
CITY OF MANDEVILLE, LOUISIANA
FINANCIAL STATEMENTS
AUGUST 31, 2014



A Professional Accounting Corporation

www.pncpa.com

CITY OF MANDEVILLE, LOUISIANA

FINANCIAL STATEMENTS

AUGUST 31, 2014

CITY OF MANDEVILLE, LOUISIANA

TABLE OF CONTENTS

AUGUST 31, 2014

	<u>Statement/ Schedule</u>	<u>Page</u>
Independent Auditors' Report		1
Governmental Financial Statements:		
Required Supplementary Information- Management's Discussion and Analysis		4
Basic Financial Statements:		
Government –Wide Financial Statements		
Statement of Net Position	A	16
Statement of Activities	B	17
Fund Financial Statements:		
Governmental Funds		
Balance Sheet	C	18
Reconciliation of the Governmental Funds' Balance Sheet to the Statement of Net Position	D	19
Statement of Revenues, Expenditures, and Changes in Fund Balances	E	20
Reconciliation of the Governmental Funds' Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	F	21
Proprietary Fund:		
Statement of Net Position	G	22
Statement of Revenues, Expenses, and Changes in Fund Net Position	H	23
Statement of Cash Flows	I	24
Notes to Financial Statements		25
Required Supplementary Information-Other:		
Budgetary Comparison Schedules		
General Fund	1	53
Sales Tax Fund	2	54
Special Sales Tax Fund	3	55
District No. 3 Sales Tax Fund	4	56
Schedule of Funding Progress	5	57
Supplementary Information		
Combining Non-Major Governmental Fund Financial Statements		
Non-Major Governmental Funds – Combining Balance Sheet	6	58
Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Fund Types	7	59
Schedule of Compensation Paid to City Council Members	8	60
Schedule of Compensation, Benefits, and Other Payments to the Mayor	9	61

INDEPENDENT AUDITORS' REPORT

Independent Auditors' Report

The Honorable Mayor and Members of
the City Council of the City of Mandeville, Louisiana:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mandeville, Louisiana (the City) as of and for the year ended August 31, 2014 and the related notes to the financial statements, which collectively comprise the City'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.

Auditors' 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 entity'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 entity'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, business-type activities, each major fund, and the aggregate remaining fund information of the City as of August 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in conformity 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, budgetary comparison information, and schedule of funding progress on pages 4 through 15 and 53 through 57 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. 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying financial information as listed in the Table of Contents as Supplemental Information Schedules 6 through 9 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining non-major governmental fund financial statements, schedule of compensation paid to City Council members, and schedule of compensation, benefits, and other payments to the Mayor are the responsibility of management and were derived from and relate 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 financial statements or to the 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 February 20, 2015, on our consideration of the City'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 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 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 City's internal control over financial reporting and compliance.

Postlethwaite + Netterville

Metairie, Louisiana
February 20, 2015

REQUIRED SUPPLEMENTARY INFORMATION -
MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF MANDEVILLE, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2014

As management of the City of Mandeville, Louisiana (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City, for the fiscal year ended August 31, 2014. This management discussion and analysis (MD&A) is designed to provide an objective and easy to read analysis of the City's financial activities based on currently known facts, decisions, or conditions. It is intended to provide readers with a broad overview of City finances and an analysis of the City's short-term and long-term activities based on information presented in the financial report and fiscal policies that have been adopted by the City. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position (its ability to address the next and subsequent years' challenges), identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns.

As with other sections of this financial reporting, the information contained with the MD&A should be considered only a part of a greater whole. We encourage readers to consider the information presented here in conjunction with additional information presented in the Required Supplemental Information (RSI) that is provided in addition to this MD&A.

Financial Highlights

- The assets of the City exceeded liabilities at the close of the most recent fiscal year by \$111,209,775. This is comprised of \$69,787,978 in governmental activities and \$41,421,797 in business-type activities.
- The City's total net position increased by \$6,087,574. This is comprised of a \$4,439,563 increase from governmental activities and a \$1,648,011 increase from business-type activities.
- The unrestricted portion of total net position totaled \$16,506,028. This is comprised of \$9,128,496 in governmental activities and \$7,377,532, in business-type activities. Unrestricted net position is available for spending at the City's discretion.
- Approximately 55.9% of the City's total net position is comprised of its investment in capital assets (e.g., land, buildings, equipment, infrastructure, etc.) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending.
- Approximately 2.0% (\$2,236,259) of the City's net position is restricted for debt service.
- Approximately 27.3% (\$30,347,012) of the City's net position is restricted by tax levies.
- The City's outstanding debt decreased by \$545,000 due to normal debt service requirements.

CITY OF MANDEVILLE, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2014

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 16 and 17) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 18. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference 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 City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, and cemetery. The business-type activities of the City include water and sewer services.

CITY OF MANDEVILLE, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2014

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *government activities* in the government-wide financial statement. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources* as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating government's financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for its six major funds: General Fund, Sales Tax Fund, Special Sales Tax Fund, District No. 3 Sales Tax Fund, Tax Collector Fund, and Street Construction Fund. Data from the other governmental funds are combined under the heading "Nonmajor Governmental Funds."

The City adopts an annual appropriated budget for its general fund and special revenue funds. Budgetary comparison statements have been provided for the general fund and special revenue funds to demonstrate compliance with this budget.

Proprietary Fund

The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for its water and sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Departments, and is considered to be a major fund of the City.

CITY OF MANDEVILLE, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2014

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplemental Information

In addition to the financial statements and accompanying notes, this report also presents certain required supplemental information.

- A. **Budgetary Comparison Schedules** - The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget, beginning on page 53.
- B. **Analysis of Significant Budget Variances in the General Fund**
 - 1. Revenues: The General fund revenue excess over budget is attributed to higher sales taxes, intergovernmental revenue, fees and grant revenues for the fiscal year 2014.
 - 2. Expenditures: The City's expenditures for administration, public safety, public works, and capital outlay were under budget for this current fiscal year. This is attributed to capital outlay projects not starting as expected. In addition, wages and benefits associated with a higher number of personnel were budgeted, and the actual number of employees was lower than expected.
- C. **Schedule of Funding Progress**

Other Supplemental Information

- A. Combining statements of the Non-major Governmental Funds (Bond Reserve and Bond Sinking Funds) begin on page 58.
- B. Schedule of Compensation Paid to City Council Members
- C. Schedule of Compensation, Benefits, and Other Payments to the Mayor

CITY OF MANDEVILLE, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2014

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Net position is divided into three categories, net investment in capital assets, restricted, and unrestricted. The City's assets exceeded its liabilities at the close of the most recent fiscal year by \$111,209,775 (total net position), of which \$16,506,028 is unrestricted net position.

