

VILLAGE OF MER ROUGE, LOUISIANA

FINANCIAL REPORT

December 31, 2016

**HILL, INZINA & COMPANY**

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# HILL, INZINA & COMPANY

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

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Village of Mer Rouge, Louisiana (the "Village"), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Village's preparation and fair presentation of the financial statements in order to

design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Village as of December 31, 2016, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule, the schedule of proportionate share of net position liability, and the schedule of contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### Other Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2017, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

/s/ Hill, Inzina & Co.

May 2, 2017

REQUIRED SUPPLEMENTARY INFORMATION (Part 1 of 2)

## VILLAGE OF MER ROUGE, LOUISIANA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and for the Year Ended December 31, 2016

As management of Village of Mer Rouge, Louisiana (the "Village"), we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the year ended December 31, 2016. This discussion and analysis of management is designed to provide an objective and easy-to-read analysis of the Village's financial activities based on currently known facts, decisions, or conditions. It is intended to provide readers with a broad overview of the Village's finances. It is also intended to provide readers with an analysis of the short-term and long-term activities of the Village based on information presented in the financial report and fiscal policies that have been adopted by the Village. Specifically, this section is designed to assist the readers in focusing on significant financial issues, provide an overview of the Village's financial activity, identify changes in the Village's financial position (its ability to address the next and subsequent years' challenges), identify any material deviations from the financial plan (approved budget), and identify individual issues or concerns of individual funds.

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

#### Overview of Financial Statements

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

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

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

#### 1. Government-wide financial statements

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



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

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

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

## 2. Fund financial statements

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

The Village has two types of funds:

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

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

### 3. Notes to financial statements

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

#### Government-Wide Financial Analysis

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

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 964	\$ 982	\$ 257	\$ 227	\$ 1,221	\$ 1,209
Capital assets	1,419	1,430	1,526	1,615	2,945	3,045
Total assets	<u>\$ 2,383</u>	<u>\$ 2,412</u>	<u>\$ 1,783</u>	<u>\$ 1,842</u>	<u>\$ 4,166</u>	<u>\$ 4,254</u>
Deferred outflows of resources	\$ 68	\$ 48	\$ 66	\$ 45	\$ 134	\$ 93
Other liabilities	\$ 364	\$ 302	\$ 371	\$ 291	\$ 735	\$ 593
Deferred inflows of resources	\$ 78	\$ 76	\$ 6	\$ 6	\$ 84	\$ 82
Net position:						
Net investment in capital assets	\$ 1,419	\$ 1,430	\$ 1,526	\$ 1,615	\$ 2,945	\$ 3,045
Unrestricted (deficit)	<u>590</u>	<u>652</u>	<u>( 54)</u>	<u>( 25)</u>	<u>536</u>	<u>627</u>
Total net position	<u>\$ 2,009</u>	<u>\$ 2,082</u>	<u>\$ 1,472</u>	<u>\$ 1,590</u>	<u>\$ 3,481</u>	<u>\$ 3,672</u>

As noted earlier, net position may serve over time as a useful indicator of the Village's financial position. The Village will use the unrestricted net position to meet the ongoing obligations to users of its services and creditors. By far the largest portion of the Village's net position as December 31, 2016 consists of the investment in capital assets. The Village uses these capital assets to provide services to its citizenry; consequently, these assets are not available for future spending.

The following summarizes the Village's net position changes (in thousands of dollars) between the two years ended December 31, 2016 and 2015:

	Governmental Activities		Business-Type Activities		Totals	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues:						
Program revenues:						
Charges for services	\$ 101	\$ 104	\$ 254	\$ 218	\$ 355	\$ 322
Operating grants and contributions	29	22	-	-	29	22
Capital grants and contributions	-	-	19	-	19	-
General revenues:						
Taxes	397	371	-	-	397	371
Intergovernmental	2	2	-	-	2	2
Unrestricted investment earnings and miscellaneous	17	20	1	-	18	20
Total revenues	<u>\$ 546</u>	<u>\$ 519</u>	<u>\$ 274</u>	<u>\$ 218</u>	<u>\$ 820</u>	<u>\$ 737</u>
Expenses:						
General government	\$ 313	\$ 280	\$ -	\$ -	\$ 313	\$ 280
Public safety	233	206	-	-	233	206
Public works	10	6	-	-	10	6
Depreciation	63	65	-	-	63	65
Water and sewer	-	-	391	383	391	383
Total expenses	<u>\$ 619</u>	<u>\$ 557</u>	<u>\$ 391</u>	<u>\$ 383</u>	<u>\$ 1,010</u>	<u>\$ 940</u>
Excess (deficiency) before special item	\$( 73)	\$( 38)	\$( 117)	\$( 165)	\$( 190)	\$( 203)
Special item	<u>-</u>	<u>33</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33</u>
Increase (decrease) in net positions	\$( 73)	\$( 5)	\$( 117)	\$( 165)	\$( 190)	\$( 170)
Net positions - beginning	<u>2,082</u>	<u>2,087</u>	<u>1,590</u>	<u>1,755</u>	<u>3,672</u>	<u>3,842</u>
Net positions - ending	<u>\$ 2,009</u>	<u>\$ 2,082</u>	<u>\$ 1,473</u>	<u>\$ 1,590</u>	<u>\$ 3,482</u>	<u>\$ 3,672</u>

The Village's total revenues increased by \$83,000 while the total cost of all programs and services also increased by \$70,000. The Village's expenses cover a range of services with the majority related to personnel costs.

