

VILLAGE OF MER ROUGE, LOUISIANA

*Financial Statements
For the Year Ended December 31, 2025*

VILLAGE OF MER ROUGE, LOUISIANA

TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditor's Report	1-3
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Position	5
Statement of Activities	6
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet – Governmental Funds	8
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	9
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	10
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	11
Proprietary Funds:	
Statement of Net Position – Water and Sewer Funds	12
Statement of Revenues, Expenses and Changes in Fund Net Position – Water and Sewer Funds	13
Statement of Cash Flows – Water and Sewer Funds	14-15
Notes to Financial Statements	16-38
Required Supplemental Information:	
Budget Comparison Schedule - General Fund	39
Notes to Budget Comparison Schedule	40
Schedule of Changes in Net OPEB Liability and Related Ratios	41
Schedule of Proportionate share of the Net Pension Liability and Contributions to Pension Plan (Municipal Employees Retirement System)	42
Schedule of Proportionate share of the Net Pension Liability and Contributions to Pension Plan (Municipal Police Employees Retirement System)	43

VILLAGE OF MER ROUGE, LOUISIANA

TABLE OF CONTENTS

	<u>Page No.</u>
Other Supplemental Information	
Schedule of Compensation, Benefits and Other Payments to Agency Head	44
Other Reports Required by Government Auditing Standards	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	45-46
Schedule of Findings and Questioned Costs	47
Summary Schedule of Prior Audit Findings	48-51
Independent Accountant's Report on Applying Agreed Upon Procedures	52-62

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Aldermen of
The Village of Mer Rouge, Louisiana

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of the Village of Mer Rouge, Louisiana, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of the Village of Mer Rouge, Louisiana, as of December 31, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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; and the *Louisiana Governmental Audit Guide*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Village of Mer Rouge, Louisiana and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village of Mer Rouge, Louisiana's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Honorable Mayor and Board of Aldermen of
The Village of Mer Rouge, Louisiana

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village of Mer Rouge, Louisiana's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Honorable Mayor and Board of Aldermen of
The Village of Mer Rouge, Louisiana

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurances.

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

Other Information

The Schedule of Compensation, Benefits and Other Payments to Agency Head is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2026 on our consideration of the Village of Mer Rouge, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village of Mer Rouge, Louisiana's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Village of Mer Rouge, Louisiana's internal control over financial reporting and compliance.

Darrell M. Abert, CPA (NPAC)

West Monroe, Louisiana
July 31, 2026

GOVERNMENT-WIDE FINANCIAL STATEMENTS

VILLAGE OF MER ROUGE, LOUISIANA
STATEMENT OF NET POSITION
DECEMBER 31, 2025

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
Cash	\$ 214,103	\$ 17,483	\$ 231,586
Pooled Deposits	671	-	671
Certificates of Deposit	243,374	86,632	330,006
Receivables:			
Property Taxes	60,198	43,895	104,093
Due From Other Funds	156,580	50,545	207,125
Restricted Assets:			
Cash	-	11,460	11,460
Certificates of Deposit	-	17,000	17,000
Capital Assets:			
Land	74,583	20,110	94,693
Other Capital, net of Accumulated Depreciation	1,144,682	784,714	1,929,396
<u>TOTAL ASSETS</u>	<u>1,894,191</u>	<u>1,031,839</u>	<u>2,926,030</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Resources Related to Pensions & OPEB	<u>68,085</u>	<u>145,698</u>	<u>213,783</u>
<u>LIABILITIES</u>			
Accounts Payable	-	-	-
Payroll Withholdings	5,333	-	5,333
Due To Other Funds	54,002	186,979	240,981
Deferred Revenue	17,542	-	17,542
Customers' Deposits	-	28,453	28,453
Net Pension Liability	190,631	137,196	327,827
Net OPEB Obligation	30,461	352,975	383,436
<u>TOTAL LIABILITIES</u>	<u>297,969</u>	<u>705,603</u>	<u>1,003,572</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Resources Related to Pensions & OPEB	110,365	212,266	322,631
<u>TOTAL DEFERRED INFLOWS OF RESOURCES</u>	<u>110,365</u>	<u>212,266</u>	<u>322,631</u>
Net Investment in Capital Assets	1,219,265	804,824	2,024,089
Unrestricted (Deficit)	334,677	(545,156)	(210,479)
<u>TOTAL NET POSITION</u>	<u>\$ 1,553,942</u>	<u>\$ 259,668</u>	<u>\$ 1,813,610</u>

The accompanying notes are an integral part of this financial statement.

VILLAGE OF MER ROUGE, LOUISIANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2025

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Current:				
General Government	\$ 591,222	\$ 183,535	\$ -	\$ -
Public Safety	258,672	21,600	-	-
Public Works	20,858	-	-	-
Capital Outlay	-	-	-	-
Total Governmental Activities	870,752	205,135	-	-
Business-Type Activities:				
Water and Sewer	527,525	507,047	-	-
Total Government	<u>\$ 1,398,277</u>	<u>\$ 712,182</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:

Taxes:

Property

Franchise

Sales

Intergovernmental

Investment Earnings and Miscellaneous

Sales of Assets

Total General Revenues and Special Item

Changes in Net Position

Net Position - Beginning

Net Position - Ending

The accompanying notes are an integral part of this financial statement.

Net (Expense) Revenue and Changes
in Net Position

Governmental Activities	Business-Type Activities	Totals
\$ (407,687)	\$ -	\$ (407,687)
(237,072)	-	(237,072)
(20,858)	-	(20,858)
-	-	-
(665,617)	-	(665,617)
-	(20,478)	(20,478)
\$ (665,617)	\$ (20,478)	\$ (686,095)
\$ 92,847	\$ -	\$ 92,847
25,707	-	25,707
368,801	-	368,801
46,600	-	46,600
33,952	4,464	38,416
1,625	-	1,625
569,532	4,464	573,996
(96,085)	(16,014)	(112,099)
1,650,027	275,682	1,925,709
\$ 1,553,942	\$ 259,668	\$ 1,813,610

FUND FINANCIAL STATEMENTS

VILLAGE OF MER ROUGE, LOUISIANA
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2025

ASSETS

Cash	\$ 214,103
Pooled Deposits	671
Certificates of Deposit	243,374
Property Taxes Receivable	60,198
Due From Other Funds	156,580
<u>TOTAL ASSETS</u>	<u>\$ 674,926</u>

LIABILITIES

Accounts Payable	-
Payroll Withholdings	5,333
Due To Other Funds	54,002
Deferred Revenue	70,852
<u>TOTAL LIABILITIES</u>	<u>130,187</u>

FUND BALANCE

Unassigned	544,739
<u>TOTAL LIABILITIES AND FUND BALANCE</u>	<u>\$ 674,926</u>

The accompanying notes are an integral part of this financial statement.

VILLAGE OF MER ROUGE, LOUISIANA
RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET
TO GOVERNMENT-WIDE STATEMENT OF NET POSITION
DECEMBER 31, 2025

Total fund balance - governmental fund balance sheet	\$ 544,739
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,219,265
Net pension liability does not require the use of current financial resources and therefore is not reported in the funds.	(190,631)
Contributions to the OPEB obligation are reported as expenditures in the governmental funds. However, these amounts are reported as a reduction of long-term liabilities in the governmental activities.	(30,461)
The net effect of deferred outflows of resources and deferred inflows of resources related to pensions and OPEB do not require the use of current financial resources and therefore are not reported in the funds.	<u>11,030</u>
Total net position of governmental activities - government-wide statement of net position	<u><u>\$ 1,553,942</u></u>

The accompanying notes are an integral part of this financial statement.