The largest portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these assets that are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position represents resources that are subject to external restriction on how they may be used. The remaining balance of *unrestricted net position* may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

Net Position
August 31, 2014 and 2013

	Governmental Activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 45,653,705	\$ 42,909,396	\$ 8,605,567	\$ 8,248,854	\$ 54,259,272	\$ 51,158,250
Capital assets	30,446,211	28,486,978	34,077,742	32,055,283	64,523,953	60,542,261
Total assets	76,099,916	71,396,374	42,683,309	40,304,137	118,783,225	111,700,511
Long-term liabilities	4,483,266	4,758,486	52,324	35,499	4,535,590	4,793,985
Other liabilities	1,828,672	1,289,473	1,209,188	494,852	3,037,860	1,784,325
Total liabilities	6,311,938	6,047,959	1,261,512	530,351	7,573,450	6,578,310
Net position:						
Net investment in capital assets	28,076,211	26,571,978	34,077,742	32,055,283	62,153,953	58,627,261
Restricted	32,583,271	29,457,760	-	896,207	32,583,271	30,353,967
Unrestricted	9,128,496	9,318,677	7,344,055	6,822,296	16,472,551	16,140,973
Total net position	\$ 69,787,978	\$ 65,348,415	\$ 41,421,797	\$ 39,773,786	\$ 111,209,775	\$ 105,122,201

The City's net position increased by \$6,087,574 during the current fiscal year. The change in net position is due primarily to the increase in cash, cash equivalents and investments of \$4.7 million, net capital assets \$0.9 million, and net wastewater treatment and water plant improvement of \$2.0 million.

CITY OF MANDEVILLE, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2014

Governmental Activities

Governmental activities for the City include general government, public safety, public works, and cemetery. Sales and use taxes, property taxes, franchise taxes, licenses and permits, fees and fines fund most of these governmental activities. Governmental activities increased the City's net position by \$4,439,563.

**Changes in Net Position
Years Ended August 31, 2014 and 2013**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues:						
Charges for services	\$ 819,426	\$ 786,029	\$ 3,174,724	\$ 3,086,736	\$ 3,994,150	\$ 3,872,765
Operating grants and contributions	74,020	115,814	2,246	-	76,266	115,814
Capital grants and contributions	419,951	1,760,425	752,662	241,944	1,172,613	2,002,369
General revenues:						
Property taxes	2,640,073	2,712,157	-	-	2,640,073	2,712,157
Franchise taxes	1,013,219	1,773,135	-	-	1,013,219	1,773,135
Sales and use taxes	14,497,182	14,102,512	-	-	14,497,182	14,102,512
Licenses and permits	1,515,923	1,493,640	-	-	1,515,923	1,493,640
Fines and forfeitures	321,249	309,077	-	-	321,249	309,077
Investment earnings	59,846	58,338	23,666	12,600	83,512	70,938
Other general revenues	502,095	488,918	-	-	502,095	488,918
Gain (loss) on disposal	101,688	46,899	(950)	(121,455)	100,738	(74,556)
Total revenues	21,964,672	23,646,944	3,952,348	3,219,825	25,917,020	26,866,769
Expenses:						
General government	5,001,192	5,474,815	-	-	5,001,192	5,474,815
Public safety	5,958,312	5,906,422	-	-	5,958,312	5,906,422
Public works	4,547,282	4,590,573	-	-	4,547,282	4,590,573
Cemetery	21,333	19,408	-	-	21,333	19,408
Interest on long-term debt	117,655	123,925	-	-	117,655	123,925
Water	-	-	1,844,909	1,618,952	1,844,909	1,618,952
Sewer	-	-	2,338,763	2,330,780	2,338,763	2,330,780
Total expenses	15,645,774	16,115,143	4,183,672	3,949,732	19,829,446	20,064,875
Change in net position before transfers	6,318,898	7,531,801	(231,324)	(729,907)	6,087,574	6,801,894
Transfers	(1,879,335)	(1,132,016)	1,879,335	1,132,016	-	-
Change in net position	4,439,563	6,399,785	1,648,011	402,109	6,087,574	6,801,894
Net position, beginning of year	65,348,415	58,948,630	39,773,786	39,371,677	105,122,201	98,320,307
Net position, end of year	\$ 69,787,978	\$ 65,348,415	\$ 41,421,797	\$ 39,773,786	\$ 111,209,775	\$ 105,122,201

CITY OF MANDEVILLE, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2014

Key elements of the change in net position from governmental activities are as follows:

- Operating grants and contributions decreased by \$41,794, or 36.1%, because grants were not relatively available as in the previous year.
- Capital grants and contributions decreased by \$1,340,474, or 76.1%, primarily due to FEMA grant revenues related to Hurricane Isaac repairs in fiscal year 2013.
- Sales and use taxes increased by \$394,670, or 2.8%, due to an increase in sales revenues from local retailers indicating confidence in the local economy.
- Franchise taxes decreased by \$759,916, or 42.9%. Franchise taxes are based on the utilization of utilities and phone services. The cost of fuel and the dry summer resulted in an increase in revenues for utility companies. In addition, the City received an additional one-time payment of \$802,000 as the result of a new franchise agreement entered into in fiscal year 2013.
- Expenses for governmental activities decreased overall by \$473,623, or 8.7%, due to changes in employee benefits and unfilled positions.

Business-Type Activities

Business-type activities increased the City's net position by \$1,648,011, or 4.1%, of the total increase in the government's net position. Key elements of this increase are as follows:

- Intergovernmental transfers increased in fiscal year 2014 in the amount of \$747,319 or 66.0%, due to funding of water and sewer projects during the year.
- Capital grants and contributions increased by \$510,718, or 211.1%, primarily due to the grants related to Hurricane Isaac repairs of the sewer and water systems.
- Water System expenses increased \$225,957, or 14.0%, as a result of higher utility, property insurance, contract labor, testing, and depreciation expense in fiscal year 2014.

CITY OF MANDEVILLE, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2014

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of August 31, 2014, the City's governmental funds reported a combined ending fund balance of \$42,939,488, an increase of \$3,076,251 when compared to the prior year. Unassigned fund balance, as of August 31, 2014, was \$10,324,355. The restricted fund balance in the amount of \$32,583,271 is primarily reserved to pay debt service and for public works projects. Committed fund balance was \$28,983 and non-spendable fund balance was \$2,879.

General Fund

The general fund is the chief operating fund of the City. At August 31, 2014, the fund balance of the general fund was \$10,515,263. The fund balance of the City's general fund increased by \$15,090 for the year ended August 31, 2014. Key factors relative to this change are as follows:

- Franchise taxes decreased by \$778,877, or 43.5%. Franchise taxes are based on the utilization of utilities and phone services. The cost of fuel and the dry summer resulted in an increase in revenues for utility companies. In addition, the City received an additional one-time payment of \$802,000 as the result of a new franchise agreement entered into in fiscal year 2013.
- The decrease in intergovernmental grants revenue of \$1,208,526, or 77.6%, is primarily due to FEMA grant revenues related to Hurricane Isaac repairs in fiscal year 2013.
- General government expenditures decreased \$558,619, or 11.8%, primarily due to a decrease in hurricane related expenditures.
- Capital outlay expenditures increased \$762,070, or 66.5%, due to repairs following Hurricane Isaac and other projects completed during fiscal year 2014.
- Transfers in increased by \$365,322, or 6.1%. The City transferred restricted funds from the Tax Collector and Special Sales Tax funds during fiscal year 2014 to the General Fund for services and capital projects that met the purpose of the restrictions.

