

VILLAGE OF MER ROUGE, LOUISIANA

FINANCIAL REPORT

December 31, 2019

HILL, INZINA & COMPANY

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HILL, INZINA & COMPANY

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Honorable John D. McAdams, III, Mayor,
and Members of the Board of Aldermen
Village of Mer Rouge, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Village of Mer Rouge, Louisiana (the "Village"), as of and for the year ended December 31, 2019, 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 Village'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 Village'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, and each major fund of the Village as of December 31, 2019, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule, the schedule of proportionate share of net position liability, and the schedule of contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, who considers it to be an essential part of 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 Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

This other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The other supplementary 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 basic 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 as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2020, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

/s/ Hill, Inzina & Co.

September 11, 2020

REQUIRED SUPPLEMENTARY INFORMATION (Part 1 of 2)

VILLAGE OF MER ROUGE, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and for the Year Ended December 31, 2019

As management of Village of Mer Rouge, Louisiana (the "Village"), we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the year ended December 31, 2019. This discussion and analysis of management is designed to provide an objective and easy-to-read analysis of the Village's financial activities based on currently known facts, decisions, or conditions. It is intended to provide readers with a broad overview of the Village's finances. It is also intended to provide readers with an analysis of the short-term and long-term activities of the Village based on information presented in the financial report and fiscal policies that have been adopted by the Village. Specifically, this section is designed to assist the readers in focusing on significant financial issues, provide an overview of the Village's financial activity, identify changes in the Village's financial position (its ability to address the next and subsequent years' challenges), identify any material deviations from the financial plan (approved budget), and identify individual issues or concerns of individual funds.

As with other sections of this financial report, the information contained within this discussion and analysis of management should be considered only a part of a greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the footnotes and supplementary information that are provided in addition to this discussion and analysis of management.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village's financial statements. The Village's basic financial statements consist of the following components:

1. Government-wide financial statements.
2. Fund financial statements.
3. Notes to financial statements.

In addition to the basic financial statements, the Village also includes in a subsequent section of this report additional information to supplement the basic financial statements.

1. Government-wide financial statements

Government-wide financial statements are designed by GASB Statement No. 34 to change the way in which government financial statements are presented. It now provides readers for the first time with a concise "entity-wide" statement of net position and statement of activities, seeking to give the users of the financial statements a broad overview of the Village's financial position and results of operations in a manner similar to a private-sector business.

The statement of net position presents information on all of the Village's assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. The difference between assets and liabilities is reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Village is improving or weakening. Evaluation of the overall economic health of the Village would extend to other nonfinancial factors in addition to the financial information provided in this report.

The statement of activities presents information detailing how the Village's net position changed during the most recent year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of this statement is to show the financial reliance of the Village's distinct activities or functions on revenues provided by the citizenry of the Village.

The government-wide financial statements report governmental activities of the Village that are principally supported by tax revenues. Governmental activities include general administrative, sanitation, public safety (police), and public works (streets) services.

2. Fund financial statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Village uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Village as a whole with major funds being separately reported.

The Village has two types of funds:

1. Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the Village's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near term.
2. The proprietary fund is reported in the fund financial statements and generally reports services for which the Village charges customers a fee. The fund essentially encompasses the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the Village. Proprietary fund financial statements provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail.

As the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. A reconciliation from both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balances to the government-wide statements is provided to assist in understanding the differences between these two perspectives.

3. Notes to financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes begin immediately following the basic financial statements.

Government-Wide Financial Analysis

The following provides a summary of the net position (in thousands of dollars) of the Village as of December 31:

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 956	\$ 974	\$ 286	\$ 287	\$ 1,242	\$ 1,261
Capital assets	1,354	1,368	1,301	1,401	2,655	2,769
Total assets	<u>\$ 2,310</u>	<u>\$ 2,342</u>	<u>\$ 1,587</u>	<u>\$ 1,688</u>	<u>\$ 3,897</u>	<u>\$ 4,030</u>
Deferred outflows of resources	\$ 37	\$ 66	\$ 42	\$ 56	\$ 79	\$ 122
Other liabilities	<u>\$ 438</u>	<u>\$ 486</u>	<u>\$ 547</u>	<u>\$ 521</u>	<u>\$ 985</u>	<u>\$ 1,007</u>
Deferred inflows of resources	\$ 129	\$ 89	\$ 4	\$ 7	\$ 133	\$ 96
Net position:						
Net investment in capital assets	\$ 1,354	\$ 1,368	\$ 1,301	\$ 1,401	\$ 2,655	\$ 2,769
Unrestricted (deficit)	<u>426</u>	<u>465</u>	<u>(223)</u>	<u>(185)</u>	<u>203</u>	<u>280</u>
Total net position	<u>\$ 1,780</u>	<u>\$ 1,833</u>	<u>\$ 1,078</u>	<u>\$ 1,216</u>	<u>\$ 2,858</u>	<u>\$ 3,049</u>

As noted earlier, net position may serve over time as a useful indicator of the Village's financial position. The Village will use the unrestricted net position to meet the ongoing obligations to users of its services and creditors. By far the largest portion of the Village's net position as December 31, 2019 consists of the investment in capital assets. The Village uses these capital assets to provide services to its citizenry; consequently, these assets are not available for future spending.

The following summarizes the Village's net position changes (in thousands of dollars) between the two years ended December 31, 2019 and 2018:

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 109	\$ 104	\$ 298	\$ 291	\$ 407	\$ 395
Operating grants and contributions	-	18	-	-	-	18
Capital grants and contributions	-	-	-	11	-	11
General revenues:						
Taxes	403	382	-	-	403	382
Intergovernmental Unrestricted	31	2	-	-	31	2
investment earnings	21	14	2	1	23	15
Special items:						
Net gain on sale of capital assets	-	-	10	-	10	-
Operating transfers in (out)	(30)	-	30	-	-	-
Total revenues and special items	<u>\$ 534</u>	<u>\$ 520</u>	<u>\$ 340</u>	<u>\$ 303</u>	<u>\$ 874</u>	<u>\$ 823</u>
Expenses:						
General government	\$ 304	\$ 298	\$ -	\$ -	\$ 304	\$ 298
Sanitation	-	-	-	-	-	-
Public safety	187	210	-	-	187	210
Public works	9	13	-	-	9	13
Depreciation	72	75	-	-	72	75
Water and sewer	-	-	478	420	478	420
Total expenses	<u>\$ 572</u>	<u>\$ 596</u>	<u>\$ 478</u>	<u>\$ 420</u>	<u>\$ 1,050</u>	<u>\$ 1,016</u>
Increase (decrease) in net positions	\$ (38)	\$ (76)	\$ (138)	\$ (117)	\$ (176)	\$ (193)
Net positions - beginning	<u>1,818</u>	<u>1,909</u>	<u>1,216</u>	<u>1,333</u>	<u>3,034</u>	<u>3,242</u>
Net positions - ending	<u>\$ 1,780</u>	<u>\$ 1,833</u>	<u>\$ 1,078</u>	<u>\$ 1,216</u>	<u>\$ 2,858</u>	<u>\$ 3,049</u>

The Village's total revenues and the total cost of all programs and services increased by \$41,000 and \$34,000, respectively. The Village's expenses cover a range of services with the majority related to personnel costs.

Business-Type Activities

General revenues are those available for the Village to pay for the governmental activities. For the year ended December 31, 2019, taxes were the largest general revenue source for the Village. Sales taxes were the largest individual tax revenue source.

Program revenues derive directly from the program itself or from parties outside the Village's taxpayers or citizenry. As a whole, they reduce the cost of the function to be financed from the Village's general revenues.

Charges for services and expenses of the business-type activities for the year ended December 31, 2019 increased \$7,000 and \$58,000, respectively, from the previous year.

Financial Analysis of Governmental Fund

As of December 31, 2019, the Village's governmental fund reported an ending fund balance of \$833,937, a decrease of \$13,626 from \$847,563 as of December 31, 2018. The fund balance of the governmental fund is classified as unassigned as it is available for any purpose.

Budgetary Highlights

The Village made amendments to its General Fund and Water and Sewer Fund budgets for the year ended December 31, 2019. Actual revenues of the General Fund of \$559,356 failed to meet budgeted revenues of \$581,000 by \$21,644 or 3.7%. Actual expenditures and other financing uses of \$572,982 were also more than budgeted expenditures and other financing uses of \$563,820 by \$9,162 or 1.6%.

