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VILLAGE OF MER ROUGE, LOUISIANA

FINANCIAL REPORT

December 31, 1999

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

Release Date

JUN 21 2000

**HILL, INZINA & COMPANY**

Certified Public Accountants • A Professional Corporation  
701 East Madison Avenue • P.O. Box 631 • Bastrop, Louisiana 71221-0631  
Telephone 318-281-4492 • Fax 318-281-4087

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## CONTENTS

|  | Page(s)   |
|--|-----------|
| INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS<br>AND SUPPLEMENTARY INFORMATION  | 1 and 2   |
| GENERAL-PURPOSE FINANCIAL STATEMENTS<br>(COMBINED STATEMENTS - OVERVIEW)   |           |
| Combined balance sheet - all fund types and account group  | 3 and 4   |
| Statement of revenues, expenditures, and changes in fund balance -<br>budget and actual - governmental fund type - general fund  | 5         |
| Statements of revenues, expenses, and changes in retained earnings -<br>proprietary fund type - enterprise fund  | 6         |
| Statements of cash flows - proprietary fund type - enterprise fund   | 7         |
| Notes to financial statements  | 8 - 18    |
| SUPPLEMENTARY INFORMATION  |           |
| Schedule of compensation paid board members  | 19        |
| INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON<br>INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON<br>AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN<br>ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> | 20 and 21 |
| MANAGEMENT'S CORRECTIVE ACTION PLAN FOR CURRENT YEAR<br>FINDINGS   | 22        |
| SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS  | 23        |

# HILL, INZINA & COMPANY

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## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Honorable T. J. Parker, Mayor,  
and Members of the Board of Aldermen  
Village of Mer Rouge, Louisiana

We have audited the accompanying general-purpose financial statements of Village of Mer Rouge, Louisiana, as of and for the year ended December 31, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the management of Village of Mer Rouge, Louisiana. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Village of Mer Rouge, Louisiana, as of December 31, 1999, and the results of its operations and cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2000, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Our audit of the December 31, 1999, general-purpose financial statements was conducted for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying information listed as supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements of Village of Mer Rouge, Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general-purpose financial statements taken as a whole.

*Hill, Arzoo & Co.*

May 10, 2000

GENERAL-PURPOSE FINANCIAL STATEMENTS

(COMBINED STATEMENTS - OVERVIEW)

VILLAGE OF MER ROUGE, LOUISIANA

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUP

December 31, 1999

With Comparative Totals For December 31, 1998

|                                | Governmental<br>Fund Type | Proprietary<br>Fund Type |
|--------------------------------|---------------------------|--------------------------|
|                                | <u>General</u>            | <u>Enterprise</u>        |
| ASSETS                         |                           |                          |
| Cash and cash equivalents      | \$ 92,397                 | \$ 81,387                |
| Investments                    | 481,015                   | 92,199                   |
| Receivables:                   |                           |                          |
| Taxes                          | 10,964                    | -                        |
| Accounts                       | -                         | 11,266                   |
| Accrued interest               | 998                       | 341                      |
| Prepaid expenses               | -                         | 3,569                    |
| Due from other governments     | 1,131                     | -                        |
| Restricted assets:             |                           |                          |
| Cash and cash equivalents      | -                         | 4,169                    |
| Cash deposited with bondholder | -                         | -                        |
| Investments                    | -                         | 15,275                   |
| Accrued interest receivable    | -                         | 62                       |
| Fixed assets - net             | <u>-</u>                  | <u>834,807</u>           |
| <br>Total assets               | <br><u>\$ 586,505</u>     | <br><u>\$ 1,043,075</u>  |

| <u>Account Group</u><br>General Fixed<br><u>Assets</u> | Totals -<br>(Memorandum Only) |                     |
|--|-------------------------------|---------------------|
|  | <u>December 31,</u>           |                     |
|  | <u>1999</u>                   | <u>1998</u>         |
| \$ -   | \$ 173,784                    | \$ 100,706          |
| -  | 573,214                       | 1,017,118           |
| -  | 10,964                        | 7,168               |
| -  | 11,266                        | 10,651              |
| -  | 1,339                         | 2,032               |
| -  | 3,569                         | 2,364               |
| -  | 1,131                         | 1,299               |
| -  | 4,169                         | 31,415              |
| -  | -                             | 28,850              |
| -  | 15,275                        | 61,882              |
| -  | 62                            | 192                 |
| <u>1,052,074</u>                                       | <u>1,886,881</u>              | <u>1,927,890</u>    |
| <u>\$ 1,052,074</u>                                    | <u>\$ 2,681,654</u>           | <u>\$ 3,191,567</u> |