VILLAGE OF MER ROUGE, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2025

Revenues:	
Taxes	\$ 497,114
Licenses and Permits	108,776
Intergovernmental	46,600
Fees, Charges, and Commissions for Services	19,380
Fines and Forfeitures	24,629
Sale of Assets	1,625
Interest and Miscellaneous	33,952
Total Revenues	<u>732,076</u>
Expenditures:	
General Government	517,974
Public Safety	258,672
Public Works	20,858
Capital Outlay	6,334
Total Expenditures	<u>803,838</u>
Excess of Revenues Over Expenditures	(71,762)
Other Financing Sources (Uses)	
Operating Transfers In (Out)	<u>(4,070)</u>
Net Change in Fund Balance	(75,832)
Fund Balance - Beginning	<u>620,571</u>
Fund Balance - Ending	<u><u>\$ 544,739</u></u>

The accompanying notes are an integral part of this financial statement.

VILLAGE OF MER ROUGE, LOUISIANA
RECONCILIATION OF GOVERNMENTAL FUND STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO
THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2025

Net change in fund balance - governmental fund	\$ (75,832)
--	-------------

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

The governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.

Capital Outlay	6,334
Depreciation Expense	(73,248)

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

46,661

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

-

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

-

Changes in net position of governmental activities - government-wide statement of activities	\$ (96,085)
--	-------------

\$ (96,085)

The accompanying notes are an integral part of this financial statement.

VILLAGE OF MER ROUGE, LOUISIANA
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
WATER AND SEWER FUND
DECEMBER 31, 2025

ASSETS

Current Assets:	
Cash	\$ 17,483
Certificates of Deposit	86,632
Accounts Receivable	43,895
Due From Other Funds	50,545
Noncurrent Assets:	
Restricted Assets:	
Cash	11,460
Certificates of Deposit	17,000
Capital Assets:	
Land	20,110
Other Capital, net of Accumulated Depreciation	784,714
<u>TOTAL ASSETS</u>	<u>1,031,839</u>

DEFERRED OUTFLOWS OF
RESOURCES

Resources Related to Pensions & OPEB	<u>145,698</u>
--------------------------------------	----------------

LIABILITIES

Current Liabilities:	
Accounts Payable	-
Due To Other Funds	186,979
Customers' Deposits	28,453
Long-Term Liabilities:	
Net Pension Liability	137,196
Net OPEB Obligation	352,975
<u>TOTAL LIABILITIES</u>	<u>705,603</u>

DEFERRED INFLOWS OF
RESOURCES

Resources Related to Pensions & OPEB	<u>212,266</u>
Net Investment in Capital Assets	804,824
Unrestricted (Deficit)	(545,156)
<u>TOTAL NET POSITION</u>	<u>\$ 259,668</u>

The accompanying notes are an integral part of this financial statement.

VILLAGE OF MER ROUGE, LOUISIANA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND
NET POSITION - PROPRIETARY FUND
WATER AND SEWER FUND
FOR THE YEAR ENDED DECEMBER 31, 2025

Operating Revenues:	
Water and Sewer Fees	\$ 407,055
Safe Drinking Water Grant	4,473
Other Revenues	95,519
Total Revenues	<u>507,047</u>
Operating Expenses:	
Depreciation	131,674
Insurance	82,383
Office	-
Repairs and Maintenance	19,110
Retirement	33,343
Salaries	121,389
Supplies and Other	13,391
Taxes - Payroll	9,531
Utilities and Fuel	26,802
Water Treatment & Testing	67,213
Miscellaneous Expenses	22,689
Total Operating Expenses	<u>527,525</u>
Operating Income (Loss)	(20,478)
Nonoperating Revenues:	
Interest Income	4,464
Operating Transfers In	<u>-</u>
Total Nonoperating Revenues	<u>4,464</u>
Change in Net Position	(16,014)
Net Position - Beginning	<u>275,682</u>
Net Position - Ending	<u><u>\$ 259,668</u></u>

The accompanying notes are an integral part of this financial statement.

VILLAGE OF MER ROUGE, LOUISIANA
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
WATER AND SEWER FUND
FOR THE YEAR ENDED DECEMBER 31, 2025

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 525,438
Cash paid to suppliers	(355,708)
Cash paid to others for services, taxes, etc.	(154,732)
Net Cash provided by operating activities	<u>14,998</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Decrease in certificates of deposit	75,117
Acquisition and construction of capital assets	(84,647)
Interest on deposits	(4,464)
Net Cash provided by investing activities	<u>(13,994)</u>

<u>NET DECREASE IN CASH</u>	<u>1,004</u>
-----------------------------	--------------

<u>CASH AT BEGINNING OF YEAR</u>	27,939
----------------------------------	--------

<u>CASH AT END OF YEAR</u>	<u>\$ 28,943</u>
----------------------------	------------------

RECONCILIATION OF OPERATING INCOME TO NET

CASH PROVIDED BY OPERATING ACTIVITIES

Increase (Decrease) In Net Position	\$ (16,014)
-------------------------------------	-------------

Adjustments to reconcile increase (decrease) in net position
to net cash provided (Used) by operating activities:

Depreciation	131,674
Expense Related to Pension and OPEB	(89,438)
(Increase) Decrease In Accounts Receivable	(18,391)
(Increase) Decrease In Due From Other Funds	(3,239)
Increase (Decrease) In Accounts Payable	(182)
Increase (Decrease) In Due to Other Funds	5,758
Increase (Decrease) In Customer Deposits	<u>4,830</u>

Total Adjustments	<u>31,012</u>
-------------------	---------------

Net Cash Provided by Operating Activities	<u>\$ 14,998</u>
---	------------------

The accompanying notes are an integral part of this financial statement.

VILLAGE OF MER ROUGE, LOUISIANA
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
WATER AND SEWER FUND
FOR THE YEAR ENDED DECEMBER 31, 2025

RECONCILIATION OF CASH AND RESTRICTED CASH REPORTED WITHIN THE BALANCE
SHEET THAT SUM TO THE TOTAL OF THE SAME SUCH AMOUNTS IN THE STATEMENT
OF CASH FLOWS

Cash and Cash Equivalents	\$ 17,483
Restricted Cash - Contingency Fund	11,460
<u>Total Cash and Restricted Cash</u>	<u>\$ 28,943</u>

The accompanying notes are an integral part of this financial statement.

VILLAGE OF MER ROUGE
MER ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

Note 1. Organization and Summary of Significant Accounting Policies

Village of Mer Rouge, Louisiana (the “Village”), operates under a mayor-board of aldermen form of government in accordance with the provisions of the Lawrason Act. Citizens elect the mayor (at large) and three council members (by districts) who are each compensated. The Village is located in northeast Louisiana, its population is approximately 600, and it employs approximately 10 people. As of December 31, 2025, the Village services approximately 380 utility customers and maintains approximately three miles of streets. The Village provides general administrative, public safety (police), public works (streets), and utility services.