Capital Assets

As of December 31, 2019, the Village had invested \$2.7 million in a broad range of capital assets, including land, buildings, vehicles, streets, and water and sewer systems. The majority of capital asset additions made during the year ended December 31, 2019 were equipment.

Liabilities

Liabilities for both net pension and other postemployment benefits (OPEB) are reported in the Village's statement of net position for government wide activities as of December 31, 2019. Additional information about these liabilities are presented in the notes to financial statements.

Economic Factors and Next Year's Budget

Total revenues in the Village's proposed budget for the General Fund for the year ending December 31, 2020 remained the same as the final totals budgeted for the year ended December 31, 2019 while budgeted expenditures were decreased by \$69,844. A beginning fund balance of \$865,180 was included in the 2020 budget while only \$833,937 was actually available.

Requests for Information

This financial report is designed to provide a general overview of the Village's financial picture for all those with an interest in the Village's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Clerk, P.O. Box 238, Mer Rouge, Louisiana 71261-0238.

BASIC FINANCIAL STATEMENTS

VILLAGE OF MER ROUGE, LOUISIANA

STATEMENT OF NET POSITION

December 31, 2019

ASSETS	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
Cash	\$ 499,805	\$ 29,642	\$ 529,447
Pooled deposits	58,265	-	58,265
Certificates of deposit	339,350	149,021	488,371
Receivables:			
Property taxes	12,779	-	12,779
Accounts	-	23,310	23,310
Due from other funds	45,801	59,490	105,291
Restricted assets:			
Cash	-	7,647	7,647
Certificates of deposit	-	17,000	17,000
Capital assets:			
Land	74,583	20,110	94,693
Construction in progress	-	11,100	11,100
Other capital assets, net of depreciation	1,279,849	1,270,036	2,549,885
Total assets	<u>\$ 2,310,432</u>	<u>\$ 1,587,356</u>	<u>\$ 3,897,788</u>
 DEFERRED OUTFLOWS OF RESOURCES			
Resources related to pensions	<u>\$ 37,231</u>	<u>\$ 42,719</u>	<u>\$ 79,950</u>
 LIABILITIES			
Accounts payable	\$ -	\$ 11,100	\$ 11,100
Payroll withholdings	3,656	84	3,740
Due to other funds	47,781	64,377	112,158
Payable from restricted assets:			
Customers' deposits	-	21,527	21,527
Net pension	210,519	186,882	397,401
Net OPEB obligation	176,131	262,787	438,918
Total liabilities	<u>\$ 438,087</u>	<u>\$ 546,757</u>	<u>\$ 984,844</u>

(continued)

VILLAGE OF MER ROUGE, LOUISIANA
 STATEMENT OF NET POSITION (Continued)
 December 31, 2019

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes	\$ 70,626	\$ -	\$ 70,626
Resources related to pensions	<u>58,798</u>	<u>4,562</u>	<u>63,360</u>
Total deferred inflows of resources	<u>\$ 129,424</u>	<u>\$ 4,562</u>	<u>\$ 133,986</u>
 NET POSITION			
Net investment in capital assets	\$ 1,354,432	\$ 1,301,246	\$ 2,655,678
Unrestricted (deficit)	<u>425,720</u>	<u>(222,490)</u>	<u>203,230</u>
Total net position	<u>\$ 1,780,152</u>	<u>\$ 1,078,756</u>	<u>\$ 2,858,908</u>

See notes to financial statements.

VILLAGE OF MER ROUGE, LOUISIANA

STATEMENT OF ACTIVITIES
As of and for the Year Ended December 31, 2019

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/Programs:				
Governmental activities:				
Current:				
General government	\$ 303,763	\$ 94,115	\$ -	\$ -
Public safety	187,166	14,364	-	-
Public works	8,791	-	-	-
Depreciation	71,842	-	-	-
Total governmental activities	<u>\$ 571,562</u>	<u>\$ 108,479</u>	<u>\$ -</u>	<u>\$ -</u>
Business-type activities:				
Water and sewer	<u>477,646</u>	<u>297,629</u>	<u>-</u>	<u>-</u>
Total government	<u>\$ 1,049,208</u>	<u>\$ 406,108</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

Taxes:

Property

Franchise

Sales

Intergovernmental

Unrestricted investment earnings and
miscellaneous

Special item:

Net gain on sale of capital assets

Operating transfers in (out)

Total general revenues, special item,
and operating transfers

Changes in net positions

Net positions - beginning

Net positions - ending

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Position

<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Totals</u>
\$ (209,648)	\$ -	\$ (209,648)
(172,802)	-	(172,802)
(8,791)	-	(8,791)
<u>(71,842)</u>	<u>-</u>	<u>(71,842)</u>
\$ (463,083)	\$ -	\$ (463,083)
<u>-</u>	<u>(180,017)</u>	<u>(180,017)</u>
<u>\$ (463,083)</u>	<u>\$ (180,017)</u>	<u>\$ (643,100)</u>
\$ 68,422	\$ -	\$ 68,422
22,105	-	22,105
311,642	-	311,642
31,338	-	31,338
21,184	2,102	23,286
-	10,230	10,230
<u>(30,000)</u>	<u>30,000</u>	<u>-</u>
<u>\$ 424,691</u>	<u>\$ 42,332</u>	<u>\$ 467,023</u>
\$ (38,392)	\$ (137,685)	\$ (176,077)
<u>1,818,544</u>	<u>1,216,441</u>	<u>3,034,985</u>
<u>\$ 1,780,152</u>	<u>\$ 1,078,756</u>	<u>\$ 2,858,908</u>

VILLAGE OF MER ROUGE, LOUISIANA

BALANCE SHEET - GOVERNMENTAL FUND - GENERAL FUND

December 31, 2019

ASSETS

Cash	\$	499,805
Pooled deposits		58,265
Certificates of deposit		339,350
Property taxes receivable		12,779
Due from other funds		<u>45,801</u>
Total assets	\$	<u>956,000</u>

LIABILITIES

Payroll withholdings and accruals	\$	3,656
Due to other funds		<u>47,781</u>
Total liabilities	\$	51,437

DEFERRED INFLOWS OF RESOURCES

Property taxes		70,626
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FUND BALANCE

Unassigned		<u>833,937</u>
Total liabilities, deferred inflows of resources, and fund balance	\$	<u>956,000</u>

See notes to financial statements.

VILLAGE OF MER ROUGE, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND - GENERAL FUND

As of and for the Year Ended December 31, 2019

Revenues:	
Taxes	\$ 402,169
Licenses and permits	73,105
Intergovernmental	31,338
Fees, charges, and commissions for services	21,010
Fines and forfeitures	14,364
Interest and miscellaneous	17,370
Total revenues	<u>\$ 559,356</u>
Expenditures:	
Current:	
General government	\$ 289,960
Public safety	186,042
Public works	8,791
Capital outlay	58,189
Total expenditures	<u>\$ 542,982</u>
Excess of revenues over expenditures	\$ 16,374
Other financing sources (uses):	
Operating transfers out	<u>(30,000)</u>
Net change in fund balance	\$ (13,626)
Fund balance - beginning	<u>847,563</u>
Fund balance - ending	<u>\$ 833,937</u>

See notes to financial statements.

VILLAGE OF MER ROUGE, LOUISIANA

RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET
TO GOVERNMENT-WIDE STATEMENT OF NET POSITION
December 31, 2019

Total fund balance - governmental fund balance sheet	\$ 833,937
Amounts reported for governmental activities in statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,354,432
Net pension liability does not require the use of current financial resources and therefore is not reported in the funds.	(232,086)
Contributions to the OPEB obligation are reported as expenditures in the governmental funds. However, these amounts are reported as a reduction of long-term liabilities in the governmental activities.	<u>(176,131)</u>
Total net position of governmental activities - government-wide statement of net position	<u>\$ 1,780,152</u>

See notes to financial statements.