(continued)



VILLAGE OF MER ROUGE, LOUISIANA

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUP

(Continued)

December 31, 1999

With Comparative Totals For December 31, 1998

|  | Governmental<br><u>Fund Type</u> | Proprietary<br><u>Fund Type</u> |
|--|----------------------------------|---------------------------------|
|  | <u>General</u>                   | <u>Enterprise</u>               |
| LIABILITIES, EQUITY, AND OTHER CREDITS         |                                  |                                 |
| Liabilities:                                   |                                  |                                 |
| Accrued expenses                               | \$ 160                           | \$ -                            |
| Property tax paid under protest                | 693                              | -                               |
| Payable from restricted assets:                |                                  |                                 |
| Customers' deposits                            | -                                | 15,312                          |
| Revenue bonds payable - current                | -                                | -                               |
| Accrued interest payable                       | -                                | -                               |
| Revenue bonds payable - net of current portion | -                                | -                               |
| Total liabilities                              | <u>\$ 853</u>                    | <u>\$ 15,312</u>                |
| Equity and other credits:                      |                                  |                                 |
| Contributed capital                            | \$ -                             | \$ 793,177                      |
| Investment in general fixed assets             | -                                | -                               |
| Retained earnings:                             |                                  |                                 |
| Reserved for customers' meter deposits         | -                                | 4,132                           |
| Reserved for revenue bond retirement           | -                                | -                               |
| Unreserved                                     | -                                | 230,454                         |
| Fund balance - unreserved and undesignated     | <u>585,652</u>                   | <u>-</u>                        |
| Total equity and other credits                 | <u>\$ 585,652</u>                | <u>\$ 1,027,763</u>             |
| <br>   |                                  |                                 |
| Total liabilities, equity, and other credits   | <u>\$ 586,505</u>                | <u>\$ 1,043,075</u>             |

See notes to financial statements.

| <u>Account Group</u><br>General Fixed<br><u>Assets</u> | Totals -<br>(Memorandum Only)<br><u>December 31,</u> |                     |
|--|--|---------------------|
|  | <u>1999</u>  | <u>1998</u>         |
| \$ -   | \$ 160   | \$ 383              |
| -  | 693  | -                   |
| -  | -  | -                   |
| -  | 15,312   | 15,069              |
| -  | -  | 19,124              |
| -  | -  | 14,595              |
| -  | -  | 653,295             |
| <u>\$ -</u>  | <u>\$ 16,165</u>                                     | <u>\$ 702,466</u>   |
| \$ -   | \$ 793,177   | \$ 396,570          |
| 1,052,074  | 1,052,074  | 1,049,179           |
| -  | 4,132  | 3,404               |
| -  | -  | 70,147              |
| -  | 230,454  | 148,225             |
| -  | 585,652  | 821,576             |
| <u>\$ 1,052,074</u>                                    | <u>\$ 2,665,489</u>                                  | <u>\$ 2,489,101</u> |
| <u>\$ 1,052,074</u>                                    | <u>\$ 2,681,654</u>                                  | <u>\$ 3,191,567</u> |