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

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

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

VILLAGE OF MER ROUGE
MER ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

Note 1. Organization and Summary of Significant Accounting Policies - Continued

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

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

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

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

Government-Wide Financial Statements:

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

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

VILLAGE OF MER ROUGE
MER ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

Note 1. Organization and Summary of Significant Accounting Policies - Continued

Fund Financial Statements:

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

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

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

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

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

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

VILLAGE OF MER ROUGE
MER ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

Note 1. Organization and Summary of Significant Accounting Policies - Continued

Fund Types and Major Funds:

The Village reports the following major governmental fund:

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

The Village reports the following major proprietary fund:

Water and Sewer Fund - accounts for operations where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Budgets and Budgetary Accounting:

The Board of Aldermen adopted annual budgets for the General Fund and Water and Sewer Fund on December 10, 2024. The annual budgets were prepared in accordance with the basis of accounting utilized by the funds. The Village Clerk is authorized to transfer budgeted amounts within and among departments; however, any revisions that alter the total expenditures resulting from revenues exceeding amounts estimated must be approved by the Board of Aldermen. Amendments were made to both budgets on December 10, 2024 and the budgetary comparison schedule, included as supplementary information in the accompanying financial statements, includes the original and final budgeted amounts of the General Fund. All annual appropriations lapse at fiscal year-end.

Use of Estimates:

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

Cash and Certificates of Deposit:

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

VILLAGE OF MER ROUGE
MER ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

Note 1. Organization and Summary of Significant Accounting Policies - Continued

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

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

Receivables:

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

Uncollectible Allowance:

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

Restricted Assets/Liabilities:

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

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

Interfund Transactions:

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

Transfers and payments within the reporting entity that are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis are reported as transfers between funds of the reporting entity. Interfund transactions are not eliminated in the government-wide financial statements and all are reported in the fund financial statements.

VILLAGE OF MER ROUGE
MER ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

Note 1. Organization and Summary of Significant Accounting Policies - Continued

Capital Assets and Depreciation:

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

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

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

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

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

VILLAGE OF MER ROUGE
MER ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

Note 1. Organization and Summary of Significant Accounting Policies - Continued

Pensions:

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

Deferred Outflows/Inflows of Resources:

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

Compensated Absences:

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

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

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

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

VILLAGE OF MER ROUGE
MER ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

Note 1. Organization and Summary of Significant Accounting Policies - Continued

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

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

No liability existed as of December 31, 2025 for accrued salaries or compensated absences, resulting from unused vacation time at the end of the year, and therefore no liability was recorded in the government-wide or fund financial statements. Neither was a liability for non-vesting accumulating rights to receive sick pay benefits recorded. Compensated absences are paid from the fund responsible for the employee's compensation.

Equity Classifications:

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

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

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

VILLAGE OF MER ROUGE
MER ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

Note 1. Organization and Summary of Significant Accounting Policies - Continued

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

Revenue Recognition - Property and Sales/Use Taxes:

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

Sales/use taxes collected and held by another government at year end on behalf of the Village and those collected by another government 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.

VILLAGE OF MER ROUGE
MER ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

Note 2. Cash and Deposits

The following is a summary of cash and deposits of the Village as of December 31, 2025:

Non-interest-bearing demand deposits	\$ 242,646
Time deposits	347,006
Petty cash	400
Pooled deposits (LAMP)	<u>671</u>
	<u>\$ 590,723</u>

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

As of December 31, 2025, the Village had \$589,648 in deposits (collected bank balances). These deposits were secured from risk by \$250,000 of federal deposit insurance and \$605,019 of pledged securities held by Mer Rouge State Bank in the Village's name. There were no repurchase or reverse repurchase agreements as of December 31, 2025.

Note 3. Property and Sales Taxes

For the year ended December 31, 2025, property taxes of 10.89 mills were levied on property with assessed valuations totaling \$5,937,294 as follows:

	Authorized	Levied	Expiration
	<u>Millage</u>	<u>Millage</u>	<u>Date</u>
General corporate purposes	7.00	7.13	Perpetual
Streets	3.76	3.76	2031

VILLAGE OF MER ROUGE
MER ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

Note 3. Property and Sales Taxes - Continued

The following are the principal property taxpayers for the Village:

<u>Taxpayer</u>	<u>Assessed Valuation</u>	<u>Property Tax Revenue</u>
Kennedy Rice Dryers, LLC	\$1,928,673	\$21,003
Greenpoint Ag Holdings, LLC	947,757	10,321
Goldman Equipment LLC	595,982	6,491
Nutrien Ag Solutions Inc.	380,394	4,142

As of December 31, 2025, property taxes receivable was \$104,093.

For the year ended December 31, 2025, sales and use taxes of 2% were levied for police protection and any and all other useful corporate purposes. These taxes expired June 30, 2025.

Note 4. Restricted Assets and Liabilities Payable from Same

Restricted assets of \$11,460 of the Water and Sewer Fund consists of meter deposits collected from utility customers. A related liability of \$28,453 has been recorded for the payment of amounts that will be owed to the Village and/or refunded to customers upon the customers no longer utilizing the system.

Note 5. Interfund Payables

Interfund payables reported in the fund financial statements as of December 31, 2025 are out of balance by \$33,856, an amount related to the net pension liability that was recorded in the Water and Sewer Fund's financial statements but only required to be reported in the government-wide financial statements of the General Fund.

VILLAGE OF MER ROUGE
MER ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

Note 6. Capital Assets

Capital assets and depreciation activity as of and for the year ended December 31, 2025 for the Village is as follows:

Governmental Activities:	Balance at <u>12/31/2024</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>12/31/2025</u>
Capital Assets not being Depreciated:				
Land	\$ 74,583	\$ -	\$ -	\$ 74,583
Capital Assets being Depreciated:				
Buildings	432,642	-	-	432,642
Equipment and Vehicles	561,790	6,334	(27,646)	540,478
Streets and Sidewalks	<u>1,274,234</u>	<u>-</u>	<u>-</u>	<u>1,274,234</u>
Total Capital Assets being Depreciated:	2,268,666	6,334	(27,646)	2,247,354
Less Accumulated Depreciation for:				
Buildings	(263,460)	(9,598)	-	(273,058)
Equipment and Vehicles	(481,943)	(31,794)	27,646	(486,091)
Streets and Sidewalks	<u>(311,667)</u>	<u>(31,856)</u>	<u>-</u>	<u>(343,523)</u>
Total Capital Assets being Depreciated:	<u>(1,057,070)</u>	<u>(73,248)</u>	<u>27,646</u>	<u>(1,102,672)</u>
Net Fixed Assets	<u>\$ 1,211,596</u>	<u>\$ (66,914)</u>	<u>\$ -</u>	<u>\$ 1,144,682</u>

VILLAGE OF MER ROUGE
MER ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

Note 6. Capital Assets – Continued

Business Type Activities	Balance at <u>12/31/2024</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>12/31/2025</u>
Capital Assets not being Depreciated:				
Land	\$ 20,110	\$ -	\$ -	\$ 20,110
Capital Assets being Depreciated:				
Water and Sewer Systems	3,638,544	27,270	-	3,665,814
Buildings	40,459	-	-	40,459
Equipment and Vehicles	<u>120,187</u>	<u>60,044</u>	<u>-</u>	<u>180,231</u>
Total Capital Assets being Depreciated:	3,799,190	87,314	-	3,886,504
Less Accumulated Depreciation for:				
Water and Sewer Systems	(2,869,418)	(109,228)	-	(2,978,646)
Buildings	(15,814)	(1,012)	-	(16,826)
Equipment and Vehicles	<u>(86,681)</u>	<u>(19,639)</u>	<u>-</u>	<u>(106,320)</u>
Total Capital Assets being Depreciated:	<u>(2,971,913)</u>	<u>(129,879)</u>	<u>-</u>	<u>(3,101,792)</u>
Net Fixed Assets	<u>\$ 827,277</u>	<u>\$ (42,565)</u>	<u>\$ -</u>	<u>\$ 784,712</u>

Depreciation expense of the governmental activities of \$73,248 is reported separately in the statement of activities in that the expense essentially serves all functions.

