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VILLAGE OF MER ROUGE, LOUISIANA

FINANCIAL REPORT

December 31, 1997

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

Release Date JUN 17 1998

HILL, INZINA & COMPANY

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE

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, 1997, 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, 1997, 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 March 31, 1998, 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 and grants.

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Our audit of the December 31, 1997, 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 financial information listed as a supplementary schedule 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.

March 31, 1998

Hill, Inzina & Co.

GENERAL-PURPOSE FINANCIAL STATEMENTS

(COMBINED STATEMENTS - OVERVIEW)

Account Group General Fixed Assets	Totals - (Memorandum Only) December 31, 1997	1996
$ -	$ 131,445	$ 101,113
-	865,581	793,464
-	8,859	5,718
-	12,286	11,560
-	2,028	1,923
-	3,060	3,399
-	1,441	1,170
-	35,136	29,148
-	28,550	29,250
-	50,139	47,492
-	188	130
1,017,198	1,940,270	1,751,233
$ 1,017,198	$ 3,078,983	$ 2,775,600

(continued)

Account Group General Fixed Assets	Totals - (Memorandum Only) December 31, 1997	1996
$ -	$ 14,902	$ 14,194
-	17,904	17,695
-	15,272	16,039
-	672,422	690,328
$ -	$ 720,500	$ 738,256
$ -	$ 396,570	$ 396,570
1,017,198	1,017,198	783,801
-	2,618	1,915
-	63,317	56,177
-	152,059	149,351
-	726,721	649,530
$ 1,017,198	$ 2,358,483	$ 2,037,344
$ 1,017,198	$ 3,078,983	$ 2,775,600

VILLAGE OF MER ROUGE, LOUISIANA

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
Year Ended December 31, 1997

	General	Capital Projects	Totals - Memorandum Only
Revenues:			
Taxes	$ 204,287	$ -	$ 204,287
Licenses and permits	41,236	-	41,236
Intergovernmental	28,484	167,764	196,248
Charges for services	3,525	-	3,525
Fines and forfeitures	54,815	-	54,815
Interest and miscellaneous	33,937	-	33,937
	$ 366,284	$ 167,764	$ 534,048
Expenditures:			
Current:			
General government	$ 103,942	$ -	$ 103,942
Sanitation	28,288	-	28,288
Public safety	86,433	-	86,433
Highways and streets	4,598	-	4,598
Capital outlay	66,034	167,764	233,798
	$ 289,295	$ 167,764	$ 457,059
Excess of revenues over expenditures	$ 76,989	$ -	$ 76,989
Other financing sources:			
Sale of fixed asset	200	-	200
Excess of revenues and other financing sources over expenditures	$ 77,189	$ -	$ 77,189
Fund balances - beginning	649,532	-	649,532
Fund balances - ending	$ 726,721	$ -	$ 726,721

See notes to financial statements.

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, 1997
With Comparative Actual Totals For the Year Ended December 31, 1996

	Budget	Actual	Variance - Favorable (Unfavorable)	Totals - (Memorandum Only) Year Ended December 31, 1996
Revenues:				
Taxes	$ 229,725	$ 204,287	$(25,438)	$ 224,650
Licenses and permits	42,081	41,236	(845)	44,683
Intergovernmental	4,900	28,484	23,584	10,821
Charges for services	979	3,525	2,546	675
Fines and forfeitures	30,000	54,815	24,815	60,725
Interest and miscellaneous	25,500	33,937	8,437	44,970
	$ 333,185	$ 366,284	$ 33,099	$ 386,524
Expenditures:				
Current:				
General government	$ 118,609	$ 103,942	$ 14,667	$ 103,854
Sanitation	32,357	28,288	4,069	26,480
Public safety	88,234	86,433	1,801	74,452
Highways and streets	4,890	4,598	292	1,389
Capital outlay	45,610	66,034	(20,424)	52,439
	$ 289,700	$ 289,295	$ 405	$ 258,614
Excess of revenues over expenditures	$ 43,485	$ 76,989	$ 33,504	$ 127,910
Other financing sources:				
Sale of fixed asset	-	200	200	-
Excess of revenues and other financing sources over expenditures	$ 43,485	$ 77,189	$ 33,704	$ 127,910
Fund balance - beginning	649,532	649,532	-	521,622
Fund balance - ending	$ 693,017	$ 726,721	$ 33,704	$ 649,532