CITY OF MANDEVILLE, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2014

**General Fund
Changes in Fund Balance
Years Ended August 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Revenue		
Property taxes	\$ 2,632,860	\$ 2,636,260
Franchise taxes	1,013,219	1,792,096
Intergovernmental grants	349,151	1,557,677
Licenses and permits	1,515,923	1,493,640
Fines and forfeitures	321,249	309,077
Charges for services	819,426	786,029
Interest income	14,932	7,774
Miscellaneous	593,952	542,561
Total revenues	<u>7,260,712</u>	<u>9,125,114</u>
Expenditures		
General government	4,162,696	4,721,315
Public safety	5,633,339	5,696,830
Public works	1,845,924	1,859,446
Cemetery	21,333	19,408
Capital outlay	1,907,335	1,145,265
Total expenditures	<u>13,570,627</u>	<u>13,442,264</u>
Excess (Deficiency) of Revenues over Expenditures	(6,309,915)	(4,317,150)
Other Financing Sources		
Transfers in	6,325,005	5,959,683
Total other financing sources	<u>6,325,005</u>	<u>5,959,683</u>
Net change in fund balance	15,090	1,642,533
Fund balance, beginning of year	<u>10,500,173</u>	<u>8,857,640</u>
Fund balance, end of year	<u>\$ 10,515,263</u>	<u>\$ 10,500,173</u>

CITY OF MANDEVILLE, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2014

Sales Tax Fund

The sales tax fund has a total fund balance of \$0. All revenues of the sales tax fund are transferred out to the General Fund, Special Sales Tax Fund, District No. 3 Sales Tax Fund, and the Street Construction Fund.

Special Sales Tax Fund

The special sales tax fund has a total fund balance of \$16,551,137, all of which is restricted for public works projects and debt service. The net increase in fund balance during the current year in the special sales tax fund was \$1,420,858. The City Administration began long-term planning to evaluate the needs for improvement that are necessary to the infrastructure to better serve and protect the citizens of the City of Mandeville. The City Administration rededicated Special Sales Tax Fund proceeds to improve the ability of the City to address infrastructure needs.

District No. 3 Sales Tax Fund

The District No. 3 sales tax fund has a total fund balance of \$2,122,439, all of which is restricted for improvement projects that will benefit the current and former District No. 3 of St. Tammany Parish. The net increase in fund balance during the current year in the District No. 3 sales tax fund was \$1,324,907.

Street Construction Fund

The street construction fund has a total fund balance of \$11,514,390, all of which is restricted for capital improvements. The net increase in fund balance during the current year in the street construction fund was \$446,022.

Proprietary Fund

The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water and Sewer Departments at the end of the year amounted to \$7,377,532. The total increase in net position was \$1,648,011. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

During the year, appropriations between the original and final amended budget increased by \$467,051. The increase is primarily due to capital outlay projects undertaken to repair assets damaged as a result of Hurricane Isaac.

CITY OF MANDEVILLE, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2014

The increase was possible because the City has accumulated fund balance over the past few fiscal years due to changes in the City's administration. With the election of a new Mayor, there was a change in city engineers which slowed the process of evaluation of the infrastructure requirements of the City. The City has also seen an increase in revenue over the past few years and without a long-term trend on the sales tax revenue, the City was conservative on appropriation of the funds.

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business type activities as of August 31, 2014, amounts to \$64,490,476 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, park facilities, roads, and water and sewer infrastructure.

Major capital asset additions during the current fiscal year included the following:

- Equipment and vehicles were acquired for the General Government at a cost of \$412,297.
- Land purchased by the City at a cost of \$85,986.
- Construction in progress of the general government was \$1,219,677 and consisted primarily of the road maintenance, drainage, and street projects.
- Road construction and replacement totaled \$3,202,984.
- Improvements to buildings and structures totaled \$318,858.
- Various water and sewer line additions and improvements were constructed by the Water and Sewer Fund at a cost of \$1,838,633.
- Equipment and vehicles were acquired for the Water and Sewer Funds at a cost of \$397,537.

Additional information on the City's capital assets can be found in Note 7 of this report.

Long-Term Debt

At August 31, 2014, the City had total bonded debt outstanding of \$2,370,000 in sales tax bonds payable from a pledge of the City's 1% Sales Tax.

Total retirement of long-term debt amounted to \$545,000 during the year ended August 31, 2014.

Additional information on the City's long-term debt can be found in Note 8 of this report.

CITY OF MANDEVILLE, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2014

Economic Factors and Next Year's Budget and Rates

Over the past four years, the City has completed many capital projects, including streets, drainage bridge projects, infrastructure improvements, sewer and water, and system upgrades. Since August 31, 2010 to August 31, 2014, the City has increased its net capital assets from \$57,310,387 to \$64,491,289 representing 68.9% of the City's year-end total assets and increased restricted fund balances to \$32,583,271, or 34.8%, of the total assets, which is an increase of \$9,021,759 from August 31, 2010 to August 31, 2014. Unrestricted funds also increased by \$5,318,302 over the same period, with a balance of \$16,455,288, or 17.6%, of total assets as of August 31, 2014.

The following factors were considered in preparing the City's budget for the 2015 fiscal year:

The City Revenue Projections for Major Governmental Sources for fiscal year 2014 and future revenue estimates are based on trend analysis. As with all forecasts, the past is no prediction as to the future results. The City is experiencing higher growth than previously estimated which can be attributed to new housing starts in the area, improvement of the overall economy, and lower unemployment in St. Tammany with an annual decrease of 1.2% in unemployment. The City's economic outlook is always cautiously optimistic. There are improvements and increases in sales tax receipts for fiscal year 2014. In addition, the stock market has rebounded which has a positive influence on purchasing. The positive indicators from commercial and residential construction permitting in fiscal year 2014 give a positive outlook for the next few years. The extended construction of Highway 190 in the City's concentrated retail area had a negative effect on sales tax receipts, and the completion of the construction in November 2014 should provide an additional boost in sales tax for fiscal year 2015. Bed Bath and Beyond will be relocating outside of the city and will create a shortfall in retail sales tax revenue. The entry of Home Goods has helped in fiscal year 2014 to boost sales tax receipts and should help soften the exit of Bed Bath and Beyond. The City's future revenue projections are weighted to its current funding sources. Sales taxes represent 67% and ad valorem taxes represent 13% of the City's major sources of revenue.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Frank J. Oliveri III, Director of Finance
City of Mandeville
3101 E. Causeway Approach
Mandeville, Louisiana 70448

