms is as follows:

	<u>Office</u>	<u>Term</u>	<u>Compensation</u>
Darlene Thibodeaux	Mayor	March 2016- December 2018	440
Peggy Romero	Alderman	January 2015 to December 2019	440
Raymond Leger, Sr.	Alderman	January 2015 to December 2019	440
Eric Primeaux	Alderman	January 2015 to December 2019	440
			<u>\$ 1,760</u>

Note 15. Rental Leases

The Village entered into a lease agreement with American Tower Antenna Rental. The agreement states that American Tower Antenna Rental will pay the Village \$605 a month for one year. The tenant has the option to renew the contract for an additional year upon written notification from the Village. The agreement is to allow the tenant use of a portion of property in connection with its federally licensed communications business.

The Village entered into a lease agreement with Radio Communications Service. The agreement states that Radio Communications Service will pay the Village \$100 per month to attach its equipment to the water tower. The lease began on October 1, 2011 and will continue for a period of ten years. This agreement can be renewed for one additional five year period upon mutual written agreement of the parties.

Note 16. Prior Period Adjustment.

Prior period adjustments were made in all funds to write off outstanding transactions from prior years.

Note 17. Capital Leases

The assets acquired through capital leases are as follows:

<u>Asset</u>	<u>Original Cost</u>	<u>Current Year Depreciation</u>	<u>Accumulated Depreciation</u>
2012 Tahoe	\$ 26,252	\$ 5,250	\$ 24,064
Kubota Tractor	14,130	942	1,335

VILLAGE OF MORSE
MORSE, LOUISIANA

Notes to the Basic Financial Statements

Capital lease obligations were as follows at June 30, 2017:

Capital lease obligation due November 2016, \$499 payable monthly including interest of 5.49%, secured by a Chevrolet Tahoe	-
Capital lease obligation due January 2020, \$301 payable monthly including interest of 10.177%, secured by a Kubota tractor	<u>7,955</u>
Total capital lease obligations	\$ 7,955
Less: Current portion	<u>(2,943)</u>
Capital lease obligations net of current portion	<u>\$ 5,012</u>

A schedule of minimum lease payments for capital lease obligations at June 30, 2017 is as follows:

<u>Year Ending</u> <u>June 30,</u>	
2018	\$ 3,618
2019	3,618
2020	<u>1,809</u>
Total minimum lease payments	9,045
Less: amounts representing interest	<u>(1,090)</u>
Total capital lease obligations	<u>\$ 7,955</u>

Total interest expense on the above leases totaled \$1,924 for the year ended June 30, 2017.

Note 18. Going Concern

In the last two years, the Village has had an operating loss. The Village does not collect enough fees in the proprietary funds to be able to pay normal and necessary operating expenses. The governmental fund financials also show a deficit. With these operating losses and deficit fund balance, the Village would have limited resources to continue operations if any major repairs or projects permitted themselves.

Note 19. Subsequent Events

On October 3, 2016, the Governor's Office of Homeland Security and Emergency Preparedness (GOSHEP) completed a final accounting for Hurricane Rita. The final accounting resulted in a \$26,519.61 amount owed back to GOHSEP. The Village currently has a liability recorded on the books in the amount of \$32,062. The Village is currently trying to work out an agreement with GOSHEP and no payments have been made. The Village has evaluated subsequent events through December 18, 2017, the date which the financial statements were available to be issued.

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REQUIRED SUPPLEMENTAL INFORMATION

VILLAGE OF MORSE
MORSE, LOUISIANA
GENERAL FUND

BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2017

	2017			Variance-- Positive (Negative)	2016
	Budget		Actual		Actual
	Original	Final			
Revenues:					
Taxes--					
Ad valorem	\$ 12,663	\$ 13,000	\$ 11,421	\$ (1,579)	\$ 11,724
Franchise	38,836	36,532	29,822	(6,710)	30,476
	<u>\$ 51,499</u>	<u>\$ 49,532</u>	<u>\$ 41,243</u>	<u>\$ (8,289)</u>	<u>\$ 42,200</u>
Intergovernmental revenue--					
Beer tax	\$ 1,546	\$ 2,000	\$ 1,189	\$ (811)	\$ 1,112
Grants	2,100	10,950	13,223	2,273	-
FEMA	-	-	505,688	-	-
Video poker tax	542	1,300	1,599	299	221
DOTD	2,500	2,500	2,500	-	2,500
	<u>\$ 6,688</u>	<u>\$ 16,750</u>	<u>\$ 524,199</u>	<u>\$ 1,761</u>	<u>\$ 3,833</u>
Licenses and permits	<u>\$ 14,874</u>	<u>\$ 6,120</u>	<u>\$ 4,945</u>	<u>\$ (1,175)</u>	<u>\$ 4,785</u>
Fines and forfeitures	<u>\$ 15,000</u>	<u>\$ 9,600</u>	<u>\$ 9,436</u>	<u>\$ (164)</u>	<u>\$ 16,068</u>
Miscellaneous revenue--					
Oil royalties	\$ 1,820	\$ 2,000	\$ 2,022	\$ 22	\$ 1,704
Insurance fee	8,257	14,740	30,085	15,345	25,392
Festival revenue	-	-	-	-	-
Lease income	8,842	9,000	1,700	(7,300)	1,600
Other	-	-	10,547	10,547	9,443
	<u>\$ 18,919</u>	<u>\$ 25,740</u>	<u>\$ 44,354</u>	<u>\$ 18,614</u>	<u>\$ 38,139</u>
Total Revenues	<u>\$ 106,980</u>	<u>\$ 107,742</u>	<u>\$ 624,177</u>	<u>\$ 10,747</u>	<u>\$ 105,025</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF MORSE
MORSE, LOUISIANA
GENERAL FUND

BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2017

	2017			Variance-- Positive (Negative)	2016
	Budget		Actual		Actual
	Original	Final			
Expenditures:					
Current--					
General government	\$ 88,398	\$ 83,755	\$ 90,465	\$ (6,710)	\$ 110,103
Public safety	9,000	18,932	8,468	10,464	7,538
Public works	-	55	4,335	(4,280)	7,523
Capital outlay	-	-	513,319	(513,319)	-
Total expenditures	<u>\$ 97,398</u>	<u>\$ 102,742</u>	<u>\$ 616,587</u>	<u>\$ (513,845)</u>	<u>\$ 125,164</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 9,582</u>	<u>\$ 5,000</u>	<u>\$ 7,590</u>	<u>\$ 2,590</u>	<u>\$ (20,139)</u>
Other sources (uses):					
Operating transfers in--					
Sales tax fund	\$ -	\$ -	\$ 4,788	\$ (4,788)	\$ 3,103
Water fund	-	-	1,385	(1,385)	1,803
Sewer fund	-	-	1,246	(1,246)	1,803
Donation of assets	-	-	-	-	-
Operating transfers out--					
General long-term debt	-	-	(7,045)	7,045	(11,557)
Total other sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 374</u>	<u>\$ 374</u>	<u>\$ (4,848)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ 9,582</u>	<u>\$ 5,000</u>	<u>\$ 7,964</u>	<u>\$ 2,964</u>	<u>\$ (24,987)</u>
Prior Period Adjustment	-	-	12,050	-	(427)
Fund balance, beginning of year	<u>(26,797)</u>	<u>(26,797)</u>	<u>(26,797)</u>	<u>-</u>	<u>(1,383)</u>
Fund balance, end of year	<u><u>\$ (17,215)</u></u>	<u><u>\$ (21,797)</u></u>	<u><u>\$ (6,783)</u></u>	<u><u>\$ 15,014</u></u>	<u><u>\$ (26,797)</u></u>

The accompanying notes are an integral part of this statement.

VILLAGE OF MORSE
MORSE, LOUISIANA
SPECIAL REVENUE FUNDS
SALES TAX FUND

BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2017

	2017			Variance-- Positive (Negative)	2016
	Budget		Actual		Actual
	Original	Final			
Revenues:					
Taxes--					
Sales tax collections	\$ 41,377	\$ 47,622	\$ 48,355	\$ 733	\$ 45,863
Miscellaneous revenue	-	-	-	-	-
Total revenues	<u>\$ 41,377</u>	<u>\$ 47,622</u>	<u>\$ 48,355</u>	<u>\$ 733</u>	<u>\$ 45,863</u>
Expenditures:					
Current--					
General government					
Salaries	\$ 29,100	\$ 23,000	\$ 29,120	\$ (6,120)	\$ 27,562
Professional fees	5,091	-	-	-	4,667
Insurance	1,141	7,264	6,658	606	1,046
Office expense	2,120	2,488	3,433	(945)	3,174
Miscellaneous	531	4,104	6,296	(2,192)	816
Public safety					
Repairs and supplies	-	-	-	-	-
Public works					
Repairs and maintenance	779	1,754	1,583	171	779
Utilities	-	3,497	2,378	1,119	1,178
Fuel	-	-	-	-	525
Total expenditures	<u>\$ 38,762</u>	<u>\$ 42,107</u>	<u>\$ 49,468</u>	<u>\$ (7,361)</u>	<u>\$ 39,747</u>
Excess of revenues over expenditures	<u>\$ 2,615</u>	<u>\$ 5,515</u>	<u>\$ (1,113)</u>	<u>\$ (6,628)</u>	<u>\$ 6,116</u>
Other sources (uses):					
Operating transfer (out)--					
General fund	\$ -	\$ -	\$ (4,788)	\$ (4,788)	\$ (3,103)
Sewer fund	-	-	-	-	(1,000)
Payroll fund	-	-	-	-	-
Total other sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,788)</u>	<u>\$ (4,788)</u>	<u>\$ (4,103)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ 2,615	\$ 5,515	\$ (5,901)	\$ (11,416)	\$ 2,013
Fund balance, beginning of year	<u>4,969</u>	<u>4,969</u>	<u>4,969</u>	<u>-</u>	<u>2,956</u>
Fund balance, end of year	<u>\$ 7,584</u>	<u>\$ 10,484</u>	<u>\$ (932)</u>	<u>\$ (11,416)</u>	<u>\$ 4,969</u>

The accompanying notes are an integral part of this statement.