VILLAGE OF MER ROUGE, LOUISIANA

RECONCILIATION OF GOVERNMENTAL FUND STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

December 31, 2019

Net change in fund balance - governmental fund \$(13,626)

Amounts reported for governmental activities in statement of activities are different because:

The governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$71,842) exceeded capital outlays (\$58,189) in the current period. (13,653)

Proportionate share of non-employer contributions to pension plans do not provide current financial resources and are not reported as revenue in the governmental funds. 3,814

Governmental funds report current year pension contributions as expenditures. However, in the statement of activities, these contributions are reported as deferred inflows of resources and the proportionate share of the plans' pension expense is reported as such. (6,834)

OPEB obligations reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (8,093)

Changes in net position of governmental activities - government-wide statement of activities \$(38,392)

See notes to financial statements.

VILLAGE OF MER ROUGE, LOUISIANA

STATEMENT OF NET POSITION - PROPRIETARY FUND - WATER AND SEWER FUND

December 31, 2019

ASSETS

Current assets:	
Cash	\$ 29,642
Certificates of deposit	149,021
Accounts receivable	23,310
Due from other funds	59,490
Noncurrent assets:	
Restricted assets:	
Cash	7,647
Certificates of deposit	17,000
Capital assets:	
Land	20,110
Construction in progress	11,100
Other capital assets, net of depreciation	1,270,036
Total assets	<u>\$ 1,587,356</u>

DEFERRED OUTFLOWS OF RESOURCES

Resources related to pensions	<u>\$ 42,719</u>
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LIABILITIES

Current liabilities:	
Accounts payable	\$ 11,100
Payroll withholdings	84
Due to other funds	64,377
Payable from restricted assets:	
Customers' deposits	21,527
Total current liabilities	<u>\$ 97,088</u>
Long-term liabilities:	
Net pension	\$ 186,882
Net other postemployment benefit (OPEB) obligation	262,787
Total long-term liabilities	<u>\$ 449,669</u>

DEFERRED INFLOWS OF RESOURCES

Resources related to pensions	<u>\$ 4,562</u>
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(continued)

VILLAGE OF MER ROUGE, LOUISIANA
STATEMENT OF NET POSITION - PROPRIETARY FUND -
WATER AND SEWER FUND (Continued)
December 31, 2019

NET POSITION

Net investment in capital assets	\$ 1,301,246
Unrestricted (deficit)	<u>(222,490)</u>
Total net position	<u>\$ 1,078,756</u>

See notes to financial statements.

VILLAGE OF MER ROUGE, LOUISIANA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND
NET POSITION - PROPRIETARY FUND - WATER AND SEWER FUND
As of and for the Year Ended December 31, 2019

Operating revenues:	
Water and sewer fees	\$ 290,420
Miscellaneous	7,209
Total operating revenues	<u>\$ 297,629</u>
Operating expenses:	
Depreciation	\$ 110,558
Insurance	54,669
Office	1,253
Other	5,104
Repairs and maintenance	117,331
Retirement	25,381
Salaries	96,794
Supplies	26,320
Taxes - payroll	7,543
Utilities and fuel	18,295
Total operating expenses	<u>\$ 463,248</u>
Operating income (loss)	<u>\$ (165,619)</u>
Nonoperating revenues (expenses):	
Interest	\$ 2,102
Net gain on sale of assets	10,230
Net OPEB adjustment	(14,398)
Total nonoperating revenues (expenses)	<u>\$ (2,066)</u>
Operating transfer in	<u>\$ 30,000</u>
Change in net position	<u>\$ (137,685)</u>
Net position - beginning	<u>1,216,441</u>
Net position - ending	<u>\$ 1,078,756</u>

See notes to financial statements.

VILLAGE OF MER ROUGE, LOUISIANA
 STATEMENT OF CASH FLOWS - PROPRIETARY FUND -
 WATER AND SEWER FUND
 As of and for the Year Ended December 31, 2019

CASH FLOWS FROM (USED BY) OPERATING ACTIVITIES	
Receipts from customers	\$ 297,629
Payments to suppliers	(204,545)
Payments to employees	<u>(96,794)</u>
Net cash provided (used) by operating activities	\$(3,710)
 CASH FLOWS FROM (USED BY) INVESTING ACTIVITIES	
Purchase of certificates of deposit	(1,881)
 CASH FLOWS FROM (USED BY) CAPITAL AND RELATED FINANCING ACTIVITIES	
Gain on sale of capital assets	<u>(10,230)</u>
Net increase (decrease) in cash	\$(15,821)
Cash - beginning	<u>53,110</u>
Cash - ending	<u><u>\$ 37,289</u></u>

(continued)

VILLAGE OF MER ROUGE, LOUISIANA
STATEMENT OF CASH FLOWS - PROPRIETARY FUND -
WATER AND SEWER FUND (Continued)
As of and for the Year Ended December 31, 2019

Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$(137,685)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	110,558
(Increase) decrease in accounts receivable	(1,642)
(Increase) decrease in due from other funds	(11,653)
(Increase) decrease in deferred outflows	13,732
Increase (decrease) in accounts payable	8,047
Increase (decrease) in accrued expenses	(2,256)
Increase (decrease) in due to other funds	2,738
Increase (decrease) in liabilities payable from restricted assets	53
Increase (decrease) in net pension	2,322
Increase (decrease) in net OPEB obligation	14,398
Increase (decrease) in deferred inflows	(2,003)
Other	<u>(319)</u>
Net cash provided (used) by operating activities	<u><u>\$(3,710)</u></u>

See notes to financial statements.

VILLAGE OF MER ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019

Note 1. Organization and Summary of Significant Accounting Policies

Village of Mer Rouge, Louisiana (the "Village"), operates under a mayor-board of aldermen form of government in accordance with the provisions of the Lawrason Act. Citizens elect the mayor (at large) and three council members (by districts) who are each compensated. The Village is located in northeast Louisiana, its population is approximately 600, and it employs approximately 10 people. As of December 31, 2019, the Village services approximately 400 utility customers and maintains approximately three miles of streets.

The Village provides general administrative, public safety (police), public works (streets), and utility services.

GASB Statement No. 14, *The Reporting Entity*, and Statement No. 39, *Determining Whether Certain Organizations Are Component Units-an amendment of GASB Statement No. 14*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of these statements, the Village is considered a primary government, as it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statements No. 14 and 39, fiscally independent means that the Village may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt.

The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. the ability of the 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.

NOTES TO FINANCIAL STATEMENTS

Based on the criteria, the Village has determined that Sewer District No. 1 of Village of Mer Rouge, Louisiana, is a component unit of the reporting entity. As required by generally accepted accounting principles (GAAP), these financial statements present the primary government (the Village) and its component unit. The component unit is reported as part of the municipality and blended with the appropriate municipality funds.

Component units that are legally separate from the municipality, but are so intertwined with the municipality that they are, in substance, the same as the municipality are blended component units. For a component unit to be blended, the organization's board and the municipality must be substantively the same, or the organization must provide services entirely or almost entirely to the municipality.

Considered also in the determination of component units of the reporting entity were Sixth Ward Fire Protection District No. 1 of Morehouse Parish, Louisiana, and Mer Rouge Volunteer Fire Department. It was determined that this governmental and volunteer entity, respectively, are not component units of the Village's reporting entity.

The more significant of the Village's accounting policies are described below:

Government-Wide Financial Statements:

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the Village as a whole. The statements distinguish governmental activities, generally supported by taxes and general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (a) charges for services which report licenses, permits, fees, fines, forfeitures, and other charges to users of the Village's services; (b) operating grants and contributions which finance annual operating activities; and (c) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported instead as general revenues.

NOTES TO FINANCIAL STATEMENTS

Fund Financial Statements:

Fund financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary funds are reported in separate columns.

Basis of Accounting, Measurement Focus, and Financial Statement Presentation:

The financial statements of the Village are prepared in accordance with generally accepted accounting principles. The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassifications or eliminations of internal activity (between or within funds). However, internal eliminations do not include services provided to Village departments. Reimbursements are reported as reductions to expenses. Proprietary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Village considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual are property taxes, sales taxes, intergovernmental revenues, and water and sewer fees. In general, other revenues are recognized when cash is received.

Operating income reported in the proprietary fund financial statement includes revenues and expenses related to primary, continuing operations of the fund. Principal operating revenues for the proprietary fund are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues are classified as nonoperating in the financial statement.