FINANCIAL STATEMENTS

CITY OF MANDEVILLE, LOUISIANAStatement of Net Position

August 31, 2014

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 22,857,440	\$ 2,397,770	\$ 25,255,210
Investments	20,467,826	5,084,785	25,552,611
Receivables			
Property taxes, net	52,091	-	52,091
Sales and use taxes	1,186,682	-	1,186,682
Water and sewer, net	-	330,123	330,123
Grants	840,402	752,662	1,593,064
Other	194,103	-	194,103
Internal balances	52,282	(52,282)	-
Deposits	2,780	-	2,780
Inventory	99	92,509	92,608
Capital assets, net of depreciation:	<u>30,446,211</u>	<u>34,044,265</u>	<u>64,490,476</u>
 Total assets	 <u>\$ 76,099,916</u>	 <u>\$ 42,649,832</u>	 <u>\$ 118,749,748</u>
Liabilities:			
Accounts payables and accrued liabilities	\$ 1,806,872	\$ 878,965	\$ 2,685,837
Deposits	21,800	296,746	318,546
Non-current liabilities			
Due within in year	728,663	13,081	741,744
Due in more than one year	<u>3,754,603</u>	<u>39,243</u>	<u>3,793,846</u>
 Total liabilities	 <u>\$ 6,311,938</u>	 <u>\$ 1,228,035</u>	 <u>\$ 7,539,973</u>
Net Position:			
Net investment in capital assets	\$ 28,076,211	\$ 34,044,265	\$ 62,120,476
Restricted for:			
Public works and related bonded debt	32,583,271	-	32,583,271
Unrestricted	<u>9,128,496</u>	<u>7,377,532</u>	<u>16,506,028</u>
 Total net position	 <u>\$ 69,787,978</u>	 <u>\$ 41,421,797</u>	 <u>\$ 111,209,775</u>

See accompanying notes to financial statements.

CITY OF MANDEVILLE, LOUISIANAStatement of ActivitiesFor the year ended August 31, 2014

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contrib- utions	Capital Grants and Contrib- utions	Net (Expense) Revenue and Changes in Net Position		
					Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government	\$ 5,001,192	\$ 761,721	\$ 74,020	\$ 419,951	\$ (3,745,500)	\$ -	\$ (3,745,500)
Public safety	5,958,312	-	-	-	(5,958,312)	-	(5,958,312)
Public works	4,547,282	-	-	-	(4,547,282)	-	(4,547,282)
Cemetery	21,333	57,705	-	-	36,372	-	36,372
Interest on long-term debt	117,655	-	-	-	(117,655)	-	(117,655)
Total governmental activities	<u>15,645,774</u>	<u>819,426</u>	<u>74,020</u>	<u>419,951</u>	<u>(14,332,377)</u>	<u>-</u>	<u>(14,332,377)</u>
Business-Type Activities:							
Water	1,844,909	1,254,483	2,246	752,662	-	164,482	164,482
Sewer	2,338,763	1,920,241	-	-	-	(418,522)	(418,522)
Total business-type activities	<u>4,183,672</u>	<u>3,174,724</u>	<u>2,246</u>	<u>752,662</u>	<u>-</u>	<u>(254,040)</u>	<u>(254,040)</u>
Total	<u>\$ 19,829,446</u>	<u>\$ 3,994,150</u>	<u>\$ 76,266</u>	<u>\$ 1,172,613</u>	<u>\$ (14,332,377)</u>	<u>\$ (254,040)</u>	<u>\$ (14,586,417)</u>
General revenues							
Ad valorem (property) taxes					2,640,073	-	2,640,073
Franchise taxes					1,013,219	-	1,013,219
Sales and use taxes					14,497,182	-	14,497,182
Licenses and permits					1,515,923	-	1,515,923
Fines, forfeitures and other					321,249	-	321,249
Interest and investment earnings					59,846	23,666	83,512
Other general revenues					502,095	-	502,095
Gain (loss) on disposal of assets					101,688	(950)	100,738
Total general revenues and transfers					<u>20,651,275</u>	<u>22,716</u>	<u>20,673,991</u>
Transfer in (out)					(1,879,335)	1,879,335	-
Changes in net position					4,439,563	1,648,011	6,087,574
Net position, beginning of year					<u>65,348,415</u>	<u>39,773,786</u>	<u>105,122,201</u>
Net position, end of year					<u>\$ 69,787,978</u>	<u>\$ 41,421,797</u>	<u>\$ 111,209,775</u>

See accompanying notes to financial statements.

CITY OF MANDEVILLE, LOUISIANA

Governmental Funds - Balance Sheet

August 31, 2014

	General	Sales Tax Fund	Special Sales Tax Fund	District No. 3 Sales Tax Fund	Tax Collector Fund	Street Construction Fund	Non-Major Governmental Funds	Total
ASSETS								
Cash and cash equivalents	\$ 6,141,877	\$ 122,332	\$ 9,914,261	\$ 2,345,218	\$ 84,207	\$ 3,158,939	\$ 1,090,606	\$ 22,857,440
Investments	4,151,548	91,388	6,561,270	-	469,748	8,121,035	1,072,837	20,467,826
Receivables								
Property taxes	-	-	-	-	52,091	-	-	52,091
Sales and use taxes	-	1,186,682	-	-	-	-	-	1,186,682
Grants	840,402	-	-	-	-	-	-	840,402
Other	194,103	-	-	-	-	-	-	194,103
Deposits	2,780	-	-	-	-	-	-	2,780
Inventory plots and crypts	99	-	-	-	-	-	-	99
Interfund receivables	1,440,581	-	545,146	137,537	-	529,233	-	2,652,497
Total assets	\$ 12,771,390	\$ 1,400,402	\$ 17,020,677	\$ 2,482,755	\$ 606,046	\$ 11,809,207	\$ 2,163,443	\$ 48,253,920
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES								
LIABILITIES								
Accounts payable	\$ 1,393,191	\$ -	\$ -	\$ 103,656	\$ -	\$ 294,817	\$ -	\$ 1,791,664
Accrued liabilities	639	-	-	-	-	-	-	639
Deposits	21,800	-	-	-	-	-	-	21,800
Interfund payables	-	1,400,402	469,540	256,660	473,613	-	-	2,600,215
Total liabilities	1,415,630	1,400,402	469,540	360,316	473,613	294,817	-	4,414,318
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenues	840,497	-	-	-	59,617	-	-	900,114
Total deferred inflows of resources	840,497	-	-	-	59,617	-	-	900,114
FUND BALANCES								
Nonspendable amounts:								
Not in spendable form	2,879	-	-	-	-	-	-	2,879
Restricted	159,046	-	16,551,137	2,122,439	72,816	11,514,390	2,163,443	32,583,271
Committed	28,983	-	-	-	-	-	-	28,983
Unassigned	10,324,355	-	-	-	-	-	-	10,324,355
Total fund balances	10,515,263	-	16,551,137	2,122,439	72,816	11,514,390	2,163,443	42,939,488
Total liabilities, deferred inflows of resources, and fund balances	\$ 12,771,390	\$ 1,400,402	\$ 17,020,677	\$ 2,482,755	\$ 606,046	\$ 11,809,207	\$ 2,163,443	\$ 48,253,920

See accompanying notes to financial statements.

