

VILLAGE OF MER ROUGE, LOUISIANA

FINANCIAL REPORT

December 31, 2003

I have reviewed and approved this document and accept full responsibility for its content.

*J. J. La...*  
*Jean Blackard*  
*John D. ...*

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 5.12.04

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# HILL, INZINA & COMPANY

## 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, 2003, 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 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 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, 2003, and the results of its operations and cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2004, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed 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.

The schedule of expenditures of federal awards is presented as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The supplementary 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, Meyer & Co.*

March 22, 2004

GENERAL-PURPOSE FINANCIAL STATEMENTS

(COMBINED STATEMENTS - OVERVIEW)

VILLAGE OF MER ROUGE, LOUISIANA

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUP

December 31, 2003

With Comparative Totals For December 31, 2002

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Capital Projects</u>
ASSETS		
Cash and cash equivalents	\$ 77,916	\$ -
Investments	650,331	-
Receivables:		
Taxes	4,291	-
Accounts	-	-
Due from other governments	-	45,547
Restricted assets:		
Cash	-	-
Investments	-	-
Fixed assets - net	-	-
	<hr/>	<hr/>
Total assets	<u>\$ 732,538</u>	<u>\$ 45,547</u>

<u>Proprietary Fund Type</u>	<u>Account Group</u> <u>General Fixed</u> <u>Assets</u>	<u>Totals -</u> <u>(Memorandum Only)</u> <u>December 31,</u>	
		<u>2003</u>	<u>2002</u>
<u>Enterprise</u>			
\$ 68,417	\$ -	\$ 146,333	\$ 108,793
192,449	-	842,780	817,810
-	-	4,291	6,473
13,336	-	13,336	12,360
-	-	45,547	15,000
592	-	592	1,876
11,000	-	11,000	11,000
<u>709,814</u>	<u>1,859,738</u>	<u>2,569,552</u>	<u>2,268,324</u>
<u>\$ 995,608</u>	<u>\$ 1,859,738</u>	<u>\$ 3,633,431</u>	<u>\$ 3,241,636</u>

(continued)

VILLAGE OF MER ROUGE, LOUISIANA

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUP

(Continued)

December 31, 2003

With Comparative Totals For December 31, 2002

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Capital Projects</u>
<b>LIABILITIES, EQUITY, AND OTHER CREDITS</b>		
Liabilities:		
Accounts payable	\$ -	\$ 45,547
Accrued expenses	151	-
Deferred revenue	37,009	-
Payable from restricted assets:		
Customers' deposits	-	-
Total liabilities	<u>\$ 37,160</u>	<u>\$ 45,547</u>
Equity and other credits:		
Contributed capital	\$ -	\$ -
Investment in general fixed assets	-	-
Retained earnings - unreserved	-	-
Fund balance - unreserved and undesignated	<u>695,378</u>	<u>-</u>
Total equity and other credits	<u>\$ 695,378</u>	<u>\$ -</u>
Total liabilities, equity, and other credits	<u>\$ 732,538</u>	<u>\$ 45,547</u>

See notes to financial statements.



Proprietary Fund Type	Account Group General Fixed Assets	Totals - (Memorandum Only)	
		December 31,	
Enterprise		2003	2002
\$ -	\$ -	\$ 45,547	\$ -
289	-	440	469
-	-	37,009	37,751
<u>11,592</u>	<u>-</u>	<u>11,592</u>	<u>12,876</u>
<u>\$ 11,881</u>	<u>\$ -</u>	<u>\$ 94,588</u>	<u>\$ 51,096</u>
\$ 793,177	\$ -	\$ 793,177	\$ 793,177
-	1,859,738	1,859,738	1,524,102
190,550	-	190,550	211,981
-	-	695,378	661,280
<u>\$ 983,727</u>	<u>\$ 1,859,738</u>	<u>\$ 3,538,843</u>	<u>\$ 3,190,540</u>
<u>\$ 995,608</u>	<u>\$ 1,859,738</u>	<u>\$ 3,633,431</u>	<u>\$ 3,241,636</u>