NOTES TO FINANCIAL STATEMENTS

Fund Types and Major Funds:

The Village reports the following major governmental fund:

General Fund - the general operating fund of the Village and accounts for all financial resources, except those required to be accounted for in other funds.

The Village reports the following major proprietary fund:

Water and Sewer Fund - accounts for operations 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.

Budgets and Budgetary Accounting:

The Board of Aldermen adopted annual budgets for the General Fund and Water and Sewer Fund on December 11, 2018. The annual budgets were prepared in accordance with the basis of accounting utilized by the funds. The Village Clerk is authorized to transfer budgeted amounts within and among departments; however, any revisions that alter the total expenditures resulting from revenues exceeding amounts estimated must be approved by the Board of Aldermen. Amendments were made to both budgets on December 10, 2019 and the budgetary comparison schedule, included as supplementary information in the accompanying financial statements, includes the original and final budgeted amounts of the General Fund. All annual appropriations lapse at fiscal year end.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS

Cash and Certificates of Deposit:

Cash includes amounts in demand and time deposits. Under state law, the Village may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

State law and the Village's investment policy allow the Village to invest in collateralized certificates of deposits, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities.

Certificates of deposit and pooled deposits of the Village are reported at cost, which approximates market value.

Receivables:

Significant receivables include property taxes and amounts due from customers for utility services. Un-billed utility service receivables resulting from utility services rendered from the last date prior to the end of the fiscal year that meters were read to the end of the fiscal year are considered immaterial in amount and are not included in the amounts recorded as due from utility customers.

Uncollectible Allowance:

The statements contain no provision for uncollectible accounts. Village management is of the opinion that such allowance would be immaterial in relation to the financial statements taken as a whole.

Restricted Assets/Liabilities:

Meter deposits collected from utility customers are restricted to payment of amounts owed to the Village and/or refunded to the customer upon the customer no longer utilizing the system.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as needed.

NOTES TO FINANCIAL STATEMENTS

Interfund Transactions:

Activity between funds that are representative of lending/borrowing arrangements and other miscellaneous receivables/payables outstanding at the end of the fiscal year are reported as due to/from other funds (i.e. the current portion of interfund loans) in the fund financial statements.

Transfers and payments within the reporting entity that are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis are reported as transfers between funds of the reporting entity.

Interfund transactions are eliminated in the government-wide financial statements while all are reported in the fund financial statements.

Capital Assets and Depreciation:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., streets and water and sewer system), with useful lives of more than one year are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. All other infrastructure assets (e.g., bridges, drainage systems, and similar items) are considered fully depreciated by the Village and are not included in the government-wide financial statements. Capital assets are recorded at historical cost. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Village maintains a threshold level of \$2,500 or more for capitalizing capital assets.

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

When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

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

Buildings and building improvements	20 - 40 years
Machinery and equipment	5 - 15 years
Streets	40 years
Water and sewer system	20 - 40 years

NOTES TO FINANCIAL STATEMENTS

Pensions:

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System and the Municipal Police Employees Retirement System (the "Plans"), and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expenditure until then. In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Village's deferred outflows and deferred inflows are resources related to pensions.

Compensated Absences:

Allowable annual vacation and sick leave is prescribed by municipal ordinance, based on length of continuous employment by the Village, accrued on an employment anniversary basis, and accrued to specified maximums.

The Village's recognition and measurement criteria for compensated absences follows:

GASB Statement No. 16 provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

1. The employees' rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employee for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

NOTES TO FINANCIAL STATEMENTS

GASB Statement No. 16 provides that a liability for sick leave should be accrued using one of the following approaches:

1. An accrual for earned sick leave should be made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals.
2. Alternatively, a governmental entity should estimate its accrued sick leave liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments.

No liability existed as of December 31, 2019 for accrued compensated absences resulting from unused vacation time at the end of the year and no liability was recorded for non-vesting accumulating rights to receive sick pay benefits.

Compensated absences are paid from the fund responsible for the employee's compensation.

Equity Classifications:

In the government-wide and proprietary fund financial statements, equity is classified as net position and classified into two components:

1. Net investment in capital assets - consists of capital assets net of accumulated depreciation.
2. Unrestricted - consists of all other assets.

In the fund financial statements, governmental fund equity is classified as unassigned fund balance. These statements provide more clearly defined fund balance categories to make the nature and extent of the constraints placed on the Village's fund balances more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

NOTES TO FINANCIAL STATEMENTS

1. Nonspendable - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
2. Restricted - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
3. Committed - amounts constrained to specific purposes by the Village itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the Village takes the same highest level of action to remove or change the constraint;
4. Assigned - amounts that the Village intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
5. Unassigned - amounts that are available for any purpose; positive amounts are reported only in the General Fund.

Revenue Recognition - Property and Sales/Use Taxes:

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied by the Village in September or October, are actually billed to the taxpayers in November, and are due and payable on or before December 31 of the same year or the unpaid taxes become delinquent. The Village bills and collects its own property taxes using the assessed values determined by the tax assessor of Morehouse Parish. The Village's property tax revenues are recognized as deferred revenue when levied.

Sales/use taxes collected and held by other governments at year end on behalf of the Village and those collected by other governments and remitted to the Village within 60 days after December 31 for preceding months are recognized as revenue. The sales/use taxes are collected by Morehouse Sales and Use Tax Commission and remitted to the Village.

NOTES TO FINANCIAL STATEMENTS

Note 2. Cash and Deposits

The following is a summary of cash and deposits of the Village as of December 31, 2019:

Non-pooled deposits:	
Non-interest bearing demand deposits	\$ 536,694
Time deposits	505,371
Petty cash	400
Pooled deposits	<u>58,265</u>
	<u>\$ 1,100,730</u>

Under state law, the deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held jointly in the name of the pledging fiscal agent bank and the Village in a holding or custodial bank that is mutually acceptable to both parties.

As of December 31, 2019, the Village had \$1,057,942 in deposits (collected bank balances). These deposits were secured from risk by \$250,000 of federal deposit insurance and \$807,942 of pledged securities held by the counterparty's trust department or its agent in the Village's name.

There were no repurchase or reverse repurchase agreements as of December 31, 2019.

Note 3. Property and Sales Taxes

For the year ended December 31, 2019, property taxes of 10.89 mills were levied on property with assessed valuations totaling \$6,485,404 as follows:

	<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Expiration Date</u>
General corporate purposes	7.00	7.13	Perpetual
Streets	3.66	3.76	2021

NOTES TO FINANCIAL STATEMENTS

The following are the principal property taxpayers for the Village:

<u>Taxpayer</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>	<u>Property Tax Revenue</u>
Kennedy Rice Dryers, LLC	\$ 1,054,002	16.3%	\$ 11,478
Nutrien Ag Solutions Inc.	554,521	8.6%	6,039
Goldman Equipment LLC	420,676	6.5%	4,581
Greenpoint Ag, LLC	397,312	6.1%	4,327
Mer Rouge State Bank	283,797	4.4%	3,091

Total property taxes levied were \$70,626. As of December 31, 2018, property taxes receivable was \$12,779.

For the year ended December 31, 2019, sales and use taxes of 2% were levied for police protection and any and all other useful corporate purposes. These taxes will expire June 30, 2024.

Note 4. Restricted Assets and Liabilities Payable from Same

Restricted assets of \$24,647 of the Water and Sewer Fund consists of meter deposits collected from utility customers. A related liability of \$21,527 has been recorded for the payment of amounts that will be owed to the Village and/or refunded to customers upon the customers no longer utilizing the system.

Note 5. Interfund Payables

Interfund payables reported in the fund financial statements as of December 31, 2019 are out of balance by \$6,867, an amount related to the net pension liability that was recorded in the Water and Sewer Fund's financial statements but only required to be reported in the government-wide financial statements of the General Fund.