VILLAGE OF MER ROUGE, LOUISIANA

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

Year Ended December 31, 1999

With Comparative Actual Totals For the Year Ended December 31, 1998

|   | <u>Budget</u>     | <u>Actual</u>     | Variance -<br>Favorable<br>(Unfavorable) | Totals -<br>(Memorandum<br>Only)<br>Year Ended<br>December 31,<br>1998 |
|---|-------------------|-------------------|--|--|
| Revenues:                               |                   |                   |  |  |
| Taxes                                   | \$ 217,425        | \$ 252,463        | \$ 35,038                                | \$ 214,891   |
| Licenses and permits                    | 41,310            | 50,073            | 8,763                                    | 40,200   |
| Intergovernmental                       | 4,900             | 15,447            | 10,547                                   | 31,046   |
| Charges for services                    | -                 | 5,874             | 5,874                                    | 4,700  |
| Fines and forfeitures                   | 25,000            | 67,295            | 42,295                                   | 36,372   |
| Interest and miscellaneous              | 22,000            | 30,869            | 8,869                                    | 40,125   |
|   | <u>\$ 310,635</u> | <u>\$ 422,021</u> | <u>\$ 111,386</u>                        | <u>\$ 367,334</u>  |
| Expenditures:                           |                   |                   |  |  |
| Current:                                |                   |                   |  |  |
| General government                      | \$ 122,917        | \$ 120,340        | \$ 2,577                                 | \$ 110,276   |
| Sanitation                              | 32,211            | 36,656            | ( 4,445)                                 | 31,908   |
| Public safety                           | 89,072            | 96,637            | ( 7,565)                                 | 94,113   |
| Highways and streets                    | 10,000            | 4,810             | 5,190                                    | 1,686  |
| Capital outlay                          | 56,435            | 2,895             | 53,540                                   | 34,496   |
|   | <u>\$ 310,635</u> | <u>\$ 261,338</u> | <u>\$ 49,297</u>                         | <u>\$ 272,479</u>  |
| Excess of revenues over<br>expenditures | \$ -              | \$ 160,683        | \$ 160,683                               | \$ 94,855  |
| Fund balance - beginning                | 821,576           | 821,576           | -  | 726,721  |
| Residual equity transfer in (out)       | <u>( 400,000)</u> | <u>( 396,607)</u> | <u>3,393</u>                             | <u>-</u>   |
| Fund balance - ending                   | <u>\$ 421,576</u> | <u>\$ 585,652</u> | <u>\$ 164,076</u>                        | <u>\$ 821,576</u>  |

See notes to financial statements.

VILLAGE OF MER ROUGE, LOUISIANA

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS -  
 PROPRIETARY FUND TYPE - ENTERPRISE FUND

Years Ended December 31, 1999 and 1998

|                               | Year Ended<br>December 31, |                   |
|-------------------------------|----------------------------|-------------------|
|                               | <u>1999</u>                | <u>1998</u>       |
| Revenues:                     |                            |                   |
| Water and sewer fees          | \$ 155,252                 | \$ 158,697        |
| Miscellaneous                 | <u>3,034</u>               | <u>3,100</u>      |
|                               | <u>\$ 158,286</u>          | <u>\$ 161,797</u> |
| Expenses:                     |                            |                   |
| Depreciation                  | \$ 43,904                  | \$ 44,361         |
| Insurance                     | 9,922                      | 9,073             |
| Interest                      | 3,798                      | 35,737            |
| Office                        | 994                        | 816               |
| Payroll taxes                 | 3,189                      | 2,955             |
| Repairs and maintenance       | 29,115                     | 22,334            |
| Salaries                      | 40,880                     | 38,008            |
| Supplies                      | 6,448                      | 8,042             |
| Utilities and fuel            | 12,738                     | 12,424            |
| Other                         | <u>2,248</u>               | <u>2,448</u>      |
|                               | <u>\$ 153,236</u>          | <u>\$ 176,198</u> |
| Operating income (loss)       | \$ 5,050                   | \$( 14,401)       |
| Nonoperating revenues:        |                            |                   |
| Interest                      | <u>7,760</u>               | <u>18,182</u>     |
| Net income                    | \$ 12,810                  | \$ 3,781          |
| Retained earnings - beginning | <u>221,776</u>             | <u>217,995</u>    |
| Retained earnings - ending    | <u>\$ 234,586</u>          | <u>\$ 221,776</u> |

See notes to financial statements.