CITY OF MANDEVILLE, LOUISIANAReconciliation of the Governmental Funds' Balance Sheet to the Statement of Net PositionAugust 31, 2014

Total fund balances -- governmental funds	\$	42,939,488
---	----	------------

The cost of capital assets (land, buildings, furniture and equipment) purchased or constructed is reported as an expenditure in governmental funds. The Statement of Net Position includes those capital assets among the assets of the City as a whole. The cost of those assets is allocated over their estimated useful lives (as depreciation expense) to the various programs and reported as governmental activities in the Statement of Activities. Because depreciation expense does not affect financial resources, it is not reported in governmental funds.

Cost of capital assets	\$ 77,409,256	
Accumulated depreciation	<u>(46,963,045)</u>	30,446,211

Revenues in the statement of activities that do not provide current financial resources and are not reported as revenues in the funds.		900,114
--	--	---------

Interest expense is accrued at year-end in the government-wide financial statements, but is recorded only if due and payable on the governmental fund financial statements.		(14,569)
---	--	----------

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities -- both current and long-term -- are reported in the Statement of Net Position. Long-term liabilities consist of:

Bonds payable	\$ (2,370,000)	
Net other post-employment benefit obligation	(1,837,757)	
Compensated absences	<u>(275,509)</u>	<u>(4,483,266)</u>

Net position -- governmental activities	\$	<u>69,787,978</u>
---	----	-------------------

See accompanying notes to financial statements.

CITY OF MANDEVILLE, LOUISIANA

Statement of Revenues, Expenditures, and Changes in
Fund Balances - All Governmental Fund Types

For the year ended August 31, 2014

	General	Sales tax Fund	Special Sales Tax Fund	District No. 3 Sales Tax Fund	Tax Collector Fund	Street Construction Fund	Non-major Governmental Funds	Total
REVENUES								
Taxes								
Ad valorem	\$ 2,632,860	\$ -	\$ -	\$ -	\$ 7,213	\$ -	\$ -	\$ 2,640,073
Franchise	1,013,219	-	-	-	-	-	-	1,013,219
Sales and Use	-	14,497,182	-	-	-	-	-	14,497,182
Intergovernmental	349,151	-	-	-	-	-	-	349,151
Licenses and permits	1,515,923	-	-	-	-	-	-	1,515,923
Fines and forfeitures	321,249	-	-	-	-	-	-	321,249
Charges for services	819,426	-	-	-	-	-	-	819,426
Interest income	14,932	435	28,742	2,024	11,808	-	1,905	59,846
Other	593,952	-	-	-	-	9,831	-	603,783
Total revenues	7,260,712	14,497,617	28,742	2,024	19,021	9,831	1,905	21,819,852
EXPENDITURES								
General government	4,162,696	165,902	-	103,657	27,214	2,300	-	4,461,769
Public safety	5,633,339	-	-	-	-	-	-	5,633,339
Public works	1,845,924	-	-	-	-	91,960	-	1,937,884
Cemetery	21,333	-	-	-	-	-	-	21,333
Debt service								
Principal	-	-	-	-	130,000	-	415,000	545,000
Interest and fiscal charges	-	-	-	-	2,210	-	99,484	101,694
Capital outlay	1,907,335	-	-	-	-	2,255,912	-	4,163,247
Total expenditures	13,570,627	165,902	-	103,657	159,424	2,350,172	514,484	16,864,266
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(6,309,915)	14,331,715	28,742	(101,633)	(140,403)	(2,340,341)	(512,579)	4,955,586
OTHER FINANCING SOURCES (USES)								
Operating transfers in	6,325,005	-	5,059,406	1,683,200	-	2,786,363	522,356	16,376,330
Operating transfers out	-	(14,331,715)	(3,667,290)	(255,660)	-	-	-	(18,255,665)
Total other financing sources (uses)	6,325,005	(14,331,715)	1,392,116	1,426,540	-	2,786,363	522,356	(1,879,335)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	15,090	-	1,420,858	1,324,907	(140,403)	446,022	9,777	3,076,251
FUND BALANCES - BEGINNING OF YEAR	10,500,173	-	15,130,279	797,532	213,219	11,068,368	2,153,666	39,863,237
FUND BALANCES - END OF YEAR	\$ 10,515,263	\$ -	\$ 16,551,137	\$ 2,122,439	\$ 72,816	\$ 11,514,390	\$ 2,163,443	\$ 42,939,488

See accompanying notes to financial statements.

CITY OF MANDEVILLE, LOUISIANAReconciliation of the Governmental Funds' Statement of Revenues,
Expenditures, and Changes in Fund Balance to the Statement of ActivitiesFor the year ended August 31, 2014

Total net changes in fund balances – governmental funds	\$ 3,076,251
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However in the statement of activities the costs of those assets are allocated over their estimated useful lives and are reported as depreciation expense. This represents the amount that capital outlays (\$4,163,247) exceeded depreciation (\$3,204,014) in the current period.	959,233
The issuance of long-term debt (e.g. bonds) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt.	
Bond principal payments	545,000
Bond financing costs are reported as expenditures in governmental funds, but are capitalized and amortized over the life of the bonds in the government-wide financial statements. This represents the amortization of the remaining bond financing costs in the current year.	(19,630)
Change in revenue accruals - Under modified accrual basis of accounting, revenues are not recognized unless they are deemed "available" to finance the expenditures of the current period. Accrual basis recognition is not limited to availability, so certain revenues not available for spending are recognized in the current year.	144,820
Change in accrual basis recognition of interest expenditures	3,669
The change in the net other post-employment benefit obligation reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.	(230,680)
Compensated absences are recorded in the governmental funds when paid, but are recorded in the statement of activities when earned. This represents the amount of compensated absences earned that exceeded amounts paid in the current period.	(39,100)
Change in net assets of governmental activities	<u>\$ 4,439,563</u>

See accompanying notes to financial statements.

CITY OF MANDEVILLE, LOUISIANAProprietary Fund
Statement of Net PositionAugust 31, 2014

	Enterprise Fund
ASSETS	
Cash and cash equivalents	\$ 2,397,770
Investments	5,084,785
Accounts receivable (net of allowance for uncollectibles)	330,123
Grant receivable	752,662
Inventory	92,509
Total current assets	<u>8,657,849</u>
PROPERTY, PLANT, AND EQUIPMENT	
Property, plant, and equipment, at cost	50,821,589
Less: Accumulated depreciation	<u>(16,777,324)</u>
Property, plant, and equipment, net	<u>34,044,265</u>
Total assets	<u>\$ 42,702,114</u>
LIABILITIES AND NET POSITION	
LIABILITIES	
Accounts and other payables	\$ 878,965
Interfund payables	52,282
Customer deposits	296,746
Accrued compensated absences, current	<u>13,081</u>
Total current liabilities	1,241,074
Accrued compensated absences, noncurrent	<u>39,243</u>
Total liabilities	<u>1,280,317</u>
NET POSITION	
Net investment in capital assets	34,044,265
Unrestricted	<u>7,377,532</u>
Total net position	<u>41,421,797</u>
Total liabilities and net position	<u>\$ 42,702,114</u>

See accompanying notes to financial statements.