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, 1997 and 1996

	Year Ended December 31, 1997	1996
Revenues:		
Water and sewer fees	$ 156,756	$ 158,515
Expenses:		
Depreciation	$ 44,361	$ 45,246
Insurance	10,151	9,556
Interest	36,556	38,134
Office	947	993
Payroll taxes	2,973	2,957
Repairs and maintenance	9,556	14,550
Salaries	38,012	37,683
Supplies	7,195	6,537
Utilities and fuel	13,580	15,023
Other	2,061	2,304
	$ 165,392	$ 172,983
Operating income (loss)	$(8,636)	$(14,468)
Nonoperating revenues:		
Interest and miscellaneous	19,187	17,527
Net income	$ 10,551	$ 3,059
Retained earnings - beginning	207,443	204,384
Retained earnings - ending	$ 217,994	$ 207,443

See notes to financial statements.

	Year Ended December 31, 1997	Year Ended December 31, 1996
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	$(42,204)	$(10,182)
Interest and miscellaneous revenues	19,187	17,527
Net cash provided (used) by investing activities	$(23,017)	$ 7,345
CASH FLOWS USED BY CAPITAL AND RELATED FINANCING ACTIVITIES		
Repayment of long-term debt	$(17,906)	$(17,128)
Increase (decrease) in cash and cash equivalents	$(8,203)	$ 20,843
Cash and cash equivalents - beginning	111,049	90,206
Cash and cash equivalents - ending	$ 102,846	$ 111,049

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 1997

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 Village is located in northeast Louisiana, its population is approximately 750 and it employs approximately 10 people.

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

The financial statements of the Village have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Village's accounting policies are described below.

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:

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. 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.

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

Governmental funds:

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

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

Capital Projects Fund - accounts for financial resources received and used for the acquisition, construction or improvement of capital facilities not reported in the other governmental 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.

The proprietary fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of this fund type are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The proprietary fund type operating statement presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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.

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.

Budgets and Budgetary Accounting:

The Board of Aldermen adopted an annual budget for the General Fund on November 11, 1996. The annual budget was prepared in accordance with the basis of accounting utilized by that fund. 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. On November 10, 1997, the Board of Aldermen adopted an amended budget approving additional expenditures, which amendments are reflected in the budget comparisons. All annual appropriations lapse at fiscal year end.

Encumbrances:

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, time deposits and amounts deposited with bondholder and is reported at net book value - the December 31, 1997, 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, any other state of the United States, or under the laws of the United States.

Investments:

Under state law, the Village may invest in United States bonds, treasury notes or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. 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.

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.

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.

Long-Term Obligations:

Long-term obligations expected to be financed from proprietary fund operations are accounted for in that fund.

Fund Equity:

Contributed capital is recorded in the proprietary fund when capital contributions are received from other funds and 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.

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.

Note 2. Cash and Investments

The following is a summary of cash and investments at December 31, 1997:

Non-pooled deposits:	
Non-interest bearing demand deposits	$ 113,844
Time deposits	38,967
Investments	929,090
Petty cash	400
	$ 1,082,301

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, 1997, the carrying amount and bank balance of the Village's deposits (excluding petty cash) were $1,081,901 and $1,089,158, respectively. Of the bank balance, $200,000 was covered by federal depository insurance and $889,158 was covered by the market value of collateral held by a third party bank's trust department in the joint name of the Village and the pledging fiscal agent bank.

There were no repurchase or reverse repurchase agreements at December 31, 1997.

Note 3. Receivables and Due From Other Governments

The following is a summary of receivables and due from other governments as of December 31, 1997:

	General Fund	Enterprise Fund	Totals
Taxes:			
Ad valorem	$ 8,859	$ -	$ 8,859
Accounts receivable	-	12,286	12,286
Accrued interest	1,172	1,044	2,216
Intergovernmental:			
State	1,441	-	1,441
	$ 11,472	$ 13,330	$ 24,802

Note 4. Taxes

For the year ended December 31, 1997, ad valorem taxes of 10.13 mills were levied on property with assessed valuations totaling $3,376,320 as follows:

	Authorized Millage	Levied Millage	Expiration Date
General corporate purposes	7.00	6.63	Perpetual
Streets	3.50	3.50	2002

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

Taxpayer	Assessed Valuation	Percentage of Total Assessed Valuation
Mer Rouge State Bank	$ 391,780	11.60%
Bacon Equipment Co.	301,720	8.94%
Terra International Inc.	295,540	8.75%
Terral Agriservice, Inc.	127,550	3.78%
Kennedy Rice Farms, Inc.	115,210	3.41%

Total ad valorem taxes levied were $34,168. As of December 31, 1997, ad valorem taxes receivable was $8,859.