OTHER SUPPLEMENTARY INFORMATION

VILLAGE OF MORSE
MORSE, LOUISIANA
GENERAL FUND

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES
Year Ended June 30, 2017

	2017			Variance-- Positive (Negative)	2016
	Budget		Actual		Actual
	Original	Final			
Current:					
General government:					
Salaries and wages	\$ 33,818	\$ 23,673	\$ 29,120	\$ (5,447)	\$ 27,562
Payroll taxes	-	-	8,341	(8,341)	10,880
Office expenses	7,070	2,827	9,913	(7,086)	7,596
Utilities	13,030	13,437	13,860	(423)	13,367
Telephone expense	1,478	2,408	2,277	131	3,371
Bond expense	100	131	120	11	100
Professional fees	-	17,989	3,686	14,303	13,151
Grant expense	-	-	-	-	-
Vehicle expense	2,227	1,810	1,475	335	1,527
Lease	2,400	-	2,415	(2,415)	2,600
Repairs and maintenance	15,834	5,550	835	4,715	9,681
Insurance	5,827	5,240	7,238	(1,998)	10,061
Dues and memberships	327	480	-	480	50
Bank charges	-	-	-	-	-
Festival expense	-	-	-	-	-
Publications	-	-	2,116	(2,116)	-
Miscellaneous	6,287	10,210	9,069	1,141	10,157
Total general government	<u>\$ 88,398</u>	<u>\$ 83,755</u>	<u>\$ 90,465</u>	<u>\$ (6,710)</u>	<u>\$ 110,103</u>
Public safety:					
Police department:					
Repairs, supplies, fuel	\$ 9,000	\$ 18,932	\$ 8,468	\$ 10,464	\$ 7,538
Total public safety	<u>\$ 9,000</u>	<u>\$ 18,932</u>	<u>\$ 8,468</u>	<u>\$ 10,464</u>	<u>\$ 7,538</u>
Public works:					
Streets and drainage:					
Repairs and maintenance	\$ -	\$ -	\$ -	\$ -	\$ 1,405
Supplies	\$ -	\$ 55	\$ 361	\$ (306)	\$ -
Fuel	-	-	3,974	(3,974)	6,118
Total public works	<u>\$ -</u>	<u>\$ 55</u>	<u>\$ 4,335</u>	<u>\$ (4,280)</u>	<u>\$ 7,523</u>
Capital outlay	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 513,319</u>	<u>\$ (513,319)</u>	<u>\$ -</u>
Total capital outlays	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 513,319</u>	<u>\$ (513,319)</u>	<u>\$ -</u>
Total expenditures	<u>\$ 97,398</u>	<u>\$ 102,742</u>	<u>\$ 616,587</u>	<u>\$ (513,845)</u>	<u>\$ 125,164</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF MORSE
MORSE, LOUISIANA
WATER SYSTEM FUND

BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2017

	2017				2016
	Original Budget	Final Budget	Actual	Variance	Actual
<u>OPERATING REVENUES</u>					
Charges for services	\$ 91,073	\$ 89,346	\$ 107,871	\$ 18,525	\$ 99,608
Miscellaneous	-	-	-	-	-
Total operating revenues	\$ 91,073	\$ 89,346	\$ 107,871	\$ 18,525	\$ 99,608
<u>OPERATING EXPENSES</u>					
Insurance	\$ 7,100	\$ 11,440	\$ 8,698	\$ 2,742	\$ 7,904
Payroll expenses	24,655	39,710	29,120	10,590	27,562
Fees	-	-	-	-	-
Plant supplies	-	-	323	(323)	3,523
Office expense	848	2,394	2,781	(387)	2,920
Depreciation	1,500	1,500	24,021	(22,521)	24,512
Lease	3,052	1,746	-	1,746	-
Utilities	13,372	12,504	11,719	785	13,264
Grant expenses	-	-	-	-	-
Repairs and maintenance	8,813	10,049	7,701	2,348	23,289
Chemical and testing	17,778	21,399	16,386	5,013	22,090
Professional fees	1,468	2,630	5,743	(3,113)	6,871
Miscellaneous	4,820	7,800	7,682	118	8,548
Total operating expenses	\$ 83,406	\$ 111,172	\$ 114,174	\$ (3,002)	\$ 140,483
Operating income (loss)	\$ 7,667	\$ (21,826)	\$ (6,303)	\$ 15,523	\$ (40,875)
<u>NON OPERATING REVENUES (EXPENSES)</u>					
Grant revenue	\$ -	\$ -	\$ -	\$ -	\$ 13,936
Total non operating revenues (expenses)	\$ -	\$ -	\$ -	\$ -	\$ 13,936
NET INCOME (LOSS) BEFORE TRANSFERS	\$ 7,667	\$ (21,826)	\$ (6,303)	\$ 15,523	\$ (26,939)
Other Sources (Uses)					
Capital contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Transfers In (Out)	-	-	-	-	-
Operating transfers out	-	-	(1,385)	(1,385)	(1,803)
Total other sources (uses)	\$ -	\$ -	\$ (1,385)	\$ (1,385)	\$ (1,803)
NET INCOME (LOSS)	\$ 7,667	\$ (21,826)	\$ (7,688)	\$ 14,138	\$ (28,742)
Retained Earnings, Beginning	662,835	662,835	662,835	-	691,577
Retained Earnings, Ending	\$ 670,502	\$ 641,009	\$ 655,147	\$ 14,138	\$ 662,835