CITY OF MANDEVILLE, LOUISIANAProprietary FundStatement of Revenues, Expenses, and Changes in Net PositionFor the year ended August 31, 2014

	<u>Enterprise Fund</u>
OPERATING REVENUES	
Charges for services:	
Water fees	\$ 1,103,282
Sewer fees	1,861,471
Tapping fees:	
Water	18,765
Sewer	9,600
Water service charges	21,437
Delinquent fees	72,566
Miscellaneous	24,687
Sewer impact fees	27,778
Water impact fees	35,138
	<u>3,174,724</u>
OPERATING EXPENSES	
Water department expenses	1,844,909
Sewer department expenses	2,338,763
	<u>4,183,672</u>
Total operating expenses	<u>4,183,672</u>
Operating loss	<u>(1,008,948)</u>
NON-OPERATING REVENUES (EXPENSES)	
Operating grants	2,246
Loss on disposal of capital assets	(950)
Interest income	23,666
	<u>24,962</u>
Total non-operating revenues (expenses)	<u>24,962</u>
CHANGES IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>(983,986)</u>
Capital contributions	752,662
Transfers in	1,879,335
	<u>1,648,011</u>
CHANGES IN NET POSITION	<u>1,648,011</u>
NET POSITION:	
BEGINNING OF YEAR	<u>39,773,786</u>
END OF YEAR	<u>\$ 41,421,797</u>

See accompanying notes to financial statements.

CITY OF MANDEVILLE, LOUISIANAProprietary Fund
Statement of Cash FlowsFor the year ended August 31, 2014

	<u>Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers and users	\$ 3,169,658
Cash paid to suppliers of goods or services	(1,124,270)
Cash paid to employees	(960,082)
	<u>1,085,306</u>
Net cash provided by operating activities	<u>1,085,306</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers in	1,879,335
Proceeds from operating grants	2,246
Net payments to other funds	(791,581)
	<u>1,090,000</u>
Net cash provided by non-capital financing activities	<u>1,090,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital grants	241,944
Purchase of capital assets	(3,432,601)
	<u>(3,190,657)</u>
Net cash used in capital and related financing activities	<u>(3,190,657)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of investments	(17,571)
Interest received	27,547
	<u>9,976</u>
Net cash provided by capital and related financing activities	<u>9,976</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(1,005,375)</u>
CASH AND CASH EQUIVALENTS:	
BEGINNING OF YEAR	<u>3,369,668</u>
END OF YEAR	<u>\$ 2,364,293</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating loss	\$ (1,008,948)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	1,405,311
Increase in accounts receivable	(8,741)
Increase in accounts payable and other payables	694,009
Increase in customer deposits	3,675
	<u>3,675</u>
Net cash provided by operating activities	<u>\$ 1,085,306</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

CITY OF MANDEVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2014

(1) Summary of Significant Accounting Policies

The City of Mandeville, Louisiana (the City) adopted the Home Rule Charter on November 16, 1985, under the provisions of Article VI, Section 5, of the Louisiana Constitution of 1974. The City operates under a Mayor - Council form of government and provides the following services as authorized by its charter: public safety, highways and streets, sanitation and utilities, health and social services, culture and recreation, public improvements, planning and zoning, and general administrative services.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies:

(a) *Reporting Entity*

Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards established criteria for determining the governmental reporting entity and component units that should be included with the reporting entity. For financial reporting purposes, in conformance with GASB Codification Section 2100, the City includes all funds which are controlled by or dependent on the City which was determined on the basis of oversight responsibility, including accountability for fiscal and budget matters, designation and management or governing authority, and authority to issue debt. Based on these criteria, the City has determined that there are no component units that are part of the reporting entity.

(b) *Government-Wide and Fund Financial Statements*

Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the City as a whole. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The City's police protection, parks, recreation, community and youth services, animal control, garbage collection, public works, and general administration services are classified as governmental activities. The City's water and sewer services are classified as business-type activities.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are presented on a consolidated basis by column. The City's net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. The City first utilizes restricted resources to finance qualifying activities when both restricted and unrestricted net position is available.

CITY OF MANDEVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2014

(1) Summary of Significant Accounting Policies (continued)

(b) *Government-Wide and Fund Financial Statements (continued)*

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of the City's functions and business-type activities are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or business-type activity. Program revenues include (1) charges to customers or applicants for services or privileges provided by a given function or business-type activity, such as water and sewer use or garbage collection fees, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or business-type activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The accounts of the City are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance or net position, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

The funds of the City are classified into two categories: governmental and proprietary. Each category in turn, is divided into separate fund types.

Fund financial statements report detailed information about the City. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported as a separate column. The major funds reported are the General Fund, Sales Tax Fund, Special Sales Tax Fund, District No. 3 Sales Tax Fund, Tax Collector Fund and the Street Construction Fund. Non-major funds are aggregated and presented in a single column. The City has two non-major funds the Bond Reserve fund and Bond Sinking Fund.

(c) *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF MANDEVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2014

(1) Summary of Significant Accounting Policies (continued)

(c) *Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)*

An allowance for estimated uncollectible receivables is recorded for all accounts receivable older than 120 days at year-end.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes are recognized as revenue in the year for which taxes have been levied and collected. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Licenses and permits, fines and forfeitures, and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned.

The following are the City's major governmental funds:

General Fund - This fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Sales Tax Special Revenue Fund (Sales Tax Fund) - This fund is used to account for the proceeds of the City's 2.5% sales and use tax and the State, Parish and Municipal Motor Vehicle sales tax. 1% of this tax is dedicated to capital expenditures for constructing, improving, extending and maintaining playgrounds and recreational facilities, public roads, streets, bridges and crossings, sewerage, garbage disposal, waterworks, fire protection, beach improvements, seawalls and extensions, harbor improvements and other works of permanent public improvements in the City. On November 19, 2011, a special election was held to authorize the rededication of the proceeds of the 1% sales and use tax authorized at an election held on August 18, 1959.

CITY OF MANDEVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2014

(1) Summary of Significant Accounting Policies (continued)

(c) *Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)*

The proposition was passed allowing for the rededication of the proceeds received by the City from the levy and collection so that such proceeds (after paying the reasonable and necessary costs and expenses of collecting and administering the tax) may be used for any lawful corporate purpose of the City. In the government-wide Statement of Net Position, both the governmental and business-type activities columns are presented on a consolidated basis by column. The City's net position is reported in three parts -- net investment in capital assets; restricted net position; and unrestricted net position.