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets

Capital assets and depreciation activity as of and for the year ended December 31, 2019 for the Village is as follows:

	Balance January 1, 2019	Increases	Reclassifi- cations/ Decreases	Balance December 31, 2019
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 74,583	\$ -	\$ -	\$ 74,583
Capital assets being depreciated:				
Buildings	\$ 410,511	\$ 7,421	\$ -	\$ 417,932
Equipment and vehicles	437,624	50,768	-	488,392
Streets and sidewalks	1,143,234	-	-	1,143,234
Total capital assets being depreciated	\$1,991,369	\$ 58,189	\$ -	\$2,049,558
Less accumulated depreciation for:				
Buildings	\$ 203,643	\$ 11,196	\$ -	\$ 214,839
Equipment and vehicles	337,392	32,065	-	369,457
Streets and sidewalks	156,832	28,581	-	185,413
Total accumulated depreciation	\$ 697,867	\$ 71,842	\$ -	\$ 769,709
Total capital assets being depreciated, net	\$1,293,502	\$(13,653)	\$ -	\$1,279,849

NOTES TO FINANCIAL STATEMENTS

	Balance January <u>1, 2019</u>	<u>Increases</u>	Reclassifi- cations/ <u>Decreases</u>	Balance December <u>31, 2019</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 20,110	\$ -	\$ -	\$ 20,110
Construction in progress	<u>-</u>	<u>11,100</u>	<u>-</u>	<u>11,100</u>
Total business-type assets not being depreciated	<u>\$ 20,110</u>	<u>\$ 11,100</u>	<u>\$ -</u>	<u>\$ 31,210</u>
Capital assets being depreciated:				
Water and sewer systems	\$3,576,396	\$ -	\$ -	\$3,576,396
Buildings	40,459	-	-	40,459
Equipment and vehicles	<u>82,585</u>	<u>-</u>	<u>15,085</u>	<u>67,500</u>
Total capital assets being depreciated	<u>\$3,699,440</u>	<u>\$ -</u>	<u>\$ 15,085</u>	<u>\$3,684,355</u>
Less accumulated depreciation for:				
Water and sewer systems	\$2,237,967	\$ 105,465	\$ -	\$2,343,432
Buildings	9,742	1,012	-	10,754
Equipment and vehicles	<u>70,585</u>	<u>4,081</u>	<u>(14,533)</u>	<u>60,133</u>
Total accumulated depreciation	<u>\$2,318,294</u>	<u>\$ 110,558</u>	<u>\$ (14,533)</u>	<u>\$2,414,319</u>
Total business-type assets being depreciated, net	<u>\$1,381,146</u>	<u>\$ (110,558)</u>	<u>\$ (552)</u>	<u>\$1,270,036</u>

Depreciation expense of the governmental activities of \$71,842 is reported separately in the statement of activities in that the expense essentially serves all functions.

Note 7. Pension Plans and Other Pension Liabilities

The Village's employees are provided with benefits through the following multiple-employer cost-sharing plans:

- Municipal Employees Retirement System (Plan A) ("MERS") provides retirement benefits to employees of all incorporated villages, towns, and cities within the state that do not have their own retirement system and have elected to become members of the system.
- Municipal Police Employees Retirement System ("MPERS") provides retirement benefits to municipal police officers.

NOTES TO FINANCIAL STATEMENTS

General Information About the Plans:

- MERS membership is mandatory as a condition of employment beginning on the date employed if the employee is on a permanent basis working at least thirty-five hours per week. Those individuals paid jointly by a participating employer and the parish are not eligible for membership, with exceptions outlined in the Louisiana Revised Statutes. The Village participates in Plan A and provides retirement benefits to any member of Plan A who was hired before January 1, 2013 meeting one of the following criteria:
 - Any age with 25 or more years of creditable service
 - Age 60 with a minimum of 10 years of creditable service
 - Any age with 5 years of creditable service for disability benefits
 - Survivor's benefits require 5 years of creditable service at death of member
 - Any age with 20 years of creditable service, exclusive of military service with an actuarially reduced early benefit.

For members hired after January 1, 2013, benefits are provided to any member of Plan A meeting one of the following criteria:

- Age 67 with 7 or more years of creditable service
- Age 62 with 10 or more years of creditable service
- Age 55 with 30 or more years of creditable service
- Any age with 25 years of service, exclusive of military service and unused side leave, with an actuarially reduced early benefit.

Generally, the monthly retirement allowance for any member of Plan A consists of an amount equal to 3% of the member's monthly average final compensation times years of creditable service. Survivor, death, and disability benefits are also provided under the plan.

In lieu of terminating employment and accepting a service retirement allowance, any member who is eligible to retire may elect to participate in the deferred retirement option plan (DROP) for up to three years and defer the receipt of benefits. During such period, employer contributions continue but employee contributions cease. Monthly benefits that the member would have received during the DROP period are paid into the DROP fund. Interest is earned when the member has completed DROP participation, based on the actual rate of return on the investments identified as DROP funds for the period. No cost-of-living increases are payable to participants until employment has been terminated for at least one full year.

NOTES TO FINANCIAL STATEMENTS

The plan receives ad valorem and state revenue sharing funds as employer contributions and those amounts are considered support from nonemployer contributing entities, but are not considered as special funding situations. Nonemployer contributions are recognized as revenues and excluded from pension expense in the government-wide financial statements.

For the year ended December 31, 2019, the actual employer contribution rate was 26.0%, which was calculated on an actuarial basis each year. Under Plan A, members are required by state statute to contribute 9.50% of their annual covered salary. Contributions to the System also include 1/4 of 1% (except Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. The Village's contributions to the System under Plan A for the years ended December 31, 2019, 2018, and 2017 were \$38,455, \$35,454, and \$32,568 respectively, equal to the required contributions for each year.

- MPERS membership is mandatory for any full-time police officer employed by a municipality of the state and engaged in law enforcement, empowered to make arrests, provided that the officer is not required to pay Social Security, and otherwise meets statutory criteria. For members hired before January 1, 2013, the plan provides retirement benefits to any member who has:
 - 25 years of creditable service, or
 - 20 years of creditable service who has attained age 50, or
 - 12 years of service who has attained age 55, or
 - 20 years of creditable service at any age with an actuarially reduced benefit.

Benefit rates are 3 1/3 % of average final compensation (average monthly earnings during the highest 36 consecutive months) times the number of years' service, not to exceed 100% of final salary.

For members hired after January 1, 2013, benefits are based on the Hazardous Duty sub-plan or the Nonhazardous Duty sub-plan. Under the Hazardous Duty sub-plan, a member is eligible for benefits after:

- 25 years of creditable service at any age, or
- 12 years of creditable service at age 55.

Under the Nonhazardous Duty sub-plan, a member is eligible for benefits after:

- 30 years of creditable service at any age, or
- 25 years of creditable service at age 55, or
- 10 years of creditable service at age 60.

NOTES TO FINANCIAL STATEMENTS

Under both sub-plans, a member is eligible for early retirement after 20 years of creditable service at any age with an actuarially reduced benefit.

Benefit rates are 3% and 2 ½%, respectively, of average final compensation (average monthly earnings during the highest 60 consecutive months) times the number of years of creditable service, not to exceed 100% of final salary.

The plan also provides survivor, death, and disability benefits.

In lieu of terminating employment and accepting a service retirement allowance, any member who is eligible to retire may elect to participate in the deferred retirement option plan (DROP) for up to three years and defer the receipt of benefits. During such period, both employer and employee contributions cease. Monthly benefits that the member would have received during the DROP period are paid into the DROP fund. Interest is earned when the member has completed DROP participation, based on the actual rate of return less one-half percentage point on the investments identified as DROP funds for the period. No cost-of-living increases are payable to participants until employment has been terminated for at least one full year.

Contributions by employers are actuarially determined by law, but cannot be less than 9% of compensation excluding overtime, but including state supplemental pay. For the year ended December 31, 2019, employer contributions ranged from 30.75% to 32.25% for employees hired prior to January 1, 2013 and for Hazardous Duty employees hired after January 1, 2013. For Nonhazardous Duty employees hired after January 1, 2013, employer contributions were 32.25%.

The plan also receives insurance premium tax monies appropriated by the state legislature as additional employer contributions and considered support from a nonemployer contributing entity, but not considered a special funding situation.

Plan members are required by state statute to contribute 10.0% of their annual covered salary. The Village's contributions to the System for the years ended December 31, 2019, 2018, and 2017 were \$0, \$15,984, and \$15,584, respectively, equal to the required contributions for each year.