## Business-Type Activities

General revenues are those available for the Village to pay for the governmental activities. For the year ended December 31, 2016, taxes were the largest general revenue source for the Village. Sales taxes were the largest individual tax revenue source.

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

Operating expenses of the business-type activities for the year ended December 31, 2016 increased \$4,470 from the previous year and operating revenues also increased by \$36,645.

## Financial Analysis of Governmental Fund

As of December 31, 2016, the Village's governmental funds reported ending fund balances of \$886,714, a decrease of \$18,701 from \$905,415 as of December 31, 2015. The fund balances of the governmental funds are classified as unassigned as they are available for any purpose.

## Budgetary Highlights

The Village made amendments to its General Fund and Water and Sewer Fund budgets for the year ended December 31, 2016. Actual revenues of the General Fund of \$543,451 exceeded budgeted revenues of \$510,000 by \$33,451 while actual expenditures of \$562,152 were less than budgeted expenditures of \$582,000 by only \$19,848.

## Capital Assets

As of December 31, 2016, the Village had invested \$3.0 million in a broad range of capital assets, including land, buildings, vehicles, streets, and water and sewer systems. The only capital asset additions made during the year ended December 31, 2016 were for vehicles.

## Economic Factors and Next Year's Budget

Total revenues in the Village's proposed budget for the General Fund for the year ending December 31, 2017 remained unchanged from the totals budgeted for the year ended December 31, 2016 while expenditures were decreased by \$51,000. A beginning fund balance of \$833,415 was included in the 2017 budget while \$886,714 was actually available.

## Requests for Information

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

BASIC FINANCIAL STATEMENTS

VILLAGE OF MER ROUGE, LOUISIANA

STATEMENT OF NET POSITION

December 31, 2016

ASSETS	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Totals</u>
Cash	\$ 570,349	\$ 35,470	\$ 605,819
Pooled deposits	55,360	-	55,360
Certificates of deposit	330,821	145,570	476,391
Receivables:			
Property taxes	7,338	-	7,338
Accounts	-	19,142	19,142
Due from other governments	-	19,211	19,211
Due from other funds	-	13,428	13,428
Restricted assets:			
Cash	-	6,884	6,884
Certificates of deposit	-	17,000	17,000
Capital assets:			
Land	74,583	20,110	94,693
Other capital assets, net of depreciation	1,344,373	1,506,247	2,850,620
Total assets	<u>\$ 2,382,824</u>	<u>\$ 1,783,062</u>	<u>\$ 4,165,886</u>
DEFERRED OUTFLOWS OF RESOURCES			
Resources related to pensions	<u>\$ 68,811</u>	<u>\$ 66,299</u>	<u>\$ 135,110</u>
LIABILITIES			
Accounts payable	\$ 5,549	\$ 1,899	\$ 7,448
Payroll withholdings	4,215	5	4,220
Due to other funds	13,428	-	13,428
Payable from restricted assets:			
Customers' deposits	-	21,404	21,404
Net pension	257,961	186,640	444,601
Net other postemployment benefit (OPEB) obligation	82,905	160,941	243,846
Total liabilities	<u>\$ 364,058</u>	<u>\$ 370,889</u>	<u>\$ 734,947</u>

(continued)

VILLAGE OF MER ROUGE, LOUISIANA  
STATEMENT OF NET POSITION (Continued)  
December 31, 2016

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Totals</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property taxes	\$ 67,390	\$ -	\$ 67,390
Resources related to pensions	<u>11,200</u>	<u>5,903</u>	<u>17,103</u>
Total deferred inflows of resources	<u>\$ 78,590</u>	<u>\$ 5,903</u>	<u>\$ 84,493</u>
 <b>NET POSITION</b>			
Net investment in capital assets	\$ 1,418,956	\$ 1,526,357	\$ 2,945,313
Unrestricted (deficit)	<u>590,031</u>	<u>( 53,788)</u>	<u>536,243</u>
Total net position	<u>\$ 2,008,987</u>	<u>\$ 1,472,569</u>	<u>\$ 3,481,556</u>

See notes to financial statements.

VILLAGE OF MER ROUGE, LOUISIANA

STATEMENT OF ACTIVITIES  
As of and for the Year Ended December 31, 2016

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u> Operating Grants and Contributions	<u>Capital Grants and Contributions</u>
Functions/Programs:				
Governmental activities:				
Current:				
General government	\$ 313,313	\$ 78,190	\$ 10,000	\$ -
Public safety	233,132	22,871	18,576	-
Public works	9,713	-	-	-
Depreciation	<u>62,881</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	\$ 619,039	\$ 101,061	\$ 28,576	\$ -
Business-type activities:				
Water and sewer	<u>391,600</u>	<u>254,354</u>	<u>-</u>	<u>19,211</u>
Total government	<u>\$ 1,010,639</u>	<u>\$ 355,415</u>	<u>\$ 28,576</u>	<u>\$ 19,211</u>

General revenues:

Taxes:

  Property

  Franchise

  Sales

Intergovernmental

Unrestricted investment earnings and  
miscellaneous

Total general revenues

Changes in net positions

Net positions - beginning

Net positions - ending

See notes to financial statements.