VILLAGE OF MER ROUGE, LOUISIANA

COMBINED STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES

Year Ended December 31, 2003

With Comparative Totals For the Year Ended December 31, 2002

	<u>General</u>	<u>Capital Projects</u>	<u>Totals - (Memorandum Only) Year Ended December 31,</u>	
			<u>2003</u>	<u>2002</u>
<b>Revenues:</b>				
Taxes	\$ 249,997	\$ -	\$ 249,997	\$ 240,570
Licenses and permits	50,388	-	50,388	54,526
Intergovernmental	17,331	341,924	359,255	237,518
Charges for services	3,107	-	3,107	6,814
Fines and forfeitures	24,983	-	24,983	25,115
Interest and miscellaneous	17,945	1,035	18,980	61,817
	<u>\$ 363,751</u>	<u>\$ 342,959</u>	<u>\$ 706,710</u>	<u>\$ 626,360</u>
<b>Expenditures:</b>				
Current:				
General government	\$ 149,815	\$ -	\$ 149,815	\$ 154,193
Sanitation	35,441	-	35,441	38,231
Public safety	125,425	-	125,425	108,346
Highways and streets	3,723	-	3,723	89,395
Capital outlay	16,457	342,959	359,416	307,992
	<u>\$ 330,861</u>	<u>\$ 342,959</u>	<u>\$ 673,820</u>	<u>\$ 698,157</u>
Excess (deficiency) of revenues over expenditures	\$ 32,890	\$ -	\$ 32,890	\$( 71,797)
<b>Other financing sources:</b>				
Sale of assets	1,209	-	1,209	-
Operating transfers in	-	-	-	4,324
Excess (deficiency) of revenues and other financing sources over expenditures	\$ 34,099	\$ -	\$ 34,099	\$( 67,473)
Fund balance - beginning	<u>661,279</u>	<u>-</u>	<u>661,279</u>	<u>728,752</u>
Fund balance - ending	<u>\$ 695,378</u>	<u>\$ -</u>	<u>\$ 695,378</u>	<u>\$ 661,279</u>

See notes to financial statements.

VILLAGE OF MER ROUGE, LOUISIANA

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

Year Ended December 31, 2003

With Comparative Actual Totals For the Year Ended December 31, 2002

	<u>Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)	Totals - (Memorandum Only) Year Ended December 31, 2002
Revenues:				
Taxes	\$ 250,225	\$ 249,997	\$ ( 228)	\$ 240,570
Licenses and permits	48,310	50,388	2,078	54,526
Intergovernmental	150	17,331	17,181	41,603
Charges for services	-	3,107	3,107	6,814
Fines and forfeitures	12,000	24,983	12,983	25,115
Interest and miscellaneous	47,000	17,945	( 29,055)	33,542
	<u>\$ 357,685</u>	<u>\$ 363,751</u>	<u>\$ 6,066</u>	<u>\$ 402,170</u>
Expenditures:				
Current:				
General government	\$ 168,730	\$ 149,815	\$ 18,915	\$ 154,193
Sanitation	39,080	35,441	3,639	38,231
Public safety	99,875	125,425	( 25,550)	108,346
Highways and streets	10,000	3,723	6,277	89,395
Capital outlay	40,000	16,457	23,543	83,802
	<u>\$ 357,685</u>	<u>\$ 330,861</u>	<u>\$ 26,824</u>	<u>\$ 473,967</u>
Excess (deficiency) of revenues over expenditures	\$ -	\$ 32,890	\$ 32,890	\$ ( 71,797)
Other financing sources:				
Sale of assets	-	1,209	1,209	-
Operating transfers in	-	-	-	4,325
Excess (deficiency) of revenues and other financing sources over expenditures	\$ -	\$ 34,099	\$ 34,099	\$ ( 67,472)
Fund balance - beginning	-	661,279	661,279	728,751
Fund balance - ending	<u>\$ -</u>	<u>\$ 695,378</u>	<u>\$ 695,378</u>	<u>\$ 661,279</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, 2003 and 2002