The accompanying notes are an integral part of this statement.

VILLAGE OF MORSE
MORSE, LOUISIANA
SEWER SYSTEM FUND

BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2017

	<u>2017</u>				<u>2016</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
<u>OPERATING REVENUES</u>					
Charges for services	\$ 100,300	\$ 98,825	\$ 111,656	\$ 12,831	\$ 106,876
Miscellaneous	-	-	12	12	71
Total operating revenues	<u>\$ 100,300</u>	<u>\$ 98,825</u>	<u>\$ 111,668</u>	<u>\$ 12,843</u>	<u>\$ 106,947</u>
<u>OPERATING EXPENSES</u>					
Payroll expenses	\$ 25,000	\$ 39,710	\$ 29,120	\$ 10,590	\$ 27,561
Plant supplies	-	-	-	-	1,711
Office expense	1,000	939	2,984	(2,045)	3,521
Depreciation	3,400	3,400	35,577	(32,177)	35,953
Lease	2,400	2,547	1,200	1,347	-
Utilities	14,736	16,872	16,437	435	16,160
Repairs and maintenance	1,000	4,805	18,112	(13,307)	24,429
Chemical and testing	8,820	11,255	13,454	(2,199)	14,604
Insurance	6,000	9,823	11,413	(1,590)	7,684
Professional fees	6,000	6,602	7,553	(951)	8,902
Miscellaneous	175	175	5,002	(4,827)	4,501
Total operating expenses	<u>\$ 68,531</u>	<u>\$ 96,128</u>	<u>\$ 140,852</u>	<u>\$ (44,724)</u>	<u>\$ 145,026</u>
Operating income (loss)	<u>\$ 31,769</u>	<u>\$ 2,697</u>	<u>\$ (29,184)</u>	<u>\$ (31,881)</u>	<u>\$ (38,079)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>					
Interest income	\$ -	\$ -	\$ -	\$ -	\$ -
Grant revenue	-	-	8,478	8,478	3,250
Total Non-operating revenues (expenses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,478</u>	<u>\$ 8,478</u>	<u>\$ 3,250</u>
NET INCOME (LOSS) BEFORE TRANSFERS	<u>\$ 31,769</u>	<u>\$ 2,697</u>	<u>\$ (20,706)</u>	<u>\$ (23,403)</u>	<u>\$ (34,829)</u>
Other Sources (Uses)					
Capital contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Operating transfers in (out):					
Operating transfer in	-	-	-	-	1,000
Operating transfers out	-	-	(1,246)	(1,246)	(1,803)
Total other sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,246)</u>	<u>\$ (1,246)</u>	<u>\$ (803)</u>
Net Income (Loss)	\$ 31,769	\$ 2,697	\$ (21,952)	\$ (24,649)	\$ (35,632)
Retained Earnings, Beginning	545,804	545,804	545,804	-	581,436
Prior Period Adjustment	-	-	-	-	-
Retained Earnings, Ending	<u>\$ 577,573</u>	<u>\$ 548,501</u>	<u>\$ 523,852</u>	<u>\$ (24,649)</u>	<u>\$ 545,804</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF MORSE
MORSE, LOUISIANA

SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS
TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER
For the Year Ended June 30, 2016

Agency Head Name: Darlene Thibodeaux, Mayor (July 1, 2016- June 30, 2017)

Purpose	Amount
Salary	\$ 480
Benefits-insurance	-
Benefits-retirement	-
Benefits-other	-
Car allowance	-
Vehicle provided by government	-
Per diem	-
Reimbursements	1,681
Travel	-
Registration fees	-
Conference	-
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Special meals	-
Other	-
	<hr/>
	\$ 2,161

Agency Head Name: August Guillory, Police Chief (July 1, 2016- June 30, 2017)

Purpose	Amount
Salary	\$ 3,000
Benefits-insurance	-
Benefits-retirement	-
Benefits-other	-
Car allowance	-
Vehicle provided by government	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference	-
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Special meals	-
Other	-
	<hr/>
	\$ 3,000

The accompanying notes are an integral part of this statement.