Net (Expense) Revenue and Changes in Net Position

<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Totals</u>
\$( 225,123)	\$ -	\$( 225,123)
( 191,685)	-	( 191,685)
( 9,713)	-	( 9,713)
<u>( 62,881)</u>	<u>-</u>	<u>( 62,881)</u>
\$( 489,402)	\$ -	\$( 489,402)
<u>-</u>	<u>( 118,035)</u>	<u>( 118,035)</u>
<u>\$( 489,402)</u>	<u>\$( 118,035)</u>	<u>\$( 607,437)</u>
\$ 63,165	\$ -	\$ 63,165
21,720	-	21,720
312,052	-	312,052
1,743	-	1,743
<u>17,618</u>	<u>759</u>	<u>18,377</u>
<u>\$ 416,298</u>	<u>\$ 759</u>	<u>\$ 417,057</u>
\$( 73,104)	\$( 117,276)	\$( 190,380)
<u>2,082,091</u>	<u>1,589,845</u>	<u>3,671,936</u>
<u>\$ 2,008,987</u>	<u>\$ 1,472,569</u>	<u>\$ 3,481,556</u>

VILLAGE OF MER ROUGE, LOUISIANA

BALANCE SHEET - GOVERNMENTAL FUND - GENERAL FUND

December 31, 2016

ASSETS

Cash	\$	570,349
Pooled deposits		55,360
Certificates of deposit		330,821
Property taxes receivable		<u>7,338</u>
Total assets	\$	<u>963,868</u>

LIABILITIES

Accounts payable	\$	5,549
Payroll withholdings		<u>4,215</u>
Total liabilities	\$	9,764

DEFERRED INFLOWS OF RESOURCES

Property taxes		67,390
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FUND BALANCE

Unassigned		<u>886,714</u>
Total liabilities, deferred inflows of resources, and fund balance	\$	<u>963,868</u>

See notes to financial statements.

VILLAGE OF MER ROUGE, LOUISIANA

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

As of and for the Year Ended December 31, 2016

Revenues:	
Taxes	\$ 396,937
Licenses and permits	64,140
Intergovernmental	30,319
Fees, charges, and commissions for services	14,050
Fines and forfeitures	22,871
Interest and miscellaneous	15,134
Total revenues	<u>\$ 543,451</u>
Expenditures:	
Current:	
General government	\$ 295,149
Public safety	205,342
Public works	9,713
Capital outlay	51,948
Total expenditures	<u>\$ 562,152</u>
Net change in fund balance	\$( 18,701)
Fund balance - beginning	<u>905,415</u>
Fund balance - ending	<u>\$ 886,714</u>

See notes to financial statements.

VILLAGE OF MER ROUGE, LOUISIANA

RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET  
TO GOVERNMENT-WIDE STATEMENT OF NET POSITION

December 31, 2016

Total fund balance - governmental fund balance sheet	\$ 886,714
Amounts reported for governmental activities in statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,418,956
Net pension liability does not require the use of current financial resources and therefore is not reported in the funds.	( 213,778)
Contributions to the OPEB obligation are reported as expenditures in the governmental funds. However, these amounts are reported as a reduction of long-term liabilities in the governmental activities.	<u>( 82,905)</u>
Total net position of governmental activities - government-wide statement of net position	<u>\$ 2,008,987</u>

See notes to financial statements.

VILLAGE OF MER ROUGE, LOUISIANA

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

December 31, 2016

Net change in fund balance - governmental fund \$( 18,701)

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

The governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$62,881) exceeded capital outlays (\$51,948) in the current period. ( 10,933)

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. 2,484

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. ( 11,953)

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. ( 34,001)

Changes in net position of governmental activities - government-wide statement of activities \$( 73,104)

See notes to financial statements.

VILLAGE OF MER ROUGE, LOUISIANA

STATEMENT OF NET POSITION - PROPRIETARY FUND - WATER AND SEWER FUND  
December 31, 2016

ASSETS

Current assets:		
Cash	\$	35,470
Certificates of deposit		145,570
Accounts receivable		19,142
Due from other governments		19,211
Due from other funds		13,428
Noncurrent assets:		
Restricted assets:		
Cash		6,884
Certificates of deposit		17,000
Capital assets:		
Land		20,110
Other capital assets, net of depreciation		1,506,247
Total assets	\$	<u>1,783,062</u>

DEFERRED OUTFLOWS OF RESOURCES

Resources related to pensions	\$	<u>66,299</u>
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LIABILITIES

Current liabilities:		
Accounts payable	\$	1,899
Payroll withholdings		5
Payable from restricted assets:		
Customers' deposits		21,404
Total current liabilities	\$	<u>23,308</u>
Long-term liabilities:		
Net pension	\$	186,640
Net other postemployment benefit (OPEB) obligation		160,941
Total long-term liabilities	\$	<u>347,581</u>

DEFERRED INFLOWS OF RESOURCES

Resources related to pensions	\$	<u>5,903</u>
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(continued)

VILLAGE OF MER ROUGE, LOUISIANA

STATEMENT OF NET POSITION - PROPRIETARY FUND -  
WATER AND SEWER FUND (Continued)

December 31, 2016

NET POSITION

Net investment in capital assets	\$ 1,526,357
Unrestricted (deficit)	<u>( 53,788)</u>
Total net position	<u>\$ 1,472,569</u>

See notes to financial statements.