VILLAGE OF MER ROUGE, LOUISIANA

STATEMENTS OF CASH FLOWS - PROPRIETARY FUND TYPE - ENTERPRISE FUND  
 Years Ended December 31, 1999 and 1998

|  | Year Ended<br>December 31, |                    |
|--|----------------------------|--------------------|
|  | <u>1999</u>                | <u>1998</u>        |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                            |                    |
| Operating income (loss)  | \$ 5,050                   | \$( 14,401)        |
| Adjustments to reconcile operating income (loss) from operations to net cash provided by operating activities: |                            |                    |
| Depreciation   | 43,904                     | 44,361             |
| (Increase) decrease in accounts receivable   | ( 614)                     | 1,635              |
| (Increase) decrease in accrued interest receivable   | 496                        | 19                 |
| (Increase) decrease in prepaid expenses  | ( 1,204)                   | 696                |
| (Increase) decrease in restricted assets   | 130                        | ( 4)               |
| Increase (decrease) in liabilities payable from restricted assets  | <u>( 14,352)</u>           | <u>710</u>         |
| Net cash provided by operating activities  | <u>\$ 33,410</u>           | <u>\$ 33,016</u>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                            |                    |
| Purchase of investments  | \$( 78,463)                | \$( 50,691)        |
| Sale of investments  | 314,436                    | -                  |
| Interest revenue   | <u>7,758</u>               | <u>18,182</u>      |
| Net cash provided (used) by investing activities   | <u>\$ 243,731</u>          | <u>\$( 32,509)</u> |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>  |                            |                    |
| Repayment of long-term debt principal  | \$( 672,419)               | \$( 19,126)        |
| Residual equity transfer in  | <u>396,607</u>             | <u>-</u>           |
| Net cash provided (used) by capital and related financing activities   | <u>\$( 275,812)</u>        | <u>\$( 19,126)</u> |
| Increase (decrease) in cash and cash equivalents   | \$ 1,329                   | \$( 18,619)        |
| Cash and cash equivalents - beginning  | <u>84,227</u>              | <u>102,846</u>     |
| Cash and cash equivalents - ending   | <u>\$ 85,556</u>           | <u>\$ 84,227</u>   |

See notes to financial statements .

VILLAGE OF MER ROUGE , LOUISIANA

NOTES TO FINANCIAL STATEMENTS  
As of and For the Year Ended December 31, 1999

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. The mayor is paid a monthly salary while the council members are compensated for meetings attended. The Village is located in northeast Louisiana, its population is approximately 750, and it employs approximately 10 people. As of December 31, 1999, the Village services approximately 370 utility customers and maintains approximately 10 miles of roads.

The following services are provided by the Village: general administrative, public safety (police and fire), public works (cemetery and streets), sanitation, and public improvements.

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

Basis of Presentation:

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

Financial Reporting Entity:

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

GASB Statement No. 14 established criteria for determining which component units should be considered part of the Village for financial reporting purposes. The basic 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:



## NOTES TO FINANCIAL STATEMENTS

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

Based on the previous criteria, the Village has determined that 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, these financial statements present Village of Mer Rouge, Louisiana, (the primary government) 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 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 are not component units of the Village's reporting entity.

### Fund Accounting:

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

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

## NOTES TO FINANCIAL STATEMENTS

Funds of the Village are classified into two categories: governmental and proprietary. In turn, each category is divided into separate fund types. The fund classifications and a description of each existing fund type follow:

### Governmental funds:

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

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

### Proprietary funds:

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds differ from governmental funds in that their focus is on income measurement, which, together with the maintenance of equity, is an important financial indicator. The proprietary fund is:

Enterprise 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.

### Basis of Accounting:

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used by all governmental funds.

The modified accrual basis of accounting recognizes revenues when both "measurable" and "available". Measurable means the amount can be determined and available means collectible within the current period or soon enough thereafter to pay current liabilities. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred.



## NOTES TO FINANCIAL STATEMENTS

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

Those major revenues susceptible to accrual are ad valorem taxes and water and sewer fees. Licenses and permits, charges for services (other than water and sewer fees), fines, and other revenues are not susceptible to accrual because generally they are not measurable until received in cash.