THIBODEAUX ACCOUNTING COMPANY

A LIMITED LIABILITY COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

P. O. BOX 34 • 801 THE BOULEVARD, SUITE B • RAYNE, LOUISIANA 70578 • (337) 334-7251 FAX (337) 334-7002

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

The Honorable Darlene Thiboeaux, Mayor
And the Board of Alderman
Village of Morse
Morse, Louisiana

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the village of Morse Louisiana, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Village of Morse, Louisiana's basic financial statements and have issued our report thereon dated December 18, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village of Morse's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Morse, Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village of Morse, Louisiana's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be

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CERTIFIED PUBLIC ACCOUNTANTS

The Honorable Darlene Thibodeaux, Mayor
And the Board of Alderman
Village of Morse
Morse, Louisiana

material weaknesses. We did identify certain deficiencies in internal control that we consider to be significant deficiencies and they are described in the accompanying schedule of findings to be significant deficiencies: 2017-1, 2017-2, 2017-4, 2017-5 and 2017-9.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Morse, Louisiana's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contract, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items: 2017-3, 2017-6 and 2017-7.

Village of Morse, Louisiana's Response to Findings

The Village of Morse, Louisiana's response to the findings identified in our audit is described in the accompanying schedule of findings. The Village of Morse, Louisiana's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. This report is intended solely for the information and use of management, others in the organization and the Office of the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document. Therefore, its distribution is not limited.


Thibodeaux Accounting Company
A Limited Liability Company

Rayne, Louisiana
December 18, 2017

VILLAGE OF MORSE
MORSE, LOUISIANA

Schedule of Findings and Corrective Action Plan
June 30, 2017

PART I. SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Auditor's Report

An unmodified opinion has been issued on the Village of Morse, Louisiana's basic financial statements as of and for the year ended June 30, 2017.

Internal Control - Financial Reporting

There were five significant deficiencies in internal control on financial reporting that were disclosed by the audit of the financial statement.

There were no material weaknesses in internal control on financial reporting that was disclosed by the audit of the financial statements.

Material Noncompliance – Financial Reporting

The results of our tests disclosed three instances of noncompliance required to be reported under *Government Auditing Standards*.

PART II. FINDING RELATING TO AN AUDIT IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

2017-1 Finding: Financial Statements Not in Accordance With GAAP (Internal Control)

The Village does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing the financial statements.

Criteria:

The reporting entity should be able to prepare financial statements in accordance with GAAP without any outside assistance.

Cause of Condition:

The Village does not have the funds to hire someone or to outsource this function.

Effect of Condition:

The financial statements may not be prepared in accordance with GAAP.

Recommendation:

We recommend that the Village outsource this task to ensure the recording of its financial transactions in accordance with GAAP.

VILLAGE OF MORSE
MORSE, LOUISIANA

Schedule of Findings and Responses
(Continued)
June 30, 2017

Corrective Action Plan:

The Village has evaluated the cost vs. benefits of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the Village to outsource this task to its independent auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation.

2017-2 Finding: No documentation of reduction of fines resulting from court proceedings (Internal Control)

The Village has no documentation of fines that were reduced during Mayor's Court.

Criteria:

The Village should have a system in place that documents when the Mayor reduces a ticket fine.

Cause of Condition:

The Clerk collected reduced fines with no proof of Mayor's orders.

Effect of Condition:

The Village is losing fine revenue and fines may not be properly collected.

Recommendation:

Court proceedings should be documented and a system should be put in place to ensure all fines are properly collected.

Corrective Action Plan:

The Village clerk and Mayor will put a system in place to ensure that all fines are properly collected. The Village estimates this to be resolved by June 30, 2018.

2017-3 Finding: The Village collected and failed to disburse amounts timely and correctly to applicable agencies. (Noncompliance)

Fines were not disbursed timely.

Criteria:

The Village clerk failed to disburse fines required by state statutes timely.

Cause of Condition:

The Village Clerk held fines instead of disbursing them to the appropriate agencies monthly.

VILLAGE OF MORSE
MORSE, LOUISIANA

Schedule of Findings and Responses
(Continued)
June 30, 2017

Effect of Condition:

The Village could be out of compliance with applicable statutes; the wrong amounts could be disbursed to the various state and local agencies and the Village could be losing fine revenues necessary to their budget.

Recommendation:

The Village should put controls in place to ensure that the right amounts are collected and disbursed timely.

Corrective Action Plan:

The Village clerk will make sure that fine disbursements are paid monthly. The Village estimates this to be resolved by June 30, 2018.

2017-4 Finding: The Village has no process in place to ensure that license suspensions or bench warrants are executed for individuals who fail to show up at court or pay proper fines and that all suspensions are removed once fines are paid. (Internal Control)

There is no process to track whether or not people who have not paid their tickets have bench warrants or license suspensions.