The City first utilizes restricted resources to finance qualifying activities when both restricted and unrestricted net position are available. The remaining 1.5% sales and use tax and the State, Parish and Municipal Motor Vehicle sales tax is transferred 1% to the Special Sales Tax Fund and .5% to the Street Construction Fund.

Special Sales Tax Special Revenue Fund (Special Sales Tax Fund) - This fund is used to account for 1% of the sales and use tax and the State, Parish and Municipal Motor Vehicle sales tax transferred from the Sales Tax Fund. 1% became effective with elections held on November 4, 1986, and May 1, 1999, and is to be used for the purpose of constructing, acquiring, extending, improving, operating, and maintaining sewers and sewerage disposal works; waterworks improvements; streets; drains and drainage facilities; and for the repayment of bonds for related capital improvements.

All monies remaining in the Special Sales Tax Fund on the 20th day of each month in excess of all reasonable and necessary expenses of collection and administration of the tax and after making the required payments into the Sinking Fund and the Reserve Fund for the current month and for prior months during which the required payments may not have been made, shall be considered surplus. Such surplus may be used by the issuer for any of the purposes for which the imposition of the tax is authorized or for the purpose of retiring bonds in advance of their maturities.

Street Construction Capital Projects Fund (Street Construction Fund) - This fund is used to account for the costs of constructing, acquiring, extending and improving (i) streets and/or (ii) roadside drains and roadside drainage facilities. Financing is provided by a pledge of revenue to be derived from the City's collection of a .5% sales tax transferred from the Sales Tax Fund. One-half percent became effective with an election held on January 20, 2001 and extended by the voters on March 27, 2010 (other than those financed by Proprietary Funds).

CITY OF MANDEVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2014

(1) Summary of Significant Accounting Policies (continued)

(c) *Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)*

District No. 3 Sales Tax Special Revenue Fund (District No. 3 Sales Tax Fund) – This fund is used to account for the portion of the St. Tammany Parish 2.0% sales and use tax transferred from the Sales Tax Fund to be used for joint projects with St. Tammany Parish to provide improvements to St. Tammany Parish’s Sales Tax District No. 3 to include constructing, acquiring, extending, improving, maintaining, and/or operating: 1) roads, streets, and bridges and 2) drains and drainage facilities for the benefit of the District. In April 2012, the Parish and the City amended the Sales Tax Enhancement Plan dated effective September 20, 1990, as amended by an agreement dated March 27, 2003 to allow for the joint projects.

Tax Collector Fund – This fund is used to account for the receipt of the ad valorem taxes from St. Tammany Parish and the subsequent payment of the related debt service payments due on the 2003 Refunding Bond Series.

The City's sole proprietary fund is the Enterprise Fund.

Enterprise Fund - This fund is used to account for operations of the Enterprise Fund where: (a) it is financed and operated in a manner similar to a private business enterprise, and (b) the periodic determination of net income is appropriate.

The City has implemented Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which codifies most pre-November 30, 1989 FASB and AICPA pronouncements that are relevant to governments and do not conflict with or contradict GASB pronouncements. This eliminates the option for business-type activities to follow new FASB pronouncements, although they may continue to be applied as “other accounting literature.”

(d) *Cash and Investments*

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Short-term investments are stated at amortized cost, which approximates market value. Certain investments, as required by government auditing standards, are reported at fair value (quoted market price or the best available estimate).

CITY OF MANDEVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2014

(1) Summary of Significant Accounting Policies (continued)

(e) *Receivables*

All trade and property tax receivables are shown net of an allowance for uncollectible accounts. Trade accounts receivable in excess of 120 days comprise the trade accounts receivable allowance for uncollectibles.

Outstanding balances between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/due from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "Internal Balances."

Uncollectible amounts due for customers' utility receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available, which would indicate the uncollectibility of the particular receivable. The allowance was \$211,422 at August 31, 2014.

Property taxes are due on January 1st and delinquent if not paid by March 31st. Property on which the taxes have not been paid is adjudicated to the City after being offered for sale to the public. Receivables - Tax liens are reflected in the financial statements. Total property tax revenue for the year ended August 31, 2014, was \$2,640,073.

(f) *Capital Assets*

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical costs are not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The City maintains a threshold level of \$5,000 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 assets lives are not capitalized. Improvements are capitalized over the remaining useful lives of the assets.

Capital outlays are recorded as expenditures of the general, special revenue and capital projects funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met. In accordance with government auditing standards, infrastructure has been capitalized retroactively to 1980. Effective in fiscal year 2004, interest incurred during construction is capitalized on a government-wide basis. Depreciation is recorded on general fixed assets on a government-wide basis. Capital outlays of the proprietary fund are recorded as fixed assets and depreciated over their estimated useful lives on a straight-line basis on both the fund basis and the government-wide basis.

CITY OF MANDEVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2014

(1) Summary of Significant Accounting Policies (continued)

(f) *Capital Assets (continued)*

The estimated useful lives are as follows:

<u>Description</u>	<u>Estimated Useful Lives</u>
Roads, bridges and infrastructure	20-40 years
Land improvements	20 years
Buildings and building improvements	20-40 years
Furniture and fixtures	7 years
Vehicles	5 years
Equipment	3-20 years
Water and sewerage systems	25 years

(g) *Compensated absences*

It is the City's policy to permit employees to accumulate earned but unused annual and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the City. Employees may carry over annual leave up to 30 days for Civil Service employees or 60 days for Directors. Unused annual in excess of the 30 or 60 days is forfeited on the employee's anniversary date. All annual pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the government funds only if they have matured, for example, as a result of employee resignations and retirements.

(h) *Long-term Obligations*

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF MANDEVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2014

(1) Summary of Significant Accounting Policies (continued)

(i) *Net Position – Government Wide and Proprietary Fund Financial Statements*

Net Position is displayed in three components:

1. Net investment in capital assets - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position - net position with constraints placed on the use either by:
 - a. external groups such as creditors, grantors, contributors or laws or regulations of other governments, or
 - b. law through constitutional provisions or enabling legislation.
3. Unrestricted net position - all other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

(j) *Fund Balance*

In the governmental fund financial statements, fund balances are classified as follows:

1. Non-Spendable Fund Balance - amounts that cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.
2. Restricted Fund Balance - amounts that can be spent only for specific purposes because of the City Charter, the City Code, state or federal laws, or externally imposed conditions by grantors, creditors, or citizens.
3. Committed Fund Balance - amounts that can be used only for specific purposes determined by a formal action by City Council ordinance or resolution.
4. Assigned Fund Balance - amounts that are constrained by the City’s intent that they will be used for specific purposes. The City Council is the only body authorized to assign amounts for a specific purpose and is the highest level of decision-making. Therefore, amounts must be reported as committed.
5. Unassigned Fund Balance - all amounts not included in other spendable classifications.