VILLAGE OF MER ROUGE, LOUISIANA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND  
NET POSITION - PROPRIETARY FUND - WATER AND SEWER FUND

As of and for the Year Ended December 31, 2016

Operating revenues:	
Water and sewer fees	\$ 249,992
Miscellaneous	4,362
Total operating revenues	<u>\$ 254,354</u>
Operating expenses:	
Depreciation	\$ 107,513
Insurance	31,267
Office	1,492
Other	5,966
Repairs and maintenance	63,141
Retirement	17,734
Salaries	85,833
Supplies	7,957
Taxes - payroll	5,083
Utilities and fuel	16,662
Total operating expenses	<u>\$ 342,648</u>
Operating income (loss)	<u>\$ ( 88,294)</u>
Nonoperating revenues (expenses):	
Interest	\$ 759
State grant	19,211
Net pension	( 7,204)
Net OPEB obligation	( 41,748)
Total nonoperating revenues (expenses)	<u>\$ ( 28,982)</u>
Change in net position	\$( 117,276)
Net position - beginning	<u>1,589,843</u>
Net position - ending	<u>\$ 1,472,567</u>

See notes to financial statements.



VILLAGE OF MER ROUGE, LOUISIANA

STATEMENT OF CASH FLOWS - PROPRIETARY FUND -  
WATER AND SEWER FUND

As of and for the Year Ended December 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 254,354
Payments to suppliers	( 151,419)
Payments to employees	<u>( 90,916)</u>
Net cash provided by operating activities	<u>\$ 12,019</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of certificates of deposit	\$ ( 759)
Certificates of deposit maturing	<u>20,046</u>
Net cash provided by investing activities	<u>\$ 19,287</u>

CASH FLOWS FROM (USED BY) CAPITAL AND  
RELATED FINANCING ACTIVITIES

Purchase of capital assets	<u>\$ ( 19,211)</u>
Net increase in cash	\$ 12,095
Cash - beginning	<u>30,259</u>
Cash - ending	<u><u>\$ 42,354</u></u>

(continued)

VILLAGE OF MER ROUGE, LOUISIANA

STATEMENT OF CASH FLOWS - PROPRIETARY FUND -  
WATER AND SEWER FUND (Continued)

As of and for the Year Ended December 31, 2016

Reconciliation of operating income (loss) to net cash  
provided by operating activities:

Operating income (loss)	\$( 88,294)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	107,513
(Increase) decrease in accounts receivable	( 4,323)
(Increase) decrease in due from other governments	( 19,211)
(Increase) decrease in due from other funds	( 13,428)
(Increase) decrease in deferred outflows	( 21,265)
Increase (decrease) in accounts payable	( 79)
Increase (decrease) in payroll withholdings	( 1,714)
Increase (decrease) in due to other funds	( 7,540)
Increase (decrease) in liabilities payable from restricted assets	246
Increase (decrease) in net pension	47,211
Increase (decrease) in net other OPEB obligation	41,748
Increase (decrease) in deferred inflows	137
Nonoperating revenues (expenses)	<u>( 28,982)</u>
Net cash provided by operating activities	<u>\$ 12,019</u>

See notes to financial statements.

VILLAGE OF MER ROUGE, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2016

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, 2016, the Village services approximately 400 utility customers and maintains approximately three miles of streets.

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

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

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

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

## NOTES TO FINANCIAL STATEMENTS

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

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

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

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

### Government-Wide Financial Statements:

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

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

## NOTES TO FINANCIAL STATEMENTS

### Fund Financial Statements:

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

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

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

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

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

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

## NOTES TO FINANCIAL STATEMENTS

### Fund Types and Major Funds:

The Village reports the following major governmental fund:

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

The Village reports the following major proprietary fund:

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

### Budgets and Budgetary Accounting:

The Board of Aldermen adopted annual budgets for the General Fund and Water and Sewer Fund on December 8, 2015. 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 and the budgetary comparison schedule, included as supplementary information in the accompanying financial statements, includes the original and final budgeted amounts of the General Fund. All annual appropriations lapse at fiscal year end.

### Use of Estimates:

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

## NOTES TO FINANCIAL STATEMENTS

### Cash and Certificates of Deposit:

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

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

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

### Receivables:

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

### Uncollectible Allowance:

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

### Restricted Assets/Liabilities:

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

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

NOTES TO FINANCIAL STATEMENTS

Interfund Transactions:

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

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

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

Capital Assets and Depreciation:

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

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

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

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

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



## NOTES TO FINANCIAL STATEMENTS

### Pensions:

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

### Deferred Outflows/Inflows of Resources:

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

### Compensated Absences:

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

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

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

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

## NOTES TO FINANCIAL STATEMENTS

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

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

No liability existed as of December 31, 2016 for accrued compensated absences resulting from unused vacation time at the end of the year and no liability was recorded for non-vesting accumulating rights to receive sick pay benefits.

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

### Equity Classifications:

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

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

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

## NOTES TO FINANCIAL STATEMENTS

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

### Revenue Recognition - Property and Sales/Use Taxes:

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

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

NOTES TO FINANCIAL STATEMENTS

Note 2. Cash and Deposits

The following is a summary of cash and deposits of the Village as of December 31, 2016:

Non-pooled deposits:	
Non-interest bearing demand deposits	\$ 219,830
Time deposits	885,864
Petty cash	400
Pooled deposits	55,360
	\$ 1,161,454

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, 2016, the Village had \$1,119,210 in deposits (collected bank balances). These deposits were secured from risk by \$250,000 of federal deposit insurance and \$869,210 of pledged securities held by the counterparty's trust department or its agent in the Village's name.

There were no repurchase or reverse repurchase agreements as of December 31, 2016.