Criteria:

A process should be adopted and adhered to in order to ensure that tickets are disposed of in a consistent and fair manner by the Village.

Cause of Condition:

The Village did not have proper checks and balances in place to ensure that tickets were disposed of properly.

Effect of Condition:

Certain individuals could benefit by not having to pay fines and the Village could lose money that it is rightly owed.

Recommendation:

The Police Chief and Mayor should devise a process with checks and balances to ensure that tickets are handled and disposed of in a fair and consistent manner.

Corrective Action Plan:

The Mayor will coordinate with the Village Clerk and Police Chief and devise a plan to ensure that all tickets are handled and disposed of in a fair, consistent and timely manner. The Village estimates this to be resolved by June 30, 2018.

VILLAGE OF MORSE
MORSE, LOUISIANA

Schedule of Findings and Responses
(Continued)
June 30, 2017

2017-5 Finding: Bank reconciliations not prepared timely. (Internal Control)

The Village did not prepare bank reconciliations for all bank accounts.

Criteria:

Bank reconciliations should be performed for all bank accounts in a timely manner.

Cause of Condition:

The Village clerk did not perform bank reconciliations for bank accounts that have a very small number of transactions.

Effect of Condition:

The Village could overspend if they do not know the correct cash balance in the bank account.

Recommendation:

The Village clerk should reconcile all cash accounts monthly and the Mayor or an alderman should review the bank reconciliations.

Corrective Action Plan:

The Village clerk will perform all bank reconciliations for all accounts on a monthly basis. The Mayor or an Alderman will review all bank reconciliations monthly. The Village estimates this to be resolved by June 30, 2018.

2017-6 Finding: Budget Violation (Noncompliance)

The Village did not properly amend their budget and exceeded budgeted expenses and uses by more than 5% and fell short of budgeted revenues by more than 5%.

Criteria:

Louisiana Revised Statute 39:1311 states that total actual expenditures or uses should not exceed budgeted expenditures and uses by more than 5% and total actual revenues and other sources should not be more than 5% less than budgeted revenues and sources.

Cause of Condition:

The budget was not properly amended.

Effect of Condition:

The Village could spend funds in excess of budgeted amounts.

VILLAGE OF MORSE
MORSE, LOUISIANA

Schedule of Findings and Responses
(Continued)
June 30, 2017

Recommendation:

The Village should comply with Louisiana Revised Statutes 39:1309 and 39:1311 and amend its budget upon a change in operations.

Corrective Action Plan:

The Village clerk will be sure to include all required information on all future budgets. The Village will utilize the budget and make revisions as they become necessary. The Village estimates this to be resolved by June 30, 2018.

2017-7 Finding: Sales Tax Paid (Noncompliance)

The Village paid sales tax on a purchase and they are tax exempt.

Criteria:

Article VII, Section 14 (A) of the Louisiana Constitution of 1974 provides that funds, credit property, or things of value of the State of any political subdivision shall not be loaned, pledged or donated to or for any person, association or corporations.

Cause of Condition:

Items were not purchased directly by the City; an employee was reimbursed.

Effect of Condition:

The Village is in violation of Article VII, Section 14 (A) of the Louisiana Constitution of 1974 and expended funds unnecessarily.

Recommendation:

The Village should ensure it distributed funds in accordance with laws.

Corrective Action Plan:

The Mayor will ensure all laws and regulations are followed to prevent possible violations. The Village estimates this to be resolved by June 30, 2018.

2017-8 Finding: The Village's Water and Sewer funds experienced operating losses during the year. (Management Letter)

The Village's Water and Sewer funds experienced operating losses during the current year of \$6,303 and \$29,184, respectively.

Criteria:

It is beneficial for the Village to operate at a surplus.

VILLAGE OF MORSE
MORSE, LOUISIANA

Schedule of Findings and Corrective Action Plan
(Continued)
June 30, 2017

Cause of Condition:

The Water and Sewer funds had more operating expenses than revenues.

Effect of Condition:

The Village could not have the funds available to pay for any large repairs should they present themselves.

Recommendation:

The Village should evaluate operations to determine methods to increase revenues and/or reduce expenses in order to operate at a surplus.

Corrective Action Plan:

The Village increased rates in July of 2017. The Mayor and Alderman will continue to monitor the situation closely. There is no anticipated date of correction as of June 30, 2017.

2017-9 Finding: Purchases made without purchase orders. (Internal Control)

The Village did not follow its policies and procedures and did not have purchase orders for all purchases.

Criteria:

The Village needs to issue purchase orders before a purchase is made to ensure that the expense has been approved, is reasonable, and is necessary.

Cause of Condition:

Several police department purchases were not accompanied by purchase orders.

Effect of Condition:

Purchases could be made that are not approved.

Recommendation:

The Village should follow its policies and procedures.

Corrective Action Plan:

The Mayor will ensure all policies and procedures are followed to prevent possible violations. The Village estimates this to be resolved by June 30, 2018.