Note 7. Pension Plans and Other Pension Liabilities

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

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

VILLAGE OF MER ROUGE
MER ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

General information about the Plans:

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

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

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

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

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

For the year ended December 31, 2025, the actual employer contribution rate was 28.00%, which is calculated on an actuarial basis each year.

VILLAGE OF MER ROUGE
MER ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

The plan receives ad valorem and state revenue sharing funds as employer contributions and those amounts are considered support from nonemployer contributing entities, but are not considered as special funding situations.

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

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

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

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

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

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

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

Benefit rates are 3% and 2 1/2%, respectively, of average final compensation (average monthly earnings during the highest 60 consecutive months) times the number of years of creditable service, not to exceed 100% of final salary.

The plan also provides survivor, death and disability benefits.

In lieu of terminating employment and accepting a service retirement allowance, any member who is eligible to retire may elect to participate in the deferred retirement option plan (DROP) for up to three years and defer the receipt of benefits. During such period, both employer and employee contributions cease. Monthly benefits that the member would have

VILLAGE OF MER ROUGE
MER ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

received during the DROP period are paid into the DROP fund. Interest is earned when the member has completed DROP participation, based on the actual rate of return less one-half percentage point on the investments identified as DROP funds for the period.

No cost-of-living increases are payable to participants until employment has been terminated for at least one full year.

Contributions by employers are actuarially determined by law, but cannot be less than 9% of compensation excluding overtime, but including state supplemental pay. For the year ended December 31, 2025, employer contributions were 35.600% for employees hired prior to January 1, 2013 and for Hazardous Duty employees hired after January 1, 2013. For Nonhazardous duty employees hired after January 1, 2013, employer contributions were 35.600%.

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

Pension liabilities, pension expense and deferred outflows of resources and deferred inflows of resources:

As of December 31, 2025 the Village reported a total of \$338,224 for its proportionate shares of the net pension liability of the Plans, as follows:

<u>Plan</u>	<u>Proportionate share of net pension liability</u>
MERS	\$ 228,659
MPERS	99,565
Total	<u>\$ 328,224</u>

The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Village's proportion of the net pension liability was based on a projection of the Village's long-term contributions to the plans relative to the projected contributions of all participating employers, actuarially determined. At December 31, the Village's proportions of each plan were as follows:

<u>Plan</u>	<u>Proportionate share</u>	
	<u>12/31/25</u>	<u>12/31/24</u>
MERS	.099754%	.095104%
MPERS	.014417%	.018653%

VILLAGE OF MER ROUGE
MER ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

For the year ended December 31, 2025, the Village recognized pension expense as follows:

<u>Plan</u>	<u>Pension expense</u>
MERS	\$ 42,887
MPERS	<u>11,351</u>
Total	<u>\$ 54,238</u>

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

<u>Plan</u>	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
<u>MERS</u>		
Changes in proportion	\$ 8,946	\$ 2,881
Changes in assumptions	-	828
Differences between expected and actual experience	520	3,813
Net difference between projected and actual earnings on pension plan investments	-	14,744
Village contributions subsequent to the measurement date	<u>26,058</u>	<u>-</u>
	<u>\$ 35,524</u>	<u>\$ 22,266</u>

VILLAGE OF MER ROUGE
MER ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

MPERS

Changes in proportion	\$	24,664	\$	61,825
Changes in assumptions		-		4,573
Differences between expected and actual experience		4,828		2,634
Net difference between projected and actual earnings on pension plan investments		-		7,843
Village contributions subsequent to the measurement date				-
	\$	<u>9,110</u>		
	\$	<u>38,602</u>	\$	<u>76,875</u>
Total	\$	<u>74,126</u>	\$	<u>99,141</u>

The deferred outflows of resources related to pensions resulting from Village contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2025	\$	21,997
2026		(45,419)
2027		(28,087)
2028		(8,673)
Thereafter		-

VILLAGE OF MER ROUGE
MER ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

Actuarial assumptions:

The total pension liabilities in the June 30, 2025 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurements:

<u>Plan</u>	<u>MERS</u>	<u>MPERS</u>
Inflation	2.5%	2.5%
Salary increases	9.0% for 1-2 years of service and 4.4% above 4 years	Vary from 13.0% for 1-2 years of service to 4.75% above 2 years
Investment rate of return	6.85%	6.75%
Actuarial cost method	Entry age normal	Entry age normal
Expected remaining service lives	3 years	4 years

Mortality rates for MERS were based on the PubG – 2010(B) Healthy Retiree Table for active members and PubNS – 2010(B) for disabled retirees. Mortality rate assumptions for MERS were based on experience studies performed on plan data for the period July 1, 2018 through June 30, 2023.

Mortality rates for MPERS were based on the Pub-2010 Employee Table for active members, Healthy Annuitant Table for healthy annuitants, and Disabled Lives Mortality Tables for disabled annuitants. Mortality rate assumptions for MPERS was based on experience studies performed on plan data for the period July 1, 2014 through June 30, 2019.

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

VILLAGE OF MER ROUGE
MER ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

Arithmetic real rates of return for each major asset class:

For the year ended December 31, 2025 the following summarizes real rates of return for each major asset class included in the plans' target asset allocation:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
MERS:		
Public equity	53%	2.31%
Public fixed income	29%	1.26%
alternatives	<u>18%</u>	<u>0.78%</u>
Totals	<u>100%</u>	4.35%
Inflation		<u>2.50%</u>
Expected arithmetic return		<u>6.85%</u>
MPERS:		
Equity	51%	3.20%
Fixed income	35%	1.21%
Alternative	<u>14%</u>	<u>1.04%</u>
Totals	<u>100%</u>	<u>5.45%</u>
Inflation		<u>2.67%</u>
Expected arithmetic return		<u>8.12%</u>

Sensitivity of the of the Village's proportionate share of the net pension liabilities to changes in the discount rate:

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
MERS (current rate 6.85%)	\$ 375,068	\$ 228,659	\$ 105,119
MPERS (current rate 6.75%)	<u>163,321</u>	<u>99,565</u>	<u>46,172</u>
Total	<u>\$ 538,389</u>	<u>\$ 328,224</u>	<u>\$ 151,291</u>

VILLAGE OF MER ROUGE
MER ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

Pension plan fiduciary net position:

Detailed information about the Plans' fiduciary net position is available in the separate issued financial statements of the Plans.