	Year Ended December 31,	
	<u>2003</u>	<u>2002</u>
Revenues:		
Water and sewer fees	\$ 150,040	\$ 149,681
Miscellaneous	4,588	4,157
	<u>\$ 154,628</u>	<u>\$ 153,838</u>
Expenses:		
Depreciation	\$ 40,395	\$ 39,462
Insurance	21,324	20,680
Office	1,041	1,089
Payroll taxes	4,025	3,755
Repairs and maintenance	35,923	62,646
Retirement	1,834	-
Salaries	51,141	48,880
Supplies	9,338	12,385
Utilities and fuel	14,817	11,890
Other	3,878	3,288
	<u>\$ 183,716</u>	<u>\$ 204,075</u>
Operating income (loss)	\$( 29,088)	\$( 50,237)
Nonoperating revenues:		
Interest	7,655	8,852
Gain on sale of assets	-	4,177
Other financing sources (uses):		
Operating transfers out	<u>-</u>	<u>( 4,324)</u>
Net income (loss)	\$( 21,433)	\$( 41,532)
Retained earnings - beginning	<u>211,983</u>	<u>253,515</u>
Retained earnings - ending	<u>\$ 190,550</u>	<u>\$ 211,983</u>

See notes to financial statements.

VILLAGE OF MER ROUGE, LOUISIANA

STATEMENTS OF CASH FLOWS - PROPRIETARY FUND TYPE - ENTERPRISE FUND  
 Years Ended December 31, 2003 and 2002

	Year Ended December 31,	
	<u>2003</u>	<u>2002</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating income (loss)	\$( 29,088)	\$( 50,237)
Adjustments to reconcile operating income (loss) from operations to net cash provided (used) by operating activities:		
Depreciation	40,395	39,462
Gain on sale of assets	-	4,176
(Increase) decrease in accounts receivable	( 976)	( 2,421)
(Increase) decrease in accrued interest receivable	-	331
(Increase) decrease in prepaid expenses	-	6,320
(Increase) decrease in restricted assets	-	26
Increase (decrease) in accrued expenses	289	-
Increase (decrease) in liabilities payable from restricted assets	<u>( 1,284)</u>	<u>301</u>
Net cash provided (used) by operating activities	<u>\$ 9,336</u>	<u>\$( 2,042)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	\$( 8,073)	\$( 8,955)
Interest revenue	<u>7,655</u>	<u>8,852</u>
Net cash provided (used) by investing activities	<u>\$( 418)</u>	<u>\$( 103)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Operating transfers out	<u>\$ -</u>	<u>\$( 4,325)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of fixed assets	<u>\$( 5,987)</u>	<u>\$( 3,700)</u>
Increase (decrease) in cash and cash equivalents	\$ 2,931	\$( 10,170)
Cash and cash equivalents - beginning	<u>65,486</u>	<u>75,656</u>
Cash and cash equivalents - ending	<u>\$ 68,417</u>	<u>\$ 65,486</u>

See notes to financial statements.

VILLAGE OF MER ROUGE , LOUISIANA

NOTES TO FINANCIAL STATEMENTS  
As of and For the Year Ended December 31, 2003

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, 2003, the Village services approximately 370 utility customers and maintains approximately 10 miles of roads.

General administrative, public safety (police and fire), public works (cemetery and streets), sanitation, and public improvement services are provided by the Village.

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. 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 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.



## NOTES TO FINANCIAL STATEMENTS

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 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 December 10, 2002. 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. Budget amounts reported are as originally adopted by the Board of Aldermen. 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.

### Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles 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 Cash Equivalents:

Cash includes amounts in demand deposits and time deposits and is reported at net book value - the December 31, 2003, 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.

### 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.

### Restricted Assets/Liabilities:

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

## NOTES TO FINANCIAL STATEMENTS

### 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 Village's policy allows employees to earn but not accumulate vacation time. In the governmental and proprietary funds, the cost of vacation is recognized when actually paid to employees. No liability is recorded for nonvesting accumulating rights to receive vacation or sick pay benefits.

### Equity and Other Credits:

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.

## NOTES TO FINANCIAL STATEMENTS

### 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 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.

### 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.

## NOTES TO FINANCIAL STATEMENTS

### 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, Cash Equivalents, and Investments

The following is a summary of cash, cash equivalents, and investments at December 31, 2003:

#### Non-pooled deposits:

Non-interest bearing demand deposits	\$ 146,625
Investments	853,780
Petty cash	<u>300</u>
	<u>\$ 1,000,705</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, 2003, the carrying amount and bank balance of the Village's deposits (excluding petty cash of \$300) were \$1,000,405 and \$1,017,574, respectively. Of the bank balance, \$200,000 was covered by federal depository insurance and \$817,574 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, 2003.

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

The following is a summary of receivables and due from other governments as of December 31, 2003:

NOTES TO FINANCIAL STATEMENTS

	<u>General</u>	<u>Capital Projects</u>	<u>Enterprise</u>	<u>Totals</u>
Ad valorem taxes	\$ 4,291	\$ -	\$ -	\$ 4,291
Accounts receivable	-	-	13,336	13,336
Intergovernmental	-	45,547	-	45,547
	<u>\$ 4,291</u>	<u>\$ 45,547</u>	<u>\$ 13,336</u>	<u>\$ 63,174</u>

Note 4. Taxes

For the year ended December 31, 2003, ad valorem taxes of 10.13 mills were levied on property with assessed valuations totaling \$3,659,160 as follows:

	<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Expiration Date</u>
General corporate purposes	6.63	6.63	Perpetual
Streets	3.50	3.50	2011

The following are the principal ad valorem taxpayers for the Village:

<u>Taxpayer</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>	<u>Ad Valorem Tax Revenue</u>
Mer Rouge State Bank	\$ 532,760	14.56%	\$ 5,397
Goldman Equipment Co., Inc.	231,380	6.32%	2,344
Agro Distribution, LLC.	201,280	5.50%	2,039

Total ad valorem taxes levied were \$37,068. As of December 31, 2003, ad valorem taxes receivable was \$4,291.

For the year ended December 31, 2003, 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 January 1, <u>2003</u>	<u>Additions</u>	Reclassi- <u>fications</u>	Balance December <u>31, 2003</u>
Land and buildings	\$ 207,367	\$ 122,252	\$ -	\$ 329,619
Improvements other than buildings	806,485	332,512	-	1,138,997
Construction in progress	138,121	-	( 138,121)	-
Equipment and vehicles	<u>372,129</u>	<u>42,772</u>	<u>-</u>	<u>414,901</u>
	<u>\$ 1,524,102</u>	<u>\$ 497,536</u>	<u>\$( 138,121)</u>	<u>\$ 1,883,517</u>

A summary of the Enterprise Fund fixed assets and depreciation at December 31, 2003, is as follows:

	<u>Cost</u>	Accumulated <u>Depreciation</u>	<u>Net</u>	Current <u>Depreciation</u>
Land	\$ 20,110	\$ -	\$ 20,110	\$ -
Water and sewer system	1,474,242	808,437	665,805	36,830
Equipment	<u>74,479</u>	<u>50,580</u>	<u>23,899</u>	<u>3,565</u>
	<u>\$ 1,568,831</u>	<u>\$ 859,017</u>	<u>\$ 709,814</u>	<u>\$ 40,395</u>

Note 6. Pension Plans

Substantially all employees of Village of Mer Rouge, Louisiana, are members of the Municipal Employees' Retirement System of Louisiana or Municipal Police Employees' Retirement System of Louisiana. These systems are cost-sharing, multiple-employer, defined benefit pension plans administered by separate boards of trustees. Pertinent information relative to each plan follows:

Municipal Employees' Retirement System of Louisiana (System):

Plan Description:

The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the Village are members of Plan A.