NOTES TO FINANCIAL STATEMENTS

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources:

As of December 31, 2019, the Village reported a total of \$397,401 for its proportionate shares of the net pension liability of the plans, as follows:

MERS	\$ 317,791
MPERS	<u>79,610</u>
	<u>\$ 397,401</u>

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Village's proportion of the net pension liability was based on projections of the Village's long-term share of contributions to the plans relative to the projected contributions of all participating employers, actuarially determined. The Village's proportions of each plan were as follows:

	<u>Year Ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
MERS	.08%	.08%
MPERS	.01%	.02%

For the year ended December 31, 2019, the Village recognized pension expense as follows:

MERS	\$ 67,861
MPERS	<u>(4,335)</u>
	<u>\$ 63,506</u>

NOTES TO FINANCIAL STATEMENTS

In addition, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>MERS</u>	<u>MPERS</u>	<u>Totals</u>
Deferred outflows of resources:			
Changes in proportion	\$ 3,885	\$ 6,672	\$ 10,557
Changes in assumptions	8,032	4,461	12,493
Differences between expected and actual experience	-	167	167
Net difference between projected and actual earnings on pension plan investments	31,517	5,172	36,689
Village's contributions subsequent to the measurement date	<u>20,044</u>	<u>-</u>	<u>20,044</u>
 Total deferred outflows of resources	 <u>\$ 63,478</u>	 <u>\$ 16,472</u>	 <u>\$ 79,950</u>
Deferred inflows of resources:			
Changes in proportion	\$ -	\$ 53,157	\$ 53,157
Differences between expected and actual experience	<u>7,754</u>	<u>2,449</u>	<u>10,203</u>
 Total deferred inflows of resources	 <u>\$ 7,754</u>	 <u>\$ 55,606</u>	 <u>\$ 63,360</u>

NOTES TO FINANCIAL STATEMENTS

The deferred outflows of resources related to pensions resulting from the Village's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ending December 31,</u>	
2020	\$ 8,623
2021	(5,298)
2022	(10,413)
2023	<u>3,394</u>
Total	<u><u>\$(10,482)</u></u>

Actuarial Assumptions:

The total pension liabilities in the December 31, 2019 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurements:

	<u>MERS</u>	<u>MPERS</u>
Inflation	2.50%	2.50%
Salary increases	4.50%	vary from 9.75% for first year of service to 4.25% after 23 years
Investment rate of return	7.00%	7.13%
Actuarial cost method	entry age normal	entry age normal
Expected remaining service lives	3 years	4 years

Mortality rates for MERS were based on the PubG - 2010(B) Healthy Retiree Table for active members and PubNS - 2010(B) for disabled retirees. Mortality rate assumptions for MERS were based on experience studies performed on plan data for the period July 1, 2013 through June 30, 2018.

Mortality rates for MPERS were based on the RP-2000 Employee Table for active members, Healthy Annuitant Table for healthy annuitants, and Disabled Lives Mortality Tables for disabled annuitants. Mortality rate assumptions for MPERS were based on experience studies performed on plan data for the period July 1, 2009 through June 30, 2014.

NOTES TO FINANCIAL STATEMENTS

The investment rates of return were determined based on expected cash flows which assume that contributions from plan members will be made at current contribution rates and that contributions from the Village will be made at the actuarially determined rates approved by the Louisiana Public Retirement Systems' Actuarial Committee (the "System"), taking into consideration the recommendation of the System's actuary. Based on these assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the investment rate of return on plan investments was applied as the discount rate to all periods of projected benefit payments to determine the total pension liability.

Arithmetic Real Rates of Return for Each Major Asset Class:

For the year ended December 31, 2019, the following summarizes real rates of return for each major asset class included in the plans' target asset allocation:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
MERS:		
Public equity	50%	2.2%
Public fixed income	35%	1.5%
Alternatives	<u>15%</u>	<u>0.6%</u>
Totals	<u>100%</u>	<u>4.3%</u>
MPERS:		
Equity	49%	3.4%
Fixed income	33%	0.8%
Alternatives	18%	1.1%
Other	<u>0%</u>	<u>0.0%</u>
Totals	<u>100%</u>	<u>5.3%</u>

Sensitivity of the Village's Proportionate Shares of the Net Pension Liabilities to Changes in the Discount Rate:

The following presents the Village's proportionate shares of the net pension liabilities of the plans, calculated using the discount rates as shown above, as well as what the Village's proportionate shares of the net pension liabilities would be if they were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

NOTES TO FINANCIAL STATEMENTS

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
MERS (current rate 7.50%)	\$ 414,343	\$ 317,791	\$ 236,160
MPERS (current rate 7.13%)	110,923	79,610	53,342
Totals	\$ 525,266	\$ 397,401	\$ 289,502

Pension Plan Fiduciary Net Position:

MERS and MPERS have issued stand-alone audit reports on their financial statements for the year ended June 30, 2019. Access to these reports can be found on the MERS website at www.mersla.com, the MPERS website at www.lampers.org, or on the Louisiana Legislative Auditor's website at www.lla.la.gov.

Note 8. Postemployment Benefits Other than Pensions

Plan Description:

The Village provides certain continuing health care insurance benefits for its retired employees. The Village's OPEB plan (the "plan") is a single-employer defined benefit OPEB plan administered by the Village. The authority to establish and /or amend the obligation of the employer, employees, and retirees rests with the Village. No assets are accumulated in a trust that meets the criteria in GASB Codification Section P52 *Postemployment Benefits Other Than Pensions - Reporting for Benefits Not Provided Through Trusts That Meet Specified Criteria - Defined Benefit*.

Contributions and Benefits:

Retirees at age 60 with 20 years of service or 25 years of service without regard to age are eligible to participate in the Village's healthcare plan. Benefits are provided through a Blue Cross Blue Shield medical plan to age 65. A Medicare supplement plan is provided beginning at age 65 through AARP. The Village contributes 100% of the cost of current year premiums for eligible retired employees.

Benefit provisions are established by the Village. Coverage is provided for the life of the retiree.

As of December 31, 2019, six active employees and two retired employees were currently receiving benefit payments.

NOTES TO FINANCIAL STATEMENTS

Changes in Total OPEB Liability:

Balance - December 31, 2018	\$ 416,427
Changes for the year:	
Service cost	\$ 11,964
Interest	16,942
Benefit payments	<u>(6,415)</u>
Net change in total OPEB liability	<u>\$ 22,491</u>
Net OPEB obligation - December 31, 2019	<u>\$ 438,918</u>

As of December 31, 2019, \$176,131 and \$262,787 of the obligation are reported in the governmental activities and business-type activities, respectively, in the government-wide financial statements.

Actuarial Assumptions:

No changes were made in the actuarial assumptions since the projections were based on the assumptions shown in the December 31, 2018 valuation report.

The data used in the roll forward of the December 31, 2018 valuation results remain unchanged from that used in the 2018 GASB 75 actuarial report. The data reflects the plan census as of December 31, 2018.

Since the December 31, 2018 valuation results were rolled forward, there was no liability gains or losses for the projection period.

It is the actuary's understanding that no significant changes were made in the plan eligibility or plan provisions since the December 31, 2018 actuarial valuations.

The Village reported \$6,415 in direct contributions made for retirees for the year ended December 31, 2019.

NOTES TO FINANCIAL STATEMENTS

Schedule of Changes in Net OPEB Liability and Related Ratios:

	<u>Year Ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Service cost	\$ 11,964	\$ 11,493
Interest	16,942	16,509
Benefit payments	(6,415)	(5,488)
Total OPEB liability - January 1, 2019	416,427	393,913
Total OPEB liability - December 31, 2019	438,918	416,427
Covered payroll	211,432	211,432
Net OPEB liability as percentage of payroll	207.59%	196.96%

As this is the second year of the implementation of GASB 75, only two years are available for the required ten-year schedule.

Sensitivity of Total OPEB Liability:

	<u>1% Decrease</u>	<u>No Change</u>	<u>1% Increase</u>
Discount rate	\$ 380,833	\$ 438,918	\$ 510,486
Healthcare cost trend rates	\$ 371,225	\$ 438,918	\$ 525,151

Note 9. On-Behalf Payments for Salaries

As of December 31, 2019, the Village recognized revenue and expenditures of \$18,230 in salary supplements from State of Louisiana paid directly to employees of the police department.