### Budgets and Budgetary Accounting:

The Board of Aldermen adopted annual budgets for the General and Enterprise Funds on November 9, 1998. The annual budgets were prepared in accordance with the basis of accounting utilized by those 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. The budgets were amended by approval of the Board of Aldermen on August 10, 1999, and such amendments are reflected in the budget comparison. All annual appropriations lapse at fiscal year end.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Village.

### Cash and Cash Equivalents:

Cash includes amounts in demand deposits and time deposits and is reported at net book value - the December 31, 1999, bank balance plus deposits in transit and less checks that have not cleared the bank as of that date. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less.

Under state law, the Village may deposit funds in demand deposits, interest-bearing demand deposits, 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.

## NOTES TO FINANCIAL STATEMENTS

### Investments:

Investments are limited by Louisiana Revised statute 33:2955. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Nonparticipating investment contracts, generally certificates of deposit, are reported at cost, which approximates market value.

### 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.

### Prepaid Expenses:

The Village records as expense the cost of insurance coverage paid by the Enterprise Fund in the actual period of coverage.

### 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.

### Fixed Assets:

Fixed assets of governmental funds are recorded as expenditures at the time purchased or constructed, and the related assets are capitalized (reported) in the General Fixed Assets Account Group. Public domain or "infrastructures" including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are capitalized. Interest costs incurred during construction are not capitalized. No depreciation has been provided on general fixed assets. All fixed assets are valued at historical cost or, if donated, assets are valued at their estimated fair value on the date of donation.

## NOTES TO FINANCIAL STATEMENTS

Fixed assets used in the proprietary fund operations are included on the balance sheet of the fund net of accumulated depreciation. Depreciation of all exhaustible fixed assets used by proprietary fund operations is charged as an expense against operations. Depreciation has been calculated on each class of depreciable property using the straight line method over the estimated useful lives as follows:

|                        |              |
|------------------------|--------------|
| Water and sewer system | 40 years     |
| Improvements           | 20 years     |
| Equipment              | 5 - 20 years |

### Accumulated Compensated Absences:

The cost of accumulated compensated absences is recognized when actually paid to employees. No liability is recorded for nonvesting accumulating rights to receive vacation or sick pay benefits.

### Fund Equity:

Contributed capital is recorded in the proprietary fund when capital contributions are received from other funds when such resources are restricted for the acquisition or construction of capital assets. Contributed capital is not amortized based on the depreciation recognized on that portion of the assets acquired or constructed from such resources.

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

### Interfund Transactions:

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

## NOTES TO FINANCIAL STATEMENTS

### Revenue Recognition - Taxes:

*Ad valorem 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 January 1 of the following year. All unpaid taxes become delinquent on March 15 of the following year. The Village bills and collects its own property taxes using the assessed values determined by the tax assessor of Morehouse Parish. The Village's ad valorem tax revenues are recognized 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.*

### Total Columns on Combined Statements - Overview:

*Total columns on the combined statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.*

### Comparative Data:

*Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Village's financial position and operations. However, presentation of prior year totals by fund type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.*



## NOTES TO FINANCIAL STATEMENTS

### Note 2. Cash, Cash Equivalents, and Investments

The following is a summary of cash, cash equivalents, and investments at December 31, 1999:

|                                      |                   |
|--------------------------------------|-------------------|
| Non-pooled deposits:                 |                   |
| Non-interest bearing demand deposits | \$ 156,986        |
| Time deposits                        | 20,567            |
| Investments                          | 588,489           |
| Petty cash                           | <u>400</u>        |
|                                      | <u>\$ 766,442</u> |

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. 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.

At December 31, 1999, the carrying amount and bank balance of the Village's deposits (excluding petty cash of \$400) were \$766,042 and \$706,922, respectively. Of the bank balance, \$200,000 was covered by federal depository insurance and \$506,922 was covered by the market value of collateral held by the Village or its agent in the Village's name.

There were no repurchase or reverse repurchase agreements at December 31, 1999.