Note 3. Property and Sales Taxes

For the year ended December 31, 2016, property taxes of 10.89 mills were levied on property with assessed valuations totaling \$6,188,280 as follows:

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

NOTES TO FINANCIAL STATEMENTS

The following are the principal property taxpayers for the Village:

<u>Taxpayer</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>	<u>Property Tax Revenue</u>
Kennedy Rice Dryers, LLC	\$ 987,883	16.0 %	\$ 10,484
Crop Production Service	481,955	7.8%	5,115
Greenpoint Ag, LLC	357,987	5.8%	3,799
Goldman Equipment LLC	351,932	5.7%	3,735
Mer Rouge State Bank	314,231	5.1%	3,338

Total property taxes levied were \$67,390. As of December 31, 2016, property taxes receivable was \$7,338.

For the year ended December 31, 2016, sales and use taxes of 2% were levied for police protection and any and all other useful corporate purposes. These taxes will expire June 30, 2024.

Note 4. Restricted Assets and Liabilities Payable from Same

Restricted assets of \$23,884 of the Water and Sewer Fund consists of meter deposits collected from utility customers. A related liability of \$21,404 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, 2016 are out of balance by \$13,428, an amount related to the net pension liability that was recorded in the Water and Sewer Fund's financial statements but only required to be reported in the government-wide financial statements of the General Fund.

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets

Capital assets and depreciation activity as of and for the year ended December 31, 2016 for the Village is as follows:

	Balance January <u>1, 2016</u>	<u>Increases</u>	Reclassifi- cations/ <u>Decreases</u>	Balance December <u>31, 2016</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 74,583	\$ -	\$ -	\$ 74,583
Capital assets being depreciated:				
Buildings	\$ 403,778	\$ -	\$ -	\$ 403,778
Equipment and vehicles	401,021	51,948	-	452,969
Streets and sidewalks	<u>1,143,234</u>	<u>-</u>	<u>-</u>	<u>1,143,234</u>
Total capital assets being depreciated	<u>\$1,948,033</u>	<u>\$ 51,948</u>	<u>\$ -</u>	<u>\$1,999,981</u>
Less accumulated depreciation for:				
Buildings	\$ 171,066	\$ 10,859	\$ -	\$ 181,925
Equipment and vehicles	350,572	23,441	-	374,013
Streets and sidewalks	<u>71,089</u>	<u>28,581</u>	<u>-</u>	<u>99,670</u>
Total accumulated depreciation	<u>\$ 592,727</u>	<u>\$ 62,881</u>	<u>\$ -</u>	<u>\$ 655,608</u>
Total capital assets being depreciated, net	<u>\$1,355,306</u>	<u>\$( 10,933)</u>	<u>\$ -</u>	<u>\$1,344,373</u>

NOTES TO FINANCIAL STATEMENTS

	Balance January <u>1, 2016</u>	<u>Increases</u>	Reclassifi- cations/ <u>Decreases</u>	Balance December <u>31, 2016</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	<u>\$ 20,110</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,110</u>
Capital assets being depreciated:				
Water and sewer systems	\$3,478,451	\$ -	\$ -	\$3,478,451
Buildings	40,459	-	-	40,459
Equipment and vehicles	<u>81,872</u>	<u>19,211</u>	<u>-</u>	<u>101,083</u>
Total capital assets being depreciated	<u>\$3,600,782</u>	<u>\$ 19,211</u>	<u>\$ -</u>	<u>\$3,619,993</u>
Less accumulated depreciation for:				
Water and sewer systems	\$1,932,326	\$ 100,567	\$ -	\$2,032,893
Buildings	6,706	1,012	-	7,718
Equipment and vehicles	<u>67,201</u>	<u>5,934</u>	<u>-</u>	<u>73,135</u>
Total accumulated depreciation	<u>\$2,006,233</u>	<u>\$ 107,513</u>	<u>\$ -</u>	<u>\$2,113,746</u>
Total business-type assets being depreciated, net	<u>\$1,594,549</u>	<u>\$ ( 88,302)</u>	<u>\$ -</u>	<u>\$1,506,247</u>

Depreciation expense of the governmental activities of \$62,881 is reported separately in the statement of activities in that the expense essentially serves all functions.

Note 7. Pension Plans and Other Pension Liabilities

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

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

## NOTES TO FINANCIAL STATEMENTS

### General Information About the Plans:

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

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

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

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

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



## NOTES TO FINANCIAL STATEMENTS

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

For the year ended December 31, 2016, the actual employer contribution rate varied from 19.75% to 22.75%, which is calculated on an actuarial basis each year. Under Plan A, members are required by state statute to contribute 9.50% of their annual covered salary. Contributions to the System also include 1/4 of 1% (except Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. The Village's contributions to the System under Plan A for the years ended December 31, 2016, 2015, and 2014 were \$26,445, \$24,033 and \$21,306, respectively, equal to the required contributions for each year.

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

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

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

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

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

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

## NOTES TO FINANCIAL STATEMENTS

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

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

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

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

Contributions by employers are actuarially determined by law, but cannot be less than 9% of compensation excluding overtime, but including state supplemental pay. For the year ended December 31, 2016, employer contributions ranged from 29.5% to 31.75% 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 31.5%.

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

Plan members are required by state statute to contribute 10.0% of their annual covered salary. The Village's contributions to the System for the years ended December 31, 2016, 2015, and 2014 were \$15,122, \$14,817, and \$14,921, respectively, equal to the required contributions for each year.