Note 8. Postemployment Benefits Other than Pensions

Plan description – The Village of Mer Rouge (the Village) provides certain continuing health care and life insurance benefits for its retired employees. The Village of Mer Rouge's OPEB Plan (the OPEB Plan) is a single-employer defined benefit OPEB plan administered by the Village. The authority to establish and/or amend the obligation of the employer, employees and retirees rests with the Village. No assets are accumulated in a trust that meets the criteria in Governmental Accounting Standards Board (GASB).

Benefits Provided – The Village of Mer Rouge provides medical benefits to eligible retirees. For Retirees the Village pays 100% of the premium for individual medical coverage. All active employees who retire directly from the Village and meet the eligibility criteria may participate. Employees are eligible for benefits once they have attained age 60 with at least 20 years of service or have worked for The Village for at least 25 years.

Employees covered by benefit terms – As of the measurement date December 31, 2025, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	8
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>2</u>
	<u>10</u>

Total OPEB Liability

The Village's total OPEB liability is \$383,436 as of the measurement date December 31, 2025, the end of the fiscal year.

Actuarial Assumptions and other inputs – The total OPEB liability in the December 31, 2025 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.0%
Salary increases	3.0%, including inflation
Discount rate	4.28% annually (Beginning of Year)
	4.83%, annually (As of End of Year Measurement Date)
Healthcare cost trend rates	Getzen model, with an initial trend of 5.5%
Active mortality	Pub-2010 General Below-Median Employee Tables, headcount weighted, multiplied by 115% for males and 120% for females, each with each with the full generational projection using the MP2021 scale.
Retiree mortality	Pub-2010 General Below-Median Healthy Retiree Tables,

VILLAGE OF MER ROUGE
MER ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

headcount weighted, multiplied by 115% for males and 120% for females, each with each with the full generational projection using the MP2021 scale.

The discount rate was based on the Bond Buyers' 20 Year General Obligation municipal bond index as of December 31, 2025, the end of the applicable measurement period.

The actuarial assumptions used in the December 31, 2025 valuation were based on the results of ongoing evaluations of the assumptions from January 1, 2009 to December 31, 2024.

Changes in the Total OPEB Liability

Balance at December 31, 2024	\$ 269,871
Changes for the year:	
Service cost	15,467
Interest	12,108
Differences between expected and actual experience	23,177
Changes in assumptions	67,769
Benefit payments and net transfers	(4,956)
Net changes	113,565
Balance at December 31, 2025	\$ 383,436

Sensitivity of the total OPEB liability to changes in the discount rate – The following presents the total OPEB liability of the Village, as well as what the Village's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.83%) or 1-percentage-point higher (5.83%) than the current discount rate:

	1.0% Decrease (3.83%)	Current Discount Rate (4.83%)	1.0% Increase (5.83%)
Total OPEB liability	\$ 426,717	\$ 383,436	\$ 346,211

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates – The following presents the total OPEB liability of the Village, as well as what the Village's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare trend rates in every future year:

	1.0% Decrease (4.5%)	Current Trend (5.5%)	1.0% Increase (6.5%)
Total OPEB liability	\$ 343,739	\$ 383,436	\$ 429,960

VILLAGE OF MER ROUGE
MER ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2025, the Village recognized OPEB expense of -\$51,170. At December 31, 2025, the Village reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 64,042	\$ (156,998)
Changes in assumptions	75,715	(66,402)
Total	\$ 139,757	\$ (223,490)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years ending December 31:	
2026	(78,745)
2027	4,789
2028	15,303
2029	15,303
2030	15,301
Thereafter	(55,684)

Note 9. Subsequent Events

Subsequent events were evaluated through July 31, 2026, which is the day the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION

VILLAGE OF MER ROUGE, LOUISIANA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2025

	Budgeted Amounts		Actual	Variance With Final Budget - Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes	\$ 91,500	\$ 405,000	\$ 497,114	\$ 92,114
Licenses and Permits	80,000	61,000	108,776	47,776
Intergovernmental	46,600	43,000	46,600	3,600
Fees, Charges and Commissions	49,500	53,000	19,380	(33,620)
Fines and Forfeitures	28,000	23,000	24,629	1,629
Sale of Assets	12,000	-	1,625	1,625
Interest and Miscellaneous	28,000	22,000	33,952	11,952
Total Revenues	<u>335,600</u>	<u>607,000</u>	<u>732,076</u>	<u>125,076</u>
Expenditures:				
General Government	480,500	552,000	517,974	34,026
Public Safety	270,600	248,000	258,672	(10,672)
Public Works	-	-	20,858	(20,858)
Capital Outlay	25,000	25,000	6,334	18,666
Total Expenditures	<u>776,100</u>	<u>825,000</u>	<u>803,838</u>	<u>21,162</u>
Excess of Revenues Over Expenditures	(440,500)	(218,000)	(71,762)	103,914
Other Financing Sources (Uses):				
Operating Transfers In (Out)	<u>-</u>	<u>(8,000)</u>	<u>(4,070)</u>	<u>(3,930)</u>
Net Change in Fund Balance	(440,500)	(226,000)	(75,832)	99,984
Fund Balance - Beginning	467,462	620,571	620,571	-
Fund Balance - Ending	<u>\$ 26,962</u>	<u>\$ 394,571</u>	<u>\$ 544,739</u>	<u>\$ 99,984</u>

The accompanying notes are an integral part of this financial statement.

VILLAGE OF MER ROUGE, LOUISIANA
NOTES TO THE BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2025

A proposed budget, prepared on the modified accrual basis of accounting, is published in the official journal at least ten days prior to the public hearing. A public hearing is held at the Village's office during the month of December for comments from taxpayers. The budget is then legally adopted by the Village and amended during the year, as necessary. The budget is established and controlled by the Village at the object level of expenditure. Appropriations lapse at year end and must be reappropriated for the following year to be expended.

Formal budgetary integration is employed as a management control device during the year. Budgeted amounts included in the accompanying budgetary comparison schedule include the original adopted budget amounts and all subsequent amendments.

The following revenue and expenditure categories had unfavorable variances at the end of the year:

	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Fees, Charges and Commissions Revenue	\$ 53,000	\$ 19,380	\$(33,620)
Public Safety Expenditures	\$248,000	\$258,672	\$(10,672)
Public Works Expenditures	\$ -	\$ 20,858	\$(20,858)