### Note 3. Receivables and Due From Other Governments

The following is a summary of receivables and due from other governments as of December 31, 1999:

NOTES TO FINANCIAL STATEMENTS

|                     | <u>General</u><br><u>Fund</u> | <u>Enterprise</u><br><u>Fund</u> | <u>Totals</u>    |
|---------------------|-------------------------------|----------------------------------|------------------|
| Taxes:              |                               |                                  |                  |
| Ad valorem          | \$ 5,827                      | \$ -                             | \$ 5,827         |
| Sales               | 5,137                         | -                                | 5,137            |
| Accounts receivable | -                             | 11,266                           | 11,266           |
| Accrued interest    | 998                           | 403                              | 1,401            |
| Intergovernmental:  |                               |                                  |                  |
| State               | 1,131                         | -                                | 1,131            |
|                     | <u>\$ 13,093</u>              | <u>\$ 11,669</u>                 | <u>\$ 24,762</u> |

Note 4. Taxes

For the year ended December 31, 1999, ad valorem taxes of 10.13 mills were levied on property with assessed valuations totaling \$3,430,010 as follows:

|                            | <u>Authorized</u><br><u>Millage</u> | <u>Levied</u><br><u>Millage</u> | <u>Expiration</u><br><u>Date</u> |
|----------------------------|-------------------------------------|---------------------------------|----------------------------------|
| General corporate purposes | 6.63                                | 6.63                            | Perpetual                        |
| Streets                    | 3.50                                | 3.50                            | 2001                             |

The following are the principal ad valorem taxpayers for the Village (amounts expressed in thousands):

| <u>Taxpayer</u>          | <u>Assessed</u><br><u>Valuation</u> | <u>Percentage of</u><br><u>Total Assessed</u><br><u>Valuation</u> | <u>Ad Valorem</u><br><u>Tax Revenue</u> |
|--------------------------|-------------------------------------|---|---|
| Mer Rouge State Bank     | \$ 471,030                          | 13.73%  | \$ 34,464                               |
| Bacon Equipment Co.      | 318,960                             | 9.30%   | 23,297                                  |
| Terra International Inc. | 165,950                             | 4.84%   | 12,121                                  |

Total ad valorem taxes levied were \$34,402. As of December 31, 1999, ad valorem taxes receivable was \$5,827.

For the year ended December 31, 1999, 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, 2004.

NOTES TO FINANCIAL STATEMENTS

Note 5. Changes in Fixed Assets

A summary of the changes in the General Fixed Assets Account Group is as follows:

|                                      | Balance<br>January 1,<br><u>1999</u> | <u>Additions</u> | <u>Retirements</u> | Balance<br>December<br>31, 1999 |
|--------------------------------------|--------------------------------------|------------------|--------------------|---------------------------------|
| Land and buildings                   | \$ 121,294                           | \$ -             | \$ -               | \$ 121,294                      |
| Improvements other than<br>buildings | 783,400                              | -                | -                  | 783,400                         |
| Equipment and vehicles               | <u>144,485</u>                       | <u>2,895</u>     | <u>-</u>           | <u>147,380</u>                  |
|                                      | <u>\$ 1,049,179</u>                  | <u>\$ 2,895</u>  | <u>\$ -</u>        | <u>\$ 1,052,074</u>             |

A summary of the Enterprise Fund fixed assets and depreciation at December 31, 1999, is as follows:

|                        | <u>Cost</u>         | <u>Accumulated<br/>Depreciation</u> | <u>Net</u>        | <u>Current<br/>Depreciation</u> |
|------------------------|---------------------|-------------------------------------|-------------------|---------------------------------|
| Land                   | \$ 20,110           | \$ -                                | \$ 20,110         | \$ -                            |
| Water and sewer system | 1,474,243           | 661,120                             | 813,123           | 36,852                          |
| Equipment              | <u>66,458</u>       | <u>64,884</u>                       | <u>1,574</u>      | <u>7,052</u>                    |
|                        | <u>\$ 1,560,811</u> | <u>\$ 726,004</u>                   | <u>\$ 834,807</u> | <u>\$ 43,904</u>                |