NOTES TO FINANCIAL STATEMENTS

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

As of December 31, 2016, the Village reported a total of \$444,601 for its proportionate shares of the net pension liability of the plans, as follows:

MERS		\$ 281,027
MPERS		<u>163,574</u>
		<u>\$ 444,601</u>

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Village's proportion of the net pension liability was based on projections of the Village's long-term share of contributions to the plans relative to the projected contributions of all participating employers, actuarially determined. The Village's proportions of each plan were as follows:

	<u>Year Ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
MERS	.07%	.07%
MPERS	.02%	.02%

For the year ended December 31, 2016, the Village recognized pension expense as follows:

MERS		\$ 32,516
MPERS		<u>13,695</u>
		<u>\$ 46,211</u>

NOTES TO FINANCIAL STATEMENTS

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

	<u>MERS</u>	<u>MPERS</u>	<u>Totals</u>
Deferred outflows of resources:			
Changes in proportion	\$ 3,017	\$ 2,423	\$ 5,440
Changes in assumptions	10,231	7,953	18,184
Net difference between projected and actual earnings on pension plan investments	64,179	25,170	89,349
Village's contributions subsequent to the measurement date	<u>14,271</u>	<u>7,866</u>	<u>22,137</u>
 Total deferred outflows of resources	 <u>\$ 91,698</u>	 <u>\$ 43,412</u>	 <u>\$ 135,110</u>
Deferred inflows of resources:			
Changes in proportion	\$ -	\$ 5,607	\$ 5,607
Differences between expected and actual experience	8,884	2,602	11,486
Changes in assumptions	<u>-</u>	<u>10</u>	<u>10</u>
 Total deferred inflows of resources	 <u>\$ 8,884</u>	 <u>\$ 8,219</u>	 <u>\$ 17,103</u>

NOTES TO FINANCIAL STATEMENTS

The deferred outflows of resources related to pensions resulting from the Village's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ending December 31,</u>		
2017	\$	30,541
2018		19,221
2019		29,761
2020		<u>16,347</u>
Total	<u>\$</u>	<u>95,870</u>

Actuarial Assumptions:

The total pension liabilities in the December 31, 2016 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurements:

	<u>MERS</u>	<u>MPERS</u>
Inflation	2.88%	3.00%
Salary increases	5.00%	vary from 9.75% for first year of service to 4.25% after 23 years
Investment rate of return	7.50%	7.50%
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 RP-2000 Employee Table for active members, Healthy Annuitant Table for healthy annuitants, and Disabled Lives Mortality Tables for disabled annuitants. Mortality rate assumptions for the other plan was based on experience studies performed on plan data (for the period July 1, 2003 through June 30, 2008 for MPERS).

NOTES TO FINANCIAL STATEMENTS

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

Arithmetic Real Rates of Return for Each Major Asset Class:

For the year ended December 31, 2016, the following summarizes real rates of return for each major asset class included in the plans' target asset allocation:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
MERS:		
Public equity	50%	2.6%
Public fixed income	35%	1.8%
Alternatives	<u>15%</u>	<u>0.8%</u>
Totals	<u>100%</u>	<u>5.2%</u>
MPERS:		
Equity	53%	3.69%
Fixed income	21%	0.49%
Alternatives	20%	1.11%
Other	<u>6%</u>	<u>0.21%</u>
Totals	<u>100%</u>	<u>5.50%</u>

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

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

NOTES TO FINANCIAL STATEMENTS

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
MERS (current rate 7.50%)	\$ 357,239	\$ 281,027	\$ 215,997
MPERS (current rate 7.50%)	218,059	163,574	117,830
Totals	\$ 575,298	\$ 444,601	\$ 333,827

Pension Plan Fiduciary Net Position:

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

Note 8. Postemployment Benefits Other than Pensions

Plan Description:

The Village contributes to a single-employer defined benefit healthcare plan (the "healthcare plan"). The healthcare plan provides lifetime healthcare and life insurance for eligible retirees through the Village's group health insurance plan. Employees are entitled to benefits upon eligible retirement with at least 20 years of credited service.

Benefit provisions are established by the Village. The healthcare plan does not issue a publicly available financial report.

Effective with the year ended December 31, 2013, the Village implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. This statement has been implemented prospectively. Using this method, the other postemployment benefit (OPEB) liability relative to past service (prior to January 1, 2013) will be amortized and recognized as an expense over 30 years.

Funding Policy:

The Village contributes 100% of the cost of current year premiums for eligible retired employees. For the year ended December 31, 2016, the Village contributed \$5,488 to the healthcare plan for its two retired employees.

NOTES TO FINANCIAL STATEMENTS

Annual OPEB Cost and Net OPEB Obligation:

The Village's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer. The Village meets the requirements to use the Alternative Measurement Method for plans with fewer than 100 members, and has elected to calculate the ARC and related information using the Entry Age Cost Method and the Level Percentage of Payroll Amortization (Open Basis) Method. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Village's annual OPEB costs for the year, the amount actually contributed to the plan, and changes in the Village's net OPEB obligation to the healthcare plan:

Determination of annual required contribution:

Normal cost at fiscal year end	\$ 47,096
Amortization	<u>35,144</u>
 Annual required contribution	 <u>\$ 82,240</u>

Determination of net OPEB obligation:

Annual required contribution	\$ 82,240
Interest net OPEB obligation	6,001
Adjustment to annual required contribution	<u>( 7,004)</u>
Annual OPEB cost (expense)	\$ 81,237
Contributions made	<u>( 5,488)</u>
Increase in net OPEB obligation	\$ 75,749
Net OPEB obligation, beginning of year	<u>168,097</u>
 Net OPEB obligation, end of year	 <u>\$ 243,846</u>

As of December 31, 2016, \$82,905 and \$160,941 of the obligation are reported in the governmental activities and business-type activities, respectively, in the government-wide financial statements.