## NOTES TO FINANCIAL STATEMENTS

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from Village funds and all elected Village officials are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3% of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produces the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Municipal Employees' Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225)925-4810.

### Funding Policy:

Under Plan A, members are required by state statute to contribute 5.00% of their annual covered salary and the Village is required to contribute at an actuarially determined rate. The current rate is 7.75% of annual covered payroll. 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. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Village are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Village began participating in the System effective July 1, 2003. The Village's contributions to the System under Plan A for the year ended December 31, 2003 were \$2,318, equal to the required contributions.



## NOTES TO FINANCIAL STATEMENTS

### Municipal Police Employees' Retirement System of Louisiana (System):

#### Plan Description:

All full-time police department employees engaged in law enforcement are required to participate in the System. However, persons employed as full-time police officers by a municipality which is mandatorily covered by social security and has not excluded its police officers from such coverage are not mandated to become members. Membership in this retirement system shall be at the sole option of the employee. Employees who retire at or after age 50 with at least 20 years of creditable service or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3% of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produces the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Municipal Police Employees' Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (225)929-7411.

#### Funding Policy:

Plan members are required by state statute to contribute 7.5% of their annual covered salary and the Village is required to contribute at an actuarially determined rate. The current rate is 15.25% of annual covered payroll. The contribution requirements of plan members and the Village are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Village began participating in the System effective November 1, 2002. The Village's contributions to the System for the years ended December 31, 2003 and 2002 were \$4,583 and \$456, respectively, equal to the required contributions.

## NOTES TO FINANCIAL STATEMENTS

### Note 7. Risk Management and Contingencies

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.

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 and the collectibility of any related receivable at December 31, 2003, may be impaired. In the opinion of the Village management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions has been recorded in the accompanying financial statements for such contingencies.

### Note 8. On-Behalf Payments for Salaries

For the year ended December 31, 2003, the Village recognized revenues and expenditures of \$11,820 in salary supplements from the State of Louisiana paid directly to employees of the police department.

### Note 9. Implementation of GASB Statement No. 34

The Village is required to implement GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* for the year ending December 31, 2004, that will result in material prior period adjustments to the financial statements prepared as of and for the year ended December 31, 2003.

SUPPLEMENTARY INFORMATION

VILLAGE OF MER ROUGE, LOUISIANA

SCHEDULE OF COMPENSATION PAID BOARD MEMBERS

Year Ended December 31, 2003

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	\$ 6,000
John D. McAdams, III, Mayor Pro-Tem	1,950
Daniel J. Ellender, Alderman	1,625
Marley Oldham, Alderman	<u>1,500</u>
Total compensation	<u>\$ 11,075</u>

VILLAGE OF MER ROUGE, LOUISIANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2003

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures</u>
Department of Housing and Urban Development: Louisiana Division of Administration: Community Development Block Grant	14.228	572877	<u>\$ 341,924</u>

See note to schedule of expenditures of federal awards.

VILLAGE OF MER ROUGE, LOUISIANA  
NOTE TO SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS  
Year Ended December 31, 2003

Note 1. Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Village of Mer Rouge, Louisiana, and is being presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the general-purpose financial statements.

# 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, 2003, and have issued our report thereon dated March 22, 2004. 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.

## Compliance

As part of obtaining reasonable assurance about whether the Village's general-purpose 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 general-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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 general-purpose financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2003-1.