VILLAGE OF MORSE
MORSE, LOUISIANA

Schedule of Corrective Action
Taken on Prior Year Findings
June 30, 2017

2016-1 Financial Statements Not in Accordance with GAAP.

Finding: The Village does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing the financial statements.

Recommendation: The Village should outsource this task to ensure the recording of the Village's financial transactions in accordance with GAAP.

Status: Unresolved

2016-2 Federal tax forms were not properly filled out

Finding: The Village filed federal tax forms that were not properly filled out.

Recommendation: The Village should not make any changes after preparing the tax forms. If a change is necessary, the Village should also amend their Federal Tax Forms.

Status: Resolved

2016-3 No documentation of reduction of fines resulting from court proceedings

Finding: The Village had no documentation of fines that were reduced during Mayor's Court.

Recommendation: Court proceedings should be documented and a system should be put in place to ensure all fines are properly collected.

Status: Unresolved

2016-4 The Village collected and failed to disburse amounts timely and correctly to applicable agencies.

Finding: Fines were not disbursed timely.

Recommendation: The Village should put controls in place to ensure that the right amounts are collected and disbursed timely.

Status: Unresolved

2016-5 The Village has no process in place to ensure that license suspensions or bench warrants are executed for individuals who fail to show up at court or pay proper fines and that all suspensions are removed once fines are paid.

Finding: There is no process to track whether or not people who have not paid their tickets have bench warrants or license suspensions.

Recommendation: The Police Chief and Mayor should devise a process with checks and balances to ensure that tickets are handled and disposed of in a fair and consistent manner.

Status: Unresolved

VILLAGE OF MORSE
MORSE, LOUISIANA

Schedule of Corrective Action
Taken on Prior Year Findings
June 30, 2017

2016-6 Bank Reconciliations not Prepared Timely

Finding: The Village did not prepare bank reconciliations for several bank accounts.

Recommendation: The Village should reconcile all cash accounts monthly and the mayor or an Alderman should review the bank reconciliations.

Status: Unresolved

2016-7 Budget Violation

Finding: The Village did not properly amend their budget and exceeded budgeted expenses and uses by more than 5% and fell short of budgeted revenues by more than 5%.

Recommendation: The Village should comply with Louisiana Revised Statute 39:1309 and 39:1311 and amend its budget upon a change in operations.

Status: Unresolved

2016-8 Ethics Course Violation

Finding: A Village employee did not take the one hour ethics course as required by law.

Recommendation: The Village should educate themselves on this statute and comply with it in the future.

Status: Unresolved

2016-9 The Village's Water and Sewer funds experienced operating losses during the year.

Finding: The Village's Water and Sewer funds experienced operating losses during the current year of \$40,875 and \$38,079, respectively.

Recommendation: The Village should evaluate operations to determine methods to increase revenues and/or reduce expenses in order to operate at a surplus.

Status: Unresolved

THIBODEAUX ACCOUNTING COMPANY

A LIMITED LIABILITY COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

P. O. Box 34 • 801 THE BOULEVARD, SUITE B • RAYNE, LOUISIANA 70578 • (337) 334-7251 FAX (337) 334-7002

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Honorable Darlene Thibodeaux, Mayor
and the Village Board
Village of Morse, Louisiana

December 18, 2017

We have performed the procedures included enumerated below, which were agreed to by the management of the Village of Morse, Louisiana (Village) and the Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2016 through June 30, 2017. The Village's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this 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.

The procedures and associated findings are as follows:

Written Policies and Procedures

- I. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget
All addressed without exception.
 - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
All addressed with exception for how vendors are added to the vendor list. (Exception)
 - c) **Disbursements**, including processing, reviewing, and approving
All addressed without exception.
 - d) **Receipts**, including receiving, recording, and preparing deposits
All addressed without exception.
 - e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
All addressed without exception.

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- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
All addressed without exception.
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage
All addressed without exception.
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
All addressed without exception.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.
None of the above requirements were included in the policy provided. (Exception)
- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
No policy was provided, and no debt service was incurred during the current fiscal year. (Exception)

Board (or Finance Committee, if applicable)

- 2. Obtain and review the board/committee minutes for the fiscal period, and:
 - a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
The minutes reflected that the Board met monthly without exception.
 - b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).
 - If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.
Budget guidelines, including comparisons of budget to actual figures, are not being discussed at the monthly meetings. (Exception)
 - c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.
No exceptions noted.

Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

The listing was provided by management.

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

An exception was noted for one bank account for 2 consecutive months. (Exception)

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

No exception noted.

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

No exception noted.

Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

The list was provided by management.

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* **For each cash collection location selected:**

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

Each person responsible for handling cash is bonded. The deposits are made by the Mayor, but the Village Clerk records and reconciles. (Exception) Each person has a separate cash drawer.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

The Village does not have a formal process to reconcile cash by revenue source. (Exception)

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

- Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

Deposits were not made within one day of collection. (Exception)

The funds collected for the week with the highest dollar collections were deposited nine (9) business days after the first receipt was received.

- Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

Utility deposit cash report provided by the Village and actual deposits did not match the receipt books. (Exception)

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

The Village's policies include some processes specifically defined to determine completeness of all collections, but they are generally performed by persons who are responsible for collections. (Exception).

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

The listing was obtained from the general ledger.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

The Village only uses purchase orders for supplies and materials. (Exception)

Of the 25 disbursements tested, 19 of them did not require a purchase order as there were no goods delivered but rather recurring transaction or services provided. Of the six that required purchase orders, four had purchase orders and two did not. (Exception)

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

Purchase orders were approved by a person who did not initiate purchase.

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

Nineteen of the transactions tested were either recurring, no products delivered, or no receiving report obtained/appropriate. Four transactions had purchase orders and two were paid without approved purchase orders. (Exception)

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

The Village Clerk performs accounts payable processing and adds vendors to the Village's system. (Exception)

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

The Mayor has final authorization and checks require two signatures. The Village Clerk is responsible for initiating or recording purchases.

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

Checks are stored in the Village Clerk's office but are not stored in a locked drawer or cabinet and office is shared with a person who does not have signatory authority. (Exception)

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

No signature stamp or machine is used by the Village of Morse. The Mayor maintains control of the checks until they are mailed.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

The listing was provided without exception.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.

[Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

On the month tested, there was no evidence of supporting documentation for one department. (Exception)

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

No finance charges or late fees were present.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:

- An original itemized receipt (i.e., identifies precisely what was purchased)

The Village only has fuel cards. Fuel purchases are itemized by employee and list gallons purchased on statement.

- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

Not applicable. Only fuel cards.

- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

Not applicable.

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

No exceptions noted.

- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

No exceptions noted.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

Management provided list.

18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

The Village used the wrong GSA mileage rate. Two reimbursements included mileage reimbursement and exceeded those rates. (Exception)

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

Two reimbursements included mileage reimbursement and used \$.575 instead of the GSA rate of \$.54. (Exception)

- b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

Itemized receipts were present.

- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

Documentation was present.

- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

Documentation in accordance with written policy was provided without exception.

- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

No exceptions noted.

- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Each expense tested was supported by documentation of review and approval in writing by someone other than the traveler without exception.

Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

According to the Village Mayor and Clerk, there are no contracts.

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:
- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.
No formal/written contracts.
 - b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
 - If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)
Not applicable.
 - If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.
Not applicable.
 - c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.
Not applicable.
 - d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.
We verified that the largest vendors total payments were below the public bid law thresholds.
 - e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).
Not applicable.

Payroll and Personnel

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:
- List was obtained without exception.
- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.
No evidence of pay rate structure or contract was found. (Exception)
 - b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.
No changes made.
23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

No exceptions noted.

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

The Village's Mayor approves all attendance and leave when she signs the payroll checks.

- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

Written leave records were not maintained. (Exception)

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

No exceptions noted.

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

All payroll taxes and forms were paid timely, and the Village does not participate in a retirement system.

Ethics (excluding nonprofits)

26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

No exceptions noted.

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

The Village has a pending claim against the Chief of Police August Guillory for an inappropriate claim for reimbursement for which criminal charges are now pending.

Debt Service (excluding nonprofits)

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

No debt was issued during the fiscal period.

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

Not applicable.

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

The Village did not have tax millages related to debt service payments.

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

The Village has a pending claim against the Chief of Police August Guillory for an inappropriate claim for reimbursement for which criminal charges are now pending.

32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

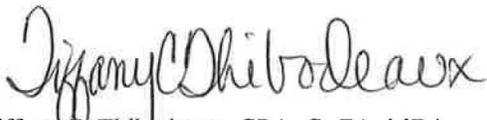
The Village did have the required notice posted in a conspicuous place upon its premises but the Village does not have a website.

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

The practitioner did not observe or otherwise identify any exceptions regarding management's representations in the procedures above.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we did not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.



Tiffany C. Thibodeaux, CPA, Cr.FA, MBA
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A Limited Liability Company

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MANAGEMENT LETTER

The Honorable Darlene Thibodeaux, Mayor
And the Board of Aldermen
Village of Morse
Morse, Louisiana

We have completed our audit of the basic financial statements of the Village of Morse, Louisiana for the year ended June 30, 2017, and submit the following recommendation for your consideration:

The Water and Sewer Utility Funds experienced operating losses during the current year of \$6,303 and \$29,184, respectively. The Village should evaluate operations to determine methods to increase revenues and/or reduce expenses in order to operate at a surplus.

In conclusion, we express our appreciation to you and your staff, particularly to your office staff, for the courtesies and assistance rendered to us during the performance of our audit. Should you have any questions or need assistance in implementing our recommendations, please feel free to contact us.

Thibodeaux Accounting Company

Thibodeaux Accounting Company

A Limited Liability Company

Rayne, Louisiana

December 18, 2017

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