VILLAGE OF MER ROUGE, LOUISIANA

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED DECEMBER 31, 2025

	2018	2019	2020	2021	2022	2023	2024	2025
Total OPEB Liability								
Service cost	\$ 11,493	\$ 11,964	\$ 11,964	\$ 23,878	23,878	22,582	22,582	15,467
Interest	16,509	16,942	18,347	11,331	11,919	22,614	24,280	12,108
Changes of benefit terms	-	-	-	-	-	-	-	-
Differences between expected and actual experience	-	-	(35,845)	-	131,164	0	(316,595)	23,177
Changes of assumptions	-	-	87,381	-	(194,984)	0	1,318	67,769
Benefit payments	(5,488)	(6,415)	(6,799)	(6,751)	(8,190)	(8,190)	(4,928)	(4,956)
Net change in total OPEB liability	<u>22,515</u>	<u>22,491</u>	<u>75,048</u>	<u>28,458</u>	<u>(36,213)</u>	<u>37,006</u>	<u>(273,343)</u>	<u>113,565</u>
Total OPEB liability - beginning	<u>393,913</u>	<u>416,427</u>	<u>438,918</u>	<u>513,963</u>	<u>542,421</u>	<u>506,208</u>	<u>543,214</u>	<u>269,871</u>
Total OPEB liability - ending (a)	<u>\$ 416,428</u>	<u>\$ 438,918</u>	<u>\$ 513,966</u>	<u>\$ 542,421</u>	<u>\$ 506,208</u>	<u>\$ 543,214</u>	<u>\$ 269,871</u>	<u>\$ 383,436</u>
 Covered-employee payroll	 \$ 211,432	 \$ 211,432	 \$ 218,381	 \$ 218,381	 372,621	 372,621	 339,933	 350,131
Net OPEB liability as a percentage of covered-employee payroll	196.96%	207.59%	235.35%	248.38%	135.85%	145.78%	79.39%	109.51%
Notes to Schedule:								
Benefit Changes:	None	None	None	None	None	None	None	None
Changes of Assumptions:								
Discount Rate:	3.50%	3.50%	2.21%	2.16%	3.54%	3.65%	3.65%	4.83%
Mortality:	RP-2000	RP-2000	RP-2014	RP-2014	RP-2014	RP-2014	RP-2014	PubG.H-2010
Trend:	5.5%	5.5%	Variable	Variable	Variable	Variable	Variable	Variable

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

The accompanying notes are an integral part of this financial statement.

VILLAGE OF MER ROUGE, LOUISIANA

SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY -
MUNICIPAL EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED DECEMBER 31, 2025

Fiscal Year	Agency's proportion of the net pension liability (asset)	Agency's proportionate share of the net pension liability (asset)	Agency's covered payroll	Agency's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	0.068565%	\$ 281,027	\$ 122,481	229.45%	62.11%
2017	0.072897%	\$ 304,959	\$ 131,295	232.27%	62.49%
2018	0.075795%	\$ 313,843	\$ 138,380	226.80%	66.94%
2019	0.076051%	\$ 317,791	\$ 140,787	225.72%	64.68%
2020	0.076838%	\$ 332,202	\$ 146,861	226.20%	64.52%
2021	0.078326%	\$ 217,864	\$ 155,098	140.47%	77.82%
2022	0.084748%	\$ 351,978	\$ 162,423	216.70%	69.56%
2023	0.097751%	\$ 357,267	\$ 196,680	181.65%	72.46%
2024	0.095104%	\$ 168,995	\$ 65,755	257.01%	75.84%
2025	0.099754%	\$ 228,659	\$ 211,674	108.02%	83.47%

Amounts presented were determined as of the measurement date (previous fiscal year end).

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SCHEDULE OF EMPLOYER CONTRIBUTIONS - MERS
FOR THE YEAR ENDED JUNE 30, 2025

Fiscal Year	(a) Statutorily required contribution	(b) Contributions in relation to the statutorily required contribution	(a-b) Contribution deficiency	Agency's covered payroll	Contributions as a percentage of covered payroll
2016	\$ 24,503	\$ 24,503	\$ -	\$ 122,481	20.01%
2017	\$ 30,238	\$ 30,238	\$ -	\$ 131,295	23.03%
2018	\$ 34,239	\$ 34,239	\$ -	\$ 138,380	24.74%
2019	\$ 36,604	\$ 36,604	\$ -	\$ 140,787	26.00%
2020	\$ 40,754	\$ 40,754	\$ -	\$ 146,861	27.75%
2021	\$ 45,755	\$ 45,755	\$ -	\$ 155,098	29.50%
2022	\$ 47,915	\$ 47,915	\$ -	\$ 162,423	29.50%
2023	\$ 58,101	\$ 58,101	\$ -	\$ 196,423	29.58%
2024	\$ 22,307	\$ 22,307	\$ -	\$ 65,755	33.92%
2025	\$ 55,371	\$ 55,371	\$ -	\$ 211,674	28.00%

Amounts presented were determined as of the end of the fiscal year.

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

The accompanying notes are an integral part of this financial statement.

VILLAGE OF MER ROUGE, LOUISIANA

SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
MUNICIPAL POLICE EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED DECEMBER 31, 2025

Fiscal Year	Agency's proportion of the net pension liability (asset)	Agency's proportionate share of the net pension liability (asset)	Agency's covered payroll	Agency's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	0.017452%	\$ 163,574	\$ 42,888	381.40%	66.04%
2017	0.015345%	\$ 133,968	\$ 43,594	307.31%	70.08%
2018	0.017070%	\$ 144,311	\$ 47,306	305.06%	71.89%
2019	0.008766%	\$ 79,610	\$ 25,373	313.76%	71.00%
2020	0.003182%	\$ 29,409	\$ 9,970	294.97%	70.94%
2021	0.012772%	\$ 68,082	\$ 36,184	188.15%	84.09%
2022	0.014669%	\$ 149,943	\$ 39,284	381.69%	70.80%
2023	0.026770%	\$ 282,824	\$ 92,198	306.76%	71.30%
2024	0.018653%	\$ 168,995	\$ 65,755	257.01%	75.84%
2025	0.014417%	\$ 99,565	\$ 54,045	184.23%	81.94%

Amounts presented were determined as of the measurement date (previous fiscal year end).

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SCHEDULE OF EMPLOYER CONTRIBUTIONS - MPERS
FOR THE YEAR ENDED DECEMBER 31, 2025

Fiscal Year	(a) Statutorily required contribution	(b) Contributions in relation to the statutorily required contribution	(a-b) Contribution deficiency	Agency's covered payroll	Contributions as a percentage of covered payroll
2016	\$ 14,422	\$ 14,422	\$ -	\$ 42,888	33.63%
2017	\$ 14,545	\$ 14,545	\$ -	\$ 43,594	33.36%
2018	\$ 15,491	\$ 15,491	\$ -	\$ 47,306	32.75%
2019	\$ 8,183	\$ 8,183	\$ -	\$ 25,373	32.25%
2020	\$ 3,194	\$ 3,194	\$ -	\$ 9,970	32.50%
2021	\$ 13,225	\$ 13,225	\$ -	\$ 36,184	33.75%
2022	\$ 13,475	\$ 13,475	\$ -	\$ 39,284	29.75%
2023	\$ 28,390	\$ 28,390	\$ -	\$ 92,198	30.79%
2024	\$ 22,307	\$ 22,307	\$ -	\$ 65,755	33.92%
2025	\$ 19,240	\$ 19,240	\$ -	\$ 54,045	35.60%

Amounts presented were determined as of the end of the fiscal year.

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

The accompanying notes are an integral part of this financial statement.

OTHER SUPPLEMENTAL INFORMATION

VILLAGE OF MER ROUGE, LOUISIANA
SCHEDULE OF MAYOR'S AND ALDERMAN COMPENSATION
FOR THE YEAR ENDED DECEMBER 31, 2025

Compensation of the Board of Alderman is included in the general government expenditures of the General Fund. The Mayor and Alderman receive compensation pursuant to Louisiana R.S. 404.1.

<u>Name and Title</u>	<u>Compensation</u>
John D. McAdams, III, Mayor	\$ 13,975
Allen Spires, Jr. Mayor Pro-Temp	3,134
Bernie D. Turner, Alderman	2,552
Jeff Dixon, Alderman	<u>2,822</u>
 Total Mayor's and Alderman Compensation	 \$ 22,483

REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Honorable Mayor and Board of Aldermen of
The Village of Mer Rouge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of the Village of Mer Rouge, Louisiana as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated July 31, 2026.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2025-1 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

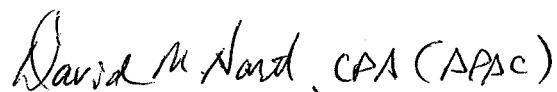
As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2025-2.