NOTES TO FINANCIAL STATEMENTS

The Village's estimated annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended December 31, 2016 and the two preceding fiscal years are shown below:

<u>Fiscal</u> <u>Year Ended</u> <u>December 31,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Amount</u> <u>Contributed</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2016	\$ 81,237	\$ 5,488	6.76%	\$ 243,846
2015	64,069	6,124	9.56%	168,097
2014	61,604	5,998	9.74%	110,152

Funded Status and Funding Progress:

As of December 31, 2016, and for the two preceding valuations, the actuarial accrued liability for benefits, the covered payroll (annual payroll of active employees covered by the plan), and ratio of the UAAL to the covered payroll was as follows:

<u>Actual</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>(AAL)</u>	<u>Unfunded</u> <u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>(UAAL)</u>	<u>Funded</u> <u>Ratio</u>	<u>Covered</u> <u>Payroll</u>	<u>UAAL as a</u> <u>Percentage</u> <u>of Covered</u> <u>Payroll</u>
12/31/16	\$ 0	\$ 872,339	\$ 872,339	0%	\$ 196,490	0%
12/31/15	0	624,563	624,563	0%	189,488	0%
12/31/14	0	624,563	624,563	0%	185,998	0%

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, presents multi-trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

## NOTES TO FINANCIAL STATEMENTS

### Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

A simplified version of the entry age actuarial cost method was used. The UAAL is being amortized as a level percentage of projected payroll on an open basis over 30 years. The following simplifying assumptions were made:

Retirement age for active employees - Based on the historical retirement age for the covered group, and unless otherwise indicated, active members were assumed to retire at age 65 or the earliest age after that at which they would have at least 20 years of service with the Village.

Marital status - Marital status of the members at the calculation date was assumed to continue throughout retirement.

Mortality - Life expectancies were based on mortality tables from the National Center for Health Statistics. The 2011 United States Life Tables for Males and for Females, revised September 22, 2015, were used.

Turnover - Non-group-specific age-based turnover data from GASB Statement No. 45 was used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare cost trend rate - The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare and Medicaid Services. A rate of 5.1% initially, increased to an ultimate rate of 5.9% after ten years, was used.

Health insurance premiums - 2016 age-adjusted health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

## NOTES TO FINANCIAL STATEMENTS

Inflation rate - A long-term inflation assumption of 3.81% was based on projected changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers in the 2016 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds for an intermediate growth scenario.

Payroll growth rate - The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Investment Return Assumption (Discount Rate) - Based on the assumption that the ARC will not be funded, a discount rate reflecting a 20-year tax-exempt municipal bond yield or index rate of 3.57% was used.

### Note 9. On-Behalf Payments for Salaries

For the year ended December 31, 2016, the Village recognized revenue and expenditures of \$18,576 in salary supplements from the State of Louisiana paid directly to employees of the police department.

### Note 10. Contingencies and Risk Management

As of December 31, 2016, there was no pending or threatening litigation involving the Village.

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

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

## NOTES TO FINANCIAL STATEMENTS

### Note 11. Subsequent Events

Subsequent events were evaluated through May 2, 2017, which is the day the financial statements were available to be issued, and it was determined that no significant events had occurred requiring disclosure.

REQUIRED SUPPLEMENTARY INFORMATION (Part 2 of 2)

VILLAGE OF MER ROUGE, LOUISIANA

BUDGETARY COMPARISON SCHEDULE -  
 GOVERNMENTAL FUND - GENERAL FUND  
 As of and for the Year Ended December 31, 2016

	Budgeted Amounts			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget - Favorable <u>(Unfavorable)</u>
<b>Revenues:</b>				
Taxes	\$ 373,000	\$ 377,000	\$ 396,937	\$ 19,937
Licenses and permits	70,000	62,000	64,140	2,140
Intergovernmental	22,000	31,000	30,319	( 681)
Fees, charges, and commissions for services	11,000	14,000	14,050	50
Fines and forfeitures	22,000	23,000	22,871	( 129)
Interest and miscellaneous	4,000	3,000	15,134	12,134
Total revenues	<u>\$ 502,000</u>	<u>\$ 510,000</u>	<u>\$ 543,451</u>	<u>\$ 33,451</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	\$ 267,000	\$ 304,000	\$ 295,149	\$ 8,851
Public safety	186,000	204,000	205,342	( 1,342)
Public works	7,000	11,000	9,713	1,287
Capital outlay	55,000	63,000	51,948	11,052
Total expenditures	<u>\$ 515,000</u>	<u>\$ 582,000</u>	<u>\$ 562,152</u>	<u>\$ 19,848</u>
Net change in fund balance	\$( 13,000)	\$( 72,000)	\$( 18,701)	\$ 53,299
Fund balance - beginning	<u>902,900</u>	<u>905,415</u>	<u>905,415</u>	<u>-</u>
Fund balance - ending	<u>\$ 889,900</u>	<u>\$ 833,415</u>	<u>\$ 886,714</u>	<u>\$ 53,299</u>