Note 6. Changes in Long-Term Debt

The following is a summary of bond transactions of the Village for the year ended December 31, 1999:

|                                   | <u>Revenue Bonds</u> |                   |                   |
|-----------------------------------|----------------------|-------------------|-------------------|
|                                   | <u>1972</u>          | <u>1992</u>       | <u>Totals</u>     |
| Bonds payable - January 1, 1999   | \$ 277,000           | \$ 395,419        | \$ 672,419        |
| Bonds retired                     | <u>( 277,000)</u>    | <u>( 395,419)</u> | <u>( 672,419)</u> |
| Bonds payable - December 31, 1999 | <u>\$ -</u>          | <u>\$ -</u>       | <u>\$ -</u>       |

## NOTES TO FINANCIAL STATEMENTS

### Note 7. Enterprise Fund Contributed Capital

For the year ended December 31, 1999, contributed capital of the Enterprise Fund increased by a \$396,607 residual equity transfer from the General Fund and was utilized for debt repayment.

### Note 8. Enterprise Fund Retained Earnings - Reserved

The excess assets available for payment of liabilities associated with customers' meter deposits has been reserved.

### Note 9. Risk Management

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. Settlement amounts have not exceeded insurance coverage for the current year or three prior fiscal years.

### Note 10. On-Behalf Payments for Salaries

For the year ended December 31, 1999, the Village recognized revenues and expenditures of \$10,800 in salary supplements from the State of Louisiana paid directly to employees of the police department.



SUPPLEMENTARY INFORMATION

VILLAGE OF MER ROUGE, LOUISIANA

SCHEDULE OF COMPENSATION PAID BOARD MEMBERS  
Year Ended December 31, 1999

The schedule of compensation paid to board members 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.

| <u>Name and Title</u>               | <u>Compensation</u> |
|-------------------------------------|---------------------|
| T.J. Parker, Mayor                  | \$ 5,400            |
| John D. McAdams, III, Mayor Pro-Tem | 1,300               |
| Daniel J. Ellender, Alderman        | 1,050               |
| David R. Gilly, Alderman            | <u>950</u>          |
| Total compensation                  | <u>\$ 8,700</u>     |

# HILL, INZINA & COMPANY

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

Honorable T.J. Parker, Mayor,  
and Members of the Board of Aldermen  
Village of Mer Rouge, Louisiana

We have audited the general-purpose financial statements of Village of Mer Rouge, Louisiana, as of and for the year ended December 31, 1999, and have issued our report thereon dated May 10, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

## Compliance

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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

## Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 99-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

This report is intended solely for the information and use of management, others within the organization, Board of Aldermen, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Hill, Pruzina & Co.*

May 4, 2000

VILLAGE OF MER ROUGE, LOUISIANA

MANAGEMENT'S CORRECTIVE ACTION PLAN FOR CURRENT YEAR FINDINGS  
Year Ended December 31, 1999

We have audited the financial statements of Village of Mer Rouge, Louisiana, as of and for the year ended December 31, 1999, and have issued our report thereon dated May 10, 2000. We conducted our audit in accordance with generally accepted auditing standards 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, 1999, resulted in an unqualified opinion.

Section I - Summary of Auditor's Reports

Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses  Yes  No      Reportable Conditions  Yes  No

Compliance

Compliance Material to Financial Statements  Yes  No

Section II- Financial Statement Findings

1999-1      Inadequate Segregation of Duties (finding was first cited in audit conducted by our firm as of and for the year 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.

Effect:                Not determined.

Cause:                The condition is due to economic and space limitations.

Recommendation:    No action is recommended.

Management's  
response and  
planned cor-  
rective action:

We concur in the finding, but it is not economically feasible nor does space allow for corrective action to be taken.

VILLAGE OF MER ROUGE, LOUISIANA

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS  
Year Ended December 31, 1999

Section I - Internal Control and Compliance Material to Financial Statements

1998-1 Inadequate Segregation of Duties

Adequate segregation of duties is essential to proper internal control.

Unresolved - 1999-1.

Section II - Management Letter

None issued.