Village of Mer Rouge, Louisiana's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Village of Mer Rouge, Louisiana's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Village of Mer Rouge, Louisiana's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

 David M. Nord, CPA (APSC)

West Monroe, Louisiana
July 31, 2026

VILLAGE OF MER ROUGE, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2025

Honorable Mayor and Board of Aldermen of the
Village of Mer Rouge, Louisiana

We have audited the financial statements of the Village of Mer Rouge, Louisiana as of and for the year ended December 31, 2025, and have issued our report thereon dated July 31, 2026. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of December 31, 2025, resulted in an unqualified opinion.

Section I- Summary of Auditor's Results

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

Internal Control

Material Weakness ___ yes X no

Significant Deficiencies not considered to be
Material Weaknesses X yes ___ no

Compliance

Compliance Material to Financial Statements X yes ___ no

B. Federal Awards – N/A

Material Weakness Identified ___ yes ___ no

Significant Deficiencies not considered to be
Material Weaknesses ___ yes ___ no

Type of Opinion on Compliance For Major Programs (No Major Programs)

Unqualified ___ Qualified ___

Disclaimer ___ Adverse ___

Are their findings required to be reported in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)?
N/A

C. Identification of Major Programs: N/A

Name of Federal Program (or cluster)
CFDA Number(s)

Dollar threshold used to distinguish between Type A and Type B Programs. N/A

Is the auditee a "low-risk" auditee, as defined by the Uniform Guidance? N/A

VILLAGE OF MER ROUGE, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2025 (continued)

2025-1 Improving Segregation of Cash Duties

Condition:

At present, the Village's Clerk handles all aspects of the accounting system. She is responsible for, or has access to, the handling, recording and mailing of cash disbursements and receipts. Currently, she is the only person that is trained to do this job.

Criteria & Effect:

A fundamental concept in a good system of internal control is the segregation of duties.

Recommendation:

Although the size of the Village's accounting staff prohibits complete adherence to this concept, we believe the following practices could be implemented to improve existing internal control without impairing efficiency.

- Mail should be opened by an employee not responsible for accounting, such as the mayor or an alderman. Cash receipts could be recorded and the deposit prepared by this person.
- Cash receipts should be deposited intact daily. Holding receipts exposes the Village to loss.
- Bank statements, cancelled checks, etc. should be received by someone other than the employee maintaining cash records. Such items could be periodically reviewed prior to turning them over for reconciliation. Unusual items noted during the review should be investigated promptly.
- Signed checks should be also mailed without allowing them to be returned to the employee responsible for accounts payable.
- Management should review supporting documents for normal recurring disbursements (not usually reviewed) on a spot-check basis. Nonroutine testing would aid in ensuring compliance with Village policy for all disbursements.
- Credit card statements should be reviewed monthly by the mayor or an alderman.

Also, the Village should consider hiring another person to train to help the Village Clerk and assist her in her daily duties.

Response:

The Village feels that it is cost prohibitive to hire another employee. During the interim period while the Clerk is training her replacement pending her retirement, additional separation of duties has been possible.

2025-2 Violation of State Statutes (Late Filing of Audit Report)

Criteria:

Pursuant to Louisiana Revised Statutes 24:513 and 24:514, all annual audits must be completed and submitted to the Legislative Auditor within six months of the close of the auditee's fiscal year.

VILLAGE OF MER ROUGE, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2025 (continued)

2025-2 Violation of State Statutes (Late Filing of Audit Report) – Continued

Condition:

The Village's annual audit for the fiscal year ended December 31, 2025 was not submitted to the Legislative Auditor within six months of the end of the fiscal year.

Cause:

The audit cycle for the fiscal year ended December 31, 2025 began later than usual due to the previous year being completed in late 2025. In addition to a later start, the Village has a new Clerk that is learning her new duties.

Effect:

The Village is in violation of the statutes.

Recommendation:

All information required by the auditor should be timely provided from auditee or consultants. Such action should begin as soon as possible after the auditee's year end.

Management's response and planned corrective action:

We concur in the finding and expect to timely file the audit for the fiscal year ended December 31, 2026.

VILLAGE OF MER ROUGE, LOUISIANA
STATUS OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2025

2024-1 Improving Segregation of Cash Duties

Condition:

At present, the Village's Clerk handles all aspects of the accounting system. She is responsible for, or has access to, the handling, recording and mailing of cash disbursements.

Recommendation:

Although the size of the Company's accounting staff prohibits complete adherence to this concept, we believe the following practices could be implemented to improve existing internal control without impairing efficiency.

- Mail should be opened by an employee not responsible for accounting, such as the mayor or an alderman. Cash receipts could be recorded and the deposit prepared by this person.
- Cash receipts should be deposited intact daily. Holding receipts exposes the Town to loss.
- Bank statements, cancelled checks, etc. should be received by someone other than the employee maintaining cash records. Such items could be periodically reviewed prior to turning them over for reconciliation. Unusual items noted during the review should be investigated promptly.
- Signed checks should be also mailed without allowing them to be returned to the employee responsible for accounts payable.
- Management should review supporting documents for normal recurring disbursements (not usually reviewed) on a spot-check basis. Nonroutine testing would aid in ensuring compliance with Town policy for all disbursements.
- Credit card statements should be reviewed monthly by the mayor or an alderman.

Action Taken:

The Town feels that it is not cost beneficial to hire another employee.

2024-2 Violation of State Statutes (Late Filing of Audit Report)

Criteria:

Pursuant to Louisiana Revised Statutes 24:513 and 24:514, all annual audits must be completed and submitted to the Legislative Auditor within six months of the close of the auditee's fiscal year.

Condition:

The Village's annual audit for the fiscal year ended December 31, 2025 was not submitted to the Legislative Auditor within six months of the end of the fiscal year.

VILLAGE OF MER ROUGE, LOUISIANA
STATUS OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2025

2025-2 Violation of State Statutes (Late Filing of Audit Report) – Continued

Cause:

The audit cycle for the fiscal year ended December 31, 2024 began later than usual due to the previous year being completed in late 2024. In addition to a later start, the Village has a new Clerk that is learning her new duties.

Effect:

The Village is in violation of the statutes.

Recommendation:

All information required by the auditor should be timely provided from auditee or consultants. Such action should begin as soon as possible after the auditee's year end.

Management's response and planned corrective action:

We concur in the finding and expect to timely file the audit for the fiscal year ended December 31, 2025.

2024-3 Failure to Renew Sales Tax

Condition:

The Village failed to bring the renewal of the sales tax before the voters in a timely manner.

Cause:

Due to the transition of the former Clerk retiring in 2024, the need to renew the tax was not discovered until the opportunity to add this item to the ballot had passed. The tax expired on June 30, 2024.

Effect:

The Village did not collect sales tax from August 2024 to March of 2025. This resulted in an approximately \$190,000 loss of revenue for the year ended December 31, 2024.

Management's Corrective Action:

Processes have been implemented to ensure all future taxes are renewed timely.