VILLAGE OF MER ROUGE, LOUISIANA

SCHEDULE OF FUNDING PROGRESS FOR  
OTHER POST EMPLOYMENT BENEFIT PLAN  
December 31, 2016

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a Percentage of Covered Payroll
12/31/16	\$ -	\$ 872,339	\$ 872,339	0%	\$ 196,490	0%
12/31/15	-	624,563	624,563	0%	189,488	0%
12/31/14	-	624,563	624,563	0%	185,998	0%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ended December 31,	Annual OPEB Cost	Amount Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2016	\$ 81,237	\$ 5,488	6.76%	\$ 243,846
2015	64,069	6,124	9.56%	168,097
2014	61,604	5,998	9.74%	110,152

VILLAGE OF MER ROUGE, LOUISIANA

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY -  
MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

As of and for the Year Ended December 31, 2016

	<u>Year Ended December 31,</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Proportion of net pension liability	.07%	.07%	.07%
Proportionate share of net pension liability	\$ 281,027	\$ 243,207	\$ 169,324
Covered employees' payroll	\$ 122,481	\$ 116,201	\$ 110,843
Proportionate share of net pension liability as a percentage of covered employees' payroll	229.45%	209.30%	152.76%
Plan fiduciary net position as a percentage of total pension liability	62.11%	66.18%	73.99%

SCHEDULE OF CONTRIBUTIONS

	<u>Year Ended December 31,</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 24,503	\$ 23,191	\$ 20,783
Contributions in relation to contractually required contribution	<u>24,503</u>	<u>23,191</u>	<u>20,783</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employees' payroll	\$ 122,481	\$ 116,201	\$ 110,843
Contribution as a percentage of covered employees' payroll	20.01%	19.96%	18.75%



VILLAGE OF MER ROUGE, LOUISIANA

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY -  
MUNICIPAL POLICE EMPLOYEES RETIREMENT SYSTEM

As of and for the Year Ended December 31, 2016

	<u>Year Ended December 31,</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Proportion of net pension liability	.02%	.02%	.02%
Proportionate share of net pension liability	\$ 163,574	\$ 141,058	\$ 116,688
Covered employees' payroll	\$ 42,888	\$ 42,581	\$ 41,746
Proportionate share of net pension liability as a percentage of covered employees' payroll	381.40%	331.27%	279.52%
Plan fiduciary net position as a percentage of total pension liability	66.04%	66.18%	75.10%

SCHEDULE OF CONTRIBUTIONS

	<u>Year Ended December 31,</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 148,013	\$ 14,817	\$ 14,921
Contributions in relation to contractually required contribution	<u>148,013</u>	<u>14,817</u>	<u>14,921</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employees' payroll	\$ 42,888	\$ 42,581	\$ 41,746
Contribution as a percentage of covered employees' payroll	345.12%	34.80%	35.74%

OTHER SUPPLEMENTARY INFORMATION

VILLAGE OF MER ROUGE, LOUISIANA

SCHEDULE OF MAYOR'S AND ALDERMEN'S COMPENSATION

As of and for the Year Ended December 31, 2016

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

<u>Name and Title</u>	<u>Compensation</u>
John D. McAdams, III, Mayor	\$ 11,400
Allen Spires, Jr., Mayor Pro-Tem	2,725
Tim Mitchell, Alderman	2,500
Richard Blackwell, Alderman	<u>2,500</u>
Total mayor's and aldermen's compensation	<u>\$ 19,125</u>

VILLAGE OF MER ROUGE, LOUISIANA

SCHEDULE OF COMPENSATION, BENEFITS,  
AND OTHER PAYMENTS TO AGENCY HEAD  
As of and For the Year Ended December 31, 2016

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

<u>Purpose</u>	<u>Amounts</u>
Salary	\$ 11,400
Benefits- insurance	455
Benefits- retirement	<u>2,366</u>
Total compensation, benefits, and other payments to agency head	<u>\$ 14,221</u>

# HILL, INZINA & COMPANY

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of Village of Mer Rouge, Louisiana (the "Village"), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated May 2, 2017.

## Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2016-1, that we consider to be a significant deficiency.

### Compliance and Other Matters

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

### Village's Response to Finding

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Village's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

/s/ Hill, Inzina & Co.

May 2, 2017

VILLAGE OF MER ROUGE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS WITH  
MANAGEMENT'S RESPONSE AND PLANNED CORRECTIVE ACTION  
As of and for the Year Ended December 31, 2016

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of Village of Mer Rouge, Louisiana (the "Village"), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated May 2, 2017. 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, 2016 resulted in an unqualified opinion.

Section I - Summary of Auditor's Report

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Internal Control

Significant Deficiencies     Yes    No                      Material Weaknesses             Yes    No

Compliance

Material to Financial Statements     Yes    No

Section II - Financial Statement Findings

2016-1    Inadequate Segregation of Duties (initial citing as of the for the two years ended December 31, 1987)

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

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

Cause:                         The condition is due to economic limitations.

Effect:                         Not determined.

Recommendation:    No action is recommended.

Management's  
response and  
planned cor-  
rective action:

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

Section III - Management Letter

None issued.



VILLAGE OF MER ROUGE, LOUISIANA  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS  
As of and for the Year Ended December 31, 2016

Section II- Financial Statement Findings

2015-1 Inadequate Segregation of Duties

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

Unresolved - 2016-1.

Section III- Management Letter

None issued.