Note 10. Contingencies and Risk Management

As of December 31, 2019, there was no pending or threatening litigation involving the Village.

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village carries commercial insurance for all risks of loss, including workers' compensation and employee health and accident insurance. There were no significant reductions in the insurance coverage during the fiscal year. Settlement amounts have not exceeded insurance coverage for the current year or three prior fiscal years.

NOTES TO FINANCIAL STATEMENTS

The Village occasionally participates in state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Village has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of Village management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Note 11. Subsequent Events

Since March 2020, the spread of COVID-19 has severely impacted many local economies. Measures taken to contain the spread of the virus have triggered significant disruptions to businesses. The Village's future cash flows could be affected by the economic slowdown that has resulted from these measures. The Village has determined that the impact of COVID-19 is a non-adjusting subsequent event. Accordingly, the financial position and results of operations as of and for the year ended December 31, 2019, have not been adjusted to reflect this potential impact. The duration and impact of the COVID-19 pandemic remains unclear at this time.

Subsequent events were evaluated through September 11, 2020, which is the day the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION (Part 2 of 2)

VILLAGE OF MER ROUGE, LOUISIANA

BUDGETARY COMPARISON SCHEDULE -
GOVERNMENTAL FUND - GENERAL FUND
As of and for the Year Ended December 31, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Favorable (Unfavorable)
Revenues:				
Taxes	\$ 408,000	\$ 411,000	\$ 402,169	\$ (8,831)
Licenses and permits	97,000	75,000	73,105	(1,895)
Intergovernmental	20,000	20,000	31,338	11,338
Fees, charges, and commissions for services	16,000	22,000	21,010	(990)
Fines and forfeitures	13,000	11,000	14,364	3,364
Interest and miscellaneous	9,000	42,000	17,370	(24,630)
Total revenues	<u>\$ 563,000</u>	<u>\$ 581,000</u>	<u>\$ 559,356</u>	<u>\$ (21,644)</u>
Expenditures:				
Current:				
General government	\$ 283,120	\$ 311,120	\$ 289,960	\$ 21,160
Public safety	204,700	180,700	186,042	(5,342)
Public works	12,000	1,000	8,791	(7,791)
Capital outlay	37,000	71,000	58,189	12,811
Total expenditures	<u>\$ 536,820</u>	<u>\$ 563,820</u>	<u>\$ 542,982</u>	<u>\$ 20,838</u>
Excess (deficiency) of revenues over expenditures	\$ 26,180	\$ 17,180	\$ 16,374	\$ (806)
Other financing uses:				
Operating transfers out	(22,000)	-	(30,000)	(30,000)
Net change in fund balance	\$ 4,180	\$ 17,180	\$ (13,626)	\$ (30,806)
Fund balance - beginning	<u>869,000</u>	<u>848,000</u>	<u>847,563</u>	<u>(437)</u>
Fund balance - ending	<u>\$ 873,180</u>	<u>\$ 865,180</u>	<u>\$ 833,937</u>	<u>\$ (31,243)</u>

VILLAGE OF MER ROUGE, LOUISIANA
 SCHEDULE OF FUNDING PROGRESS FOR
 OTHER POST EMPLOYMENT BENEFIT PLAN
 December 31, 2019

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Liability (AAL)	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a Percentage of Covered Payroll
12/31/19	\$ -	\$ 438,918	\$ 438,918	0%	\$ 211,432	0%
12/31/18	-	416,427	416,427	0%	211,432	0%
12/31/17	-	872,339	872,339	0%	206,982	0%
12/31/16	-	872,339	872,339	0%	196,490	0%
12/31/15	-	624,563	624,563	0%	189,488	0%
12/31/14	-	624,563	624,563	0%	185,998	0%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ended December 31,	Annual OPEB Cost	Amount Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2019	\$ 28,906	\$ 6,415	22.19%	\$ 438,918
2018	28,002	5,488	19.59%	416,427
2017	83,721	5,874	7.02%	321,693
2016	81,237	5,488	6.76%	243,846
2015	64,069	6,124	9.56%	168,097
2014	61,604	5,998	9.74%	110,152

VILLAGE OF MER ROUGE, LOUISIANA

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
MUNICIPAL EMPLOYEES RETIREMENT SYSTEM
Last Ten Fiscal Years

	<u>Year Ended December 31,</u>					
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Proportion of net pension liability	.08%	.08%	.07%	.07%	.07%	.07%
Proportionate share of net pension liability	\$317,791	\$313,843	\$304,959	\$ 281,027	\$ 243,207	\$ 169,324
Covered employees' payroll	\$140,787	\$ 138,380	\$ 131,295	\$ 122,481	\$ 116,201	\$ 110,843
Proportionate share of net pension liability as a percentage of covered employees' payroll	225.72%	226.80%	232.27%	229.45%	209.30%	152.76%
Plan fiduciary net position as a percentage of total pension liability	64.68%	66.94%	62.49%	62.11%	66.18%	73.99%

SCHEDULE OF CONTRIBUTIONS

	<u>Year Ended December 31,</u>					
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	
Contractually required contribution	\$ 36,604	\$ 34,239	\$ 30,238	\$ 24,503	\$ 23,191	\$ 20,783
Contributions in relation to contractually required contribution	<u>36,604</u>	<u>34,239</u>	<u>30,238</u>	<u>24,503</u>	<u>23,191</u>	<u>20,783</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employees' payroll	\$140,787	\$138,380	\$131,295	\$122,481	\$116,201	\$110,843
Contribution as a percentage of covered employees' payroll	26.00%	24.75%	23.03%	20.01%	19.96%	18.75%

VILLAGE OF MER ROUGE, LOUISIANA

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
MUNICIPAL POLICE EMPLOYEES RETIREMENT SYSTEM
Last Ten Fiscal Years

	<u>Year Ended December 31,</u>					
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Proportion of net pension liability	.00%	.02%	.02%	.02%	.02%	.02%
Proportionate share of net pension liability	\$79,610	\$ 144,311	\$ 133,968	\$ 163,574	\$ 141,058	\$ 116,688
Covered employees' payroll	\$25,373	\$ 47,306	\$ 43,594	\$ 42,888	\$ 42,581	\$ 41,746
Proportionate share of net pension liability as a percentage of covered employees' payroll	313.76%	305.06%	307.31%	381.40%	331.27%	279.52%
Plan fiduciary net position as a percentage of total pension liability	71.00%	71.89%	70.08%	66.04%	66.18%	75.10%

SCHEDULE OF CONTRIBUTIONS

	<u>Year Ended December 31,</u>					
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 8,183	\$ 15,491	\$ 14,545	\$ 14,422	\$ 14,817	\$ 14,921
Contributions in relation to contractually required contribution	<u>8,183</u>	<u>15,491</u>	<u>14,545</u>	<u>14,422</u>	<u>14,817</u>	<u>14,921</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employees' payroll	\$ 25,373	\$ 47,306	\$ 43,594	\$ 42,888	\$ 42,581	\$ 41,746
Contribution as a percentage of covered employees' payroll	32.25%	32.75%	33.36%	33.63%	34.80%	35.74%

OTHER SUPPLEMENTARY INFORMATION

VILLAGE OF MER ROUGE, LOUISIANA

SCHEDULE OF MAYOR'S AND ALDERMEN'S COMPENSATION

As of and for the Year Ended December 31, 2019

The schedule of compensation paid to the mayor and aldermen is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Compensation of the board members is included in the general government expenditures of the General Fund. The mayor and aldermen receive compensation pursuant to Louisiana Revised Statute 404.1.

<u>Name and Title</u>	<u>Compensation</u>
John D. McAdams, III, Mayor	\$ 11,400
Allen Spires, Jr., Mayor Pro-Tem	2,700
Dan Turner, Alderman	2,700
Richard Blackwell, Alderman	<u>2,700</u>
Total mayor's and aldermen's compensation	<u>\$ 19,500</u>

VILLAGE OF MER ROUGE, LOUISIANA
SCHEDULE OF COMPENSATION, BENEFITS,
AND OTHER PAYMENTS TO AGENCY HEAD
As of and For the Year Ended December 31, 2019

Agency Head Name: John D. McAdams, III, Mayor

<u>Purpose</u>	<u>Amounts</u>
Salary	\$ 11,400
Benefits - insurance	455
Benefits - retirement	<u>2,964</u>
Total compensation, benefits, and other payments to agency head	<u>\$ 14,819</u>

HILL, INZINA & COMPANY

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*

Honorable John D. McAdams, III, Mayor,
and Members of the Board of Aldermen
Village of Mer Rouge, Louisiana

We have audited, in accordance with the 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, and each major fund of Village of Mer Rouge, Louisiana (the "Village"), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated September 11, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected, on a timely basis. A significance 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 material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-1, that we consider to be a significant deficiency.