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Village of Mer Rouge, Louisiana and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the Village of Mer Rouge, Louisiana (the Entity) and the Louisiana Legislative Auditor (LLA), on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2025 through December 31, 2025. The Entity's management is responsible for those C/C areas identified in the SAUPs.

Village of Mer Rouge, Louisiana has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period January 1, 2025 through December 31, 2025. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and related exceptions obtained are described in the attachment to this report.

We were engaged by the Village of Mer Rouge, Louisiana to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Village of Mer Rouge, Louisiana and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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

David M. Hartt, CPA (APAC)

West Monroe, Louisiana
July 31, 2026

1) *Written Policies and Procedures*

- A. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
 - i. **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - ii. **Purchasing**, including (1) how purchases are initiated, (2) how vendors are added to the vendor list, (3) the preparation and approval process of purchase requisitions and purchase orders, (4) controls to ensure compliance with the Public Bid Law, and (5) documentation required to be maintained for all bids and price quotes.
 - iii. **Disbursements**, including processing, reviewing, and approving.
 - iv. **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
 - v. **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee rates of pay or approval and maintenance of pay rate schedules.
 - vi. **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
 - vii. **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
 - viii. **Credit Cards (and debit cards, fuel cards, purchase cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
 - ix. **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
 - x. **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
 - xi. **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software

patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

- xii. Prevention of Sexual Harassment*, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Written policies and procedures for all areas except Debt Service and IT Disaster recovery.

2) Board or Finance Committee

- A. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and
- i. Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - ii. For those entities reporting on the governmental accounting model, review the minutes from all regularly scheduled board/finance committee meetings held during the fiscal year and observe whether the minutes from at least one meeting each month referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual comparisons, at a minimum, on all proprietary funds, and semi-annual budget-to-actual comparisons, at a minimum, on all special revenue funds. *Alternatively, for those entities reporting on the not-for-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
 - iii. For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.
 - iv. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

No exceptions were noted in the above procedures.

3) Bank Reconciliations

- A. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
- i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);

- ii. Bank reconciliations include written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation within 1 month of the date the reconciliation was prepared (e.g., initialed and dated or electronically logged); and
- iii. Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

No exceptions were noted in the above procedures.

4) Collections (excluding electronic funds transfers)

- A. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
- B. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (e.g., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if there are no written policies or procedures, then inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that
 - i. Employees responsible for cash collections do not share cash drawers/registers;
 - ii. Each employee responsible for collecting cash is not also responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit;
 - iii. Each employee responsible for collecting cash is not also responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit; and
 - iv. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or custodial fund additions, is (are) not also responsible for collecting cash, unless another employee/official verifies the reconciliation.
- C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was in force during the fiscal period.
- D. Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliations procedure #3A (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternatively, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and
 - i. Observe that receipts are sequentially pre-numbered.

- ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
- iii. Trace the deposit slip total to the actual deposit per the bank statement.
- iv. Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
- v. Trace the actual deposit per the bank statement to the general ledger.

It was noted that the Village Clerk is solely responsible for accepting cash deposits and posting the transaction to the general ledger. However, we noted that a contracted CPA reconciles the bank statements monthly.

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

- A. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
- B. For each location selected under procedure #5A above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, then inquire of employees about their job duties), and observe that job duties are properly segregated such that
 - i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order or making the purchase;
 - ii. At least two employees are involved in processing and approving payments to vendors;
 - iii. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files;
 - iv. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments; and
 - v. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

[Note: Findings related to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality) should not be reported.]

- C. For each location selected under procedure #5A above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and

- i. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates that deliverables included on the invoice were received by the entity, and
 - ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #5B above, as applicable.
- D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. *Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.*

It was noted that the Village does not have two employees involved in initiating purchases due to their small staff.

6) Credit Cards/Debit Cards/Fuel Cards/Purchase Cards (Cards)

- A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
- B. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement). Obtain supporting documentation, and
 - i. Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., itemized receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved) by someone other than the authorized card holder (those instances requiring such approval that may constrain the legal authority of certain public officials, such as the mayor of a Lawrason Act municipality, should not be reported); and
 - ii. Observe that finance charges and late fees were not assessed on the selected statements.
- C. Using the monthly statements or combined statements selected under procedure #6B above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (e.g., each card should have 10 transactions subject to inspection). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and observe whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

- D. Using the list of terminated employees obtained in Payroll and Personnel procedure #9C identify those individuals who had access to cards and randomly select 5 terminated employees (or all terminated employees with card access if less than 5) from this population. Observe evidence that the cards have been deactivated for these terminated employees. In cases where a card is shared by multiple users, obtain evidence that the terminated employees' authorization has been removed.

No exceptions in the above procedures.

7) Travel and Travel-Related Expense Reimbursements (excluding card transactions)

- A. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements and obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected
- i. If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana (doa.la.gov/doa/ost/ppm-49-travel-guide/) or the U.S. General Services Administration (www.gsa.gov);
 - ii. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased;
 - iii. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by Written Policies and Procedures procedure #1A(vii); and
 - iv. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

There were no expenses for travel reimbursement for the year.

8) Contracts

- A. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternatively, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and
- i. Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law;
 - ii. Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter);

- iii. If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, the documented approval); and
- iv. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

No exceptions in the above procedures.

9) **Payroll and Personnel**

- A. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
- B. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under procedure #9A above, obtain attendance records and leave documentation for the pay period, and
 - i. Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory);
 - ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials;
 - iii. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records; and
 - iv. Observe the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.
- C. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials and obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee's or official's cumulative leave records, agree the pay rates to the employee's or official's authorized pay rates in the employee's or official's personnel files, and agree the termination payment to entity policy.
- D. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums) have been paid, and any associated forms have been filed, by required deadlines.

No exceptions noted in the above procedures.

10) *Ethics*

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A obtain ethics documentation from management, and
 - i. Observe whether the documentation demonstrates that each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170; and
 - ii. Observe whether the entity maintains documentation which demonstrates that each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.
- B. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

No exceptions in the above procedures.

11) *Debt Service*

- A. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.
- B. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Procedures related to debt service are not required.

Fraud Notice

- A. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled as required by R.S. 24:523.
- B. Observe that the entity has posted, on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

No exceptions noted in the above procedures.

12) *Information Technology Disaster Recovery/Business Continuity*

Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management"**:

- A. Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing up critical data) and

observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.

- B. Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if there is no written documentation, then inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
- C. Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.
- D. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in Payroll and Personnel procedure #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network.
- E. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain cybersecurity training documentation from management, and observe that the documentation demonstrates that the following employees/officials with access to the agency's information technology assets have completed cybersecurity training as required by R.S. 42:1267. The requirements are as follows:
 - Hired before June 9, 2020 - completed the training; and
 - Hired on or after June 9, 2020 - completed the training within 30 days of initial service or employment.

We performed the procedures and discussed the results with management.

13) Prevention of Sexual Harassment

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.
- B. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).
- C. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that the report includes the applicable requirements of R.S. 42:344:
 - i. Number and percentage of public servants in the agency who have completed the training requirements;
 - ii. Number of sexual harassment complaints received by the agency;
 - iii. Number of complaints which resulted in a finding that sexual harassment occurred;

- iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
- v. Amount of time it took to resolve each complaint.

No exceptions noted in the above procedures.