For the year ended December 31, 1997, sales and use taxes of 2% were levied for police protection and any and all other useful corporate purposes. This sales and use tax will expire June 30, 2004.

Note 5. Changes in Fixed Assets

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

	Balance January 1, 1997	Additions	Retirements	Balance December 31, 1997
Land and buildings	$ 115,842	$ 5,452	$ -	$ 121,294
Improvements other than buildings	572,752	210,648	-	783,400
Equipment and vehicles	95,207	17,697	400	112,504
	$ 783,801	$ 233,797	$ 400	$ 1,017,198

A summary of the Enterprise Fund fixed assets and depreciation at December 31, 1997, is as follows:

	Cost	Accumulated Depreciation	Net	Current Depreciation
Land	$ 20,110	$ -	$ 20,110	$ -
Water and sewer system	1,474,242	587,384	886,858	36,882
Equipment	67,073	50,969	16,104	7,479
	$ 1,561,425	$ 638,353	$ 923,072	$ 44,361

Note 6. Changes in Long-Term Debt

The following is a summary of bond transactions of the Village for the year ended December 31, 1997:

	Revenue Bonds 1972	Revenue Bonds 1992	Totals
Bonds payable - January 1, 1997	$ 305,000	$ 403,023	$ 708,023
Bonds retired	14,000	3,698	17,698
Bonds payable - December 31, 1997	$ 291,000	$ 399,325	$ 690,325

The individual issues (including amounts due January 1, 1998) are as follows:

$489,000 Water and Sewer Revenue Bonds - dated June 1, 1972, bear interest at 5%, payable January 1 of each year. Principal due January 1 of each year is as follows:

1998	$14,000	2007	$21,000
1999-2000	15,000	2008	22,000
2001-2002	16,000	2009	23,000
2003	17,000	2010	24,000
2004	18,000	2011	25,000
2005	19,000	2012	26,000
2006	20,000		

$413,000 Sewer Revenue Bonds - dated December 18, 1992, bear interest at 5.5%, payable monthly. Principal due each year is as follows:

1998	$ 3,904	2001	$ 4,602
1999	4,124	2002	4,862
2000	4,357	Thereafter	377,476

The annual requirements to amortize bonded debt as of December 31, 1997, including interest payments of $631,317, are as follows:

Year Ending December 31,	
1998	$ 54,321
1999	54,621
2000	53,871
2001	54,121
2002	53,321
Thereafter	1,051,387
	$ 1,321,642

Note 7. Enterprise Fund Retained Earnings - Reserved

The revenue bond ordinances require that the assets restricted for bond principal and interest payments in excess of the applicable liabilities payable from such restricted assets be reserved for bond retirement.

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

Note 8. 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 9. On-Behalf Payments for Salaries

For the year ended December 31, 1997, the Village recognized revenues and expenditures of $8,548 in salary supplements from the State of Louisiana paid directly to employees of the police department.

SUPPLEMENTARY SCHEDULE

VILLAGE OF MER ROUGE, LOUISIANA

SCHEDULE OF COMPENSATION PAID BOARD MEMBERS
Year Ended December 31, 1997

Name and Title	Compensation
T.J. Parker, Mayor	$ 5,400
John D. McAdams, III, Mayor Pro-Tem	1,250
Owen C. Butler, Alderman	75
David R. Gilly, Alderman	950
Total compensation	$ 7,675

HILL, INZINA & COMPANY

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, 1997, and have issued our report thereon dated March 31, 1998. 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 97-1.

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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 for the information of management and the Board of Aldermen. However, this report is a matter of public record and its distribution is not limited.

March 31, 1998

Hill, Smyth & Co.

VILLAGE OF MER ROUGE, LOUISIANA

SCHEDULE OF FINDINGS
For the Year Ended December 31, 1997

We have audited the financial statements of Village of Mer Rouge, Louisiana, as of and for the year ended December 31, 1997, and have issued our report thereon dated March 31, 1998. 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, 1997, 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

1997-1 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 corrective 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

SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended December 31, 1997

Section I - Internal Control and Compliance Material to Financial Statements

1996-1 Inadequate Segregation of Duties

Adequate segregation of duties is essential to proper internal control.	Unresolved - 1997-1.

Section II - Management Letter

None issued.