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 general-purpose 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, federal awarding agencies, pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Hill, Prigoni & Co.*

March 22, 2004



# HILL, INZINA & COMPANY

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

### Compliance

We have audited the compliance of Village of Mer Rouge, Louisiana, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2003. The Village's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Village's management. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village's compliance with those requirements.

In our opinion, Village of Mer Rouge, Louisiana, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2003.

## Internal Control Over Compliance

The management of Village of Mer Rouge, Louisiana, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance 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 compliance that, in our judgement, could adversely affect the Village's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2003-1.

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 noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program 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 compliance 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 believe that the reportable condition described above is a material weakness.

This report is intended solely for the information and use of management, others within the organization, Board of Aldermen, 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.

*Hill, Drayton & Co.*

March 22, 2004

VILLAGE OF MER ROUGE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
WITH MANAGEMENT'S PLANNED CORRECTIVE ACTION  
Year Ended December 31, 2003

We have audited the general-purpose financial statements of Village of Mer Rouge, Louisiana, as of and for the year ended December 31, 2003, and have issued our report thereon dated March 22, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the provisions of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Our audit of the financial statements as of December 31, 2003, resulted in an unqualified opinion.

Section I - Summary of Auditor's Reports

a. Report on Compliance and Internal Control Material to the Financial Statements

Compliance

Compliance Material to Financial Statements  Yes  No

Internal Control

Material Weaknesses  Yes  No Reportable Conditions  Yes  No

b. Federal Awards

Internal Control

Material Weaknesses  Yes  No Reportable Conditions  Yes  No

Type of Opinion On Compliance Unqualified  Qualified   
For Major Programs Disclaimer  Adverse

Are there findings required to be reported in accordance with Circular A-133, Section .510(a)?

Yes  No

c. Identification of Major Programs:

CFDA Number 14.228

Community Development Block Grant

1. Dollar threshold used to distinguish between Type A and Type B Programs \$300,000
2. Is the auditee a 'low-risk' auditee, as defined by OMB Circular A-133?  Yes  No

## Section II - Financial Statement Findings

2003-1 Inadequate Segregation of Duties (finding was first cited in audit conducted by our firm as of and 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.

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.

## Section III - Federal Awards Findings

2003-1 Inadequate Segregation of Duties  
(See 2003-1 in Section II.)

Programs: Community Development Block Grant

## Section IV - Management Letter

None issued.

VILLAGE OF MER ROUGE, LOUISIANA

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS  
Year Ended December 31, 2003

Section I - Compliance and Internal Control Material to Financial Statements

2002-1	Inadequate Segregation of Duties	
	Adequate segregation of duties is essential to a proper internal control.	Unresolved - 2003-1.
2002-2	Lack of Policy and Procedure Manual	
	The Village does not maintain a complete policy and procedure manual and there are no detailed, written policies and procedures.	Resolved.
2002-3	Improvement of Controls Over Receipts and Disbursements	
	The Village needs to improve controls over receipts and disbursements.	Resolved.
2002-4	Improvement of Payroll Procedures	
	The Village needs to improve payroll procedures.	Resolved.
2002-5	Minutes of Board Meetings Not Published	
	Proceedings of the board meetings are not published as required by Louisiana law.	Resolved.
2002-6	Fixed Assets Not Tagged and Lack of Annual Physical Inventories	
	The Village's fixed assets are not tagged and physical inventories of fixed assets are not conducted annually.	Resolved.
2002-7	Lack of Control Over Purchases of Fuel	
	The Village is exercising little control over the credit cards/charge accounts for gasoline purchased.	Resolved.

2002-8 Improvement of Controls Over Confiscated Weapons  
and Drugs

The Village's police department needs to improve controls  
over confiscated weapons and drugs.

Resolved.

Section II - Management Letter

2002-1 Purchase Orders

Purchase orders should be issued according  
to the standing policy and procedures for  
all applicable purchases made by Village  
employees.

Resolved.