Compliance and Other Matters

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

Village's Response to Finding

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Village's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 Village'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 Village'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, the council members, others within the Village, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by Louisiana Legislative Auditor as a public document.

/s/ Hill, Inzina & Co.

September 11, 2020

VILLAGE OF MER ROUGE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS WITH
MANAGEMENT'S RESPONSE AND PLANNED CORRECTIVE ACTION
As of and for the Year Ended December 31, 2019

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of Village of Mer Rouge, Louisiana (the "Village"), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated September 11, 2020. 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. Our audit of the financial statements as of December 31, 2019 resulted in an unqualified opinion.

Section I - Summary of Auditor's Report

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*

Internal Control

Significant Deficiencies Yes No Material Weaknesses Yes No

Compliance

Material to Financial Statements Yes No

Section II - Financial Statement Findings

2019-1 Inadequate Segregation of Duties (initial citing as of the for the two years ended December 31, 1987)

Criteria: Adequate segregation of duties is essential to a proper internal control structure.

Condition: The segregation of duties is inadequate to provide effective internal control.

Cause: The condition is due to economic limitations.

Effect: Not determined.

Recommendation: No action is recommended.

Management's
response and
planned cor-
rective action:

We concur with the finding but it is not economically feasible for
corrective action to be taken.

Section III - Management Letter

None issued.

VILLAGE OF MER ROUGE, LOUISIANA
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
As of and for the Year Ended December 31, 2019

Section II- Financial Statement Findings

2018-1 Inadequate Segregation of Duties

Adequate segregation of duties is essential
to a proper internal control structure.

Unresolved - 2019-1.

Section III- Management Letter

None issued.

HILL, INZINA & COMPANY

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Members of the Board of Aldermen of Village of Mer Rouge and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by Village of Mer Rouge, (the "Village") and the Louisiana 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 January 1, 2019 through December 31, 2019. 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 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

1. Obtain and inspect the Village's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the Village's operations):
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.

**The Village had written policies and procedures addressing these specifics relative to budgeting.
 - 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.

**The Village had written policies and procedures addressing (1) personnel with authority to authorize purchases, (2) purchases requiring purchase orders, and (3) process of receiving permission to make purchases. The Village had no written policies or procedures addressing these other specifics relative to purchasing.

- c) **Disbursements**, including processing, reviewing, and approving.
**The Village had written policies and procedures addressing these specifics relative to disbursements.
- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or 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).
**The Village had written policies and procedures addressing receiving, recording, and preparing deposits but had no written policies and procedures addressing the completeness of all collections.
- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
**The Village had written policies and procedures addressing payroll processing and reviewing and approving records.
- 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.
**The Village had written policies and procedures addressing the dollar amount of public works projects requiring contracts but no written policies and procedures addressing these other specifics relative to contracting.
- 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 of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
**The Village had no written policies or procedures addressing these specifics relative to credit cards.
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
**The Village had written policies and procedures addressing travel and expense reimbursement.
- 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 Village's ethics policy.
**The Village had no written policies and procedures addressing these specifics relative to ethics.

- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

**The Village had no written policies and procedures addressing these specifics relative to debt service.

- k) **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

**The Village had no written policies and procedures addressing these specifics relative to disaster recovery/business continuity.

Collections

2. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select five deposit sites (or all deposit sites if less than five).

3. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. five collection locations for five deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

**The Village had only one collection location with all funds being received by the clerk or part-time employees who worked only in the clerk's absence. A single cash drawer was maintained.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

**The Village's clerk and part-time employees were both responsible for collecting cash and preparing/making bank deposits without reconciliation by another employee/official.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

**The Village's clerk and part-time employees were responsible for collecting cash and the clerk was also responsible for posting collection entries without reconciliation by another employee/official.

d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

**The Village's clerk and part-time employees were responsible for collecting cash and the clerk was also responsible for posting collection entries without another employee/official being responsible for reconciliations.

4. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

**The Village's clerk and part-time employees who had access to cash were bonded and covered under the Village's crime policy.

5. Obtain a listing of bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the main operating account and randomly select four additional accounts (or all accounts if less than five). Randomly select two deposit dates for each of the five bank accounts selected (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the ten deposits and:

a) Observe that receipts are sequentially pre-numbered.

**Only two of the eight randomly selected deposits required pre-numbered receipts and such was properly issued.

b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

**Collection documentation was traced to the deposit slips.

c) Trace the deposit slip total to the actual deposit per the bank statement.

**Of the eight selected deposits, only four required deposit slips whereas others were transfers. Those deposit slips were provided and the totals did agree with the actual deposit per the bank statement.

d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than ten miles from the collection location or the deposit is less than \$100).

**Receipts at the collection locations were made within one business day of receipt.

e) Trace the actual deposit per the bank statement to the general ledger.

**The deposits were traced from the bank statements to the general ledger.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

6. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select five locations (or all locations if less than five).
7. For each location selected under #6 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
**Job duties were not properly segregated.
 - b) At least two employees are involved in processing and approving payments to vendors.
**After an employee processes a payment, it is initialed by the mayor or a council member before actual payment is made.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files unless another employee is responsible for periodically reviewing changes to vendor files.
**Job duties were not properly segregated.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
**Job duties were not properly segregated.
8. For each location selected under #6 above, obtain the Village's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select five disbursements for each location, obtain supporting documentation for each transaction and:
 - a) Observe that the disbursement matched the related original invoice/billing statement.
**Of the five randomly selected disbursements, original invoices/billing statements were only provided for three. These three disbursements matched the related original invoice/billing statement.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #7, as applicable.
**Each of the three tested disbursements' documentation was initialed by the mayor or a council member.

Travel and Travel-Related Expense Reimbursements¹ (excluding card transactions)

9. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select five reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the five reimbursements selected:

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

**Four of the five reimbursements selected included payments of daily per diems of \$125 for meals whether served at the conventions or not. The \$125 per day was also paid on the first and last day of travel, and also paid for one day travel only.

It was also noted while performing this procedure that the hotel rate paid directly by the Village for an employee to one convention exceeded the established rate

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

**None of the selected reimbursements were paid using actual costs.

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

**All selected reimbursements were supported by documentation of the business/public purpose. Per diems for meals were paid for employees only.

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

**Four of five of the selected reimbursements were reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Payroll and Personnel

10. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select five employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

**Paid salaries for all five selected employees/elected officials were agreed to authorized salaries/pay rates maintained in writing by the clerk.

11. Randomly select one pay period during the fiscal period. For the five employees/officials selected under #14 above, obtain attendance records and leave documentation for the pay period, and:

- a) Observe that 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.)

**Three of the employees were required to document leave and only two of those same had to document daily attendance. One was required to punch a time clock but did not on all days in the pay period. Leave records were maintained in writing by the clerk for the selected employees.

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

**There was no documentation that supervisors approved the leave of the three selected employees. Officials do not earn leave. Supervisors approved the attendance of the two employees required to document such.

- c) Observe that any leave accrued or taken during the pay period is reflected in the Village's cumulative leave records.

**No leave was accrued or taken during the pay period by the three employees.

12. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

**All employees that terminated were part-time.

13. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

**It was noted while performing other procedures that monthly retirement reports for January through September 2019 were filed past the due date and contributions were also paid late.

Ethics

14. Randomly select five employees/officials, obtain ethics documentation from management, and:

- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

**Documentation was made available to demonstrate that only three of the five selected employees/officials complete the required ethics training.

- b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

**The Village had no written policies and procedures addressing ethics.

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 do 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.

Management's response – We will take the auditor's comments under advisement and take corrective action as deemed necessary.

/s/Hill, Inzina & Co.

Bastrop, Louisiana

September 9, 2020