The City considers restricted fund balances to be spent for governmental expenditures first when both restricted and unrestricted resources are available. The City also considers committed fund balances to be spent first when other unrestricted fund balance classifications are available for use.

CITY OF MANDEVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2014

(1) Summary of Significant Accounting Policies (continued)

(k) *Interfund Transactions*

Permanent re-allocation of resources between funds of the reporting entity is classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

(l) *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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the period. Actual results could differ from those estimates.

(m) *Change in Accounting Principle*

The City has implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for the year ended August 31, 2014. This standard provides guidance for reporting the financial statement elements of deferred outflows of resources and deferred inflows of resources, required by GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 65 also identifies certain items previously reported as assets and liabilities that the GASB determined should be recognized as revenues, expenses, or expenditures when incurred and not reported in statements of net position/balance sheets.

(2) Budgetary Procedures and Budgetary Accounting

All proposed budgets must be completed and submitted to the City Council no later than fifteen days prior to the beginning of each fiscal year. The operating budget includes proposed expenditures and the means of financing them. The final budget must be adopted before the ensuing fiscal year begins or if, at the end of any fiscal year, the appropriations necessary for the support of the municipality for the ensuing fiscal year have not been made, then 50% of the amounts appropriated in the appropriation ordinance or resolution for the last validly passed budget year shall be deemed re-appropriated for the objects and purposes specified in such ordinance or resolution. This 50% limitation will continue until a budget is approved.

The City adopted a line item budget on a basis consistent with accounting principles generally accepted in the United States of America for the following fund types: general fund, special revenue funds, capital projects funds and the enterprise fund (proprietary fund).

A formal budget was not adopted for the debt service funds because effective budgetary control is alternately achieved through general obligation bond provisions.

CITY OF MANDEVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2014

(2) Budgetary Procedures and Budgetary Accounting (continued)

According to line item budgeting, actual expenditures for each line item may not exceed its corresponding budgeted amount. The budget may be amended under the same procedures as were followed under its adoption. A budget amendment shall be required should the total of all budget adjustments made within a fiscal year exceed 5% of a department's appropriations. The budgets presented have been amended. No transfer of funds in the amount greater than 3% of a fund appropriation may be made between line items within that fund. Notice of any such budget adjustment shall be given to members of the City Council upon approval of the adjustment by the Mayor.

Every appropriation, except an appropriation for a capital expenditure, shall lapse at the close of the fiscal year to the extent that it has not been expended or encumbered. An appropriation for a capital expenditure shall continue in force until the purpose for which it was made has been accomplished or abandoned; the purpose of any such appropriation shall be deemed abandoned if one (1) year passes without any disbursement from or encumbrance of the appropriation. The City does not utilize encumbrance accounting.

(3) Cash and Cash Equivalents

At August 31, 2014, the City had \$25,255,210 in cash and cash equivalents. Under state law, deposits 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 and letters of credit must at all times equal the amount on deposit with the fiscal agent.

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At August 31, 2014, the City had \$27,386,223 (collected bank balances). These deposits are secured from risk by federal deposit insurance and \$25,483,265 of pledged securities held by the custodial bank's trust department not in the name of the City.

Louisiana Revised Statute 39:1229 imposes a requirement on the custodian bank to advertise and sell the pledged securities within 10 days of being notified by the City that the fiscal agent has failed to pay deposited funds upon demand.

(4) Investments

State law limits the City's investments to direct U.S. Treasury obligations; bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by federal agencies; bonds, debentures, notes, or other evidence of indebtedness issued by the State of Louisiana or any of its political subdivisions; direct security repurchase agreements; fully collateralized time certificates of deposit of any bank domiciled in the state of Louisiana; mutual or trust fund institutions which are registered with the SEC and which have underlying investments consisting solely of and limited to securities of the U.S. government or its agencies; guaranteed investment contracts; commercial paper rated A-1 by Standard & Poors Corporation or P-1 by Moody's Commercial Paper Record, and LAMP.

CITY OF MANDEVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2014

(4) Investments (continued)

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the state of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LA-R.S. 33:2955. LAMP is a 2a7-like investment pool. The following facts are relevant for 2a7 like investment pools:

- Credit risk: LAMP is rated AAA by Standard & Poor's.
- Custodial credit risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The City's investment is with the pool, not the securities that make up the pool; therefore, no public disclosure is required.
- Concentration of credit risk: Pooled investments are excluded from the five percent disclosure requirement.
- Interest rate risk: LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 60 days, and consists of no securities with a maturity in excess of 397 days. The WAM for LAMP's total investments is 59 days as of August, 2014.
- Foreign currency risk: Not applicable to 2a7-like pools.

The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the net asset value of the pool shares. LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

Concentration of credit risk – It is the policy of the City to diversify its investment portfolios. Assets shall be diversified to reduce the risk of loss resulting from the over concentration of assets in a specific maturity, a specific issuer or a specific class of securities. More than 5% of the City's investments are in LAMP, Federal National Mortgage Association Discount Notes, Certificates of Deposit, and Federal Farm Credit Bank.

Interest rate risk - Interest rate risk is the risk that changes in the financial market rates of interest will adversely affect the value of an investment. Of the City's investments, \$18,012,254 have investment maturities of less than one year and \$7,540,357 have maturities of one to five years.

CITY OF MANDEVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2014

(4) Investments (continued)

Credit Quality Risk – Credit quality risk is the risk that the issuer or other counterparty to a debt security will not fulfill its obligation to the City.

Custodial Credit Risk – Custodial credit risk for investments is the risk that, in the event of a failure, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if they are uninsured, are not registered in the City’s name, and are held by either the counterparty to the investment purchase or the counterparty’s trust department or agent but not held in the City’s name. The investments of the City and owned at August 31, 2014 were not subject to custodial credit risk.

The following table provides information on the credit ratings, maturity dates, and fair values associated with the City’s investments at August 31, 2014:

<u>Investment</u>	<u>Rating</u>	<u>Maturity Date</u>	<u>Fair Value</u>
Tax Exempt Bonds	AAA	October 2014	\$ 400,284
Tax Exempt Bonds	AAA	December 2014	515,207
Certificates of Deposit	not rated	January 2015	200,000
Certificates of Deposit	not rated	May 2015	250,000
Certificates of Deposit	not rated	June 2015	250,000
Certificates of Deposit	not rated	December 2015	250,000
Federal Home Loan Mtg Corp	AAA	April 2016	798,144
Federal National Mtg Assoc	AAA	April 2016	149,966
Federal Home Loan Mtg Corp	AAA	December 2016	249,837
Federal Home Loan Bank	AAA	December 2016	700,763
Federal Home Loan Mtg Corp	AAA	December 2016	800,408
Federal National Mtg Assoc	AAA	December 2016	549,664
Tax Exempt Bonds	AAA	December 2016	78,453
Federal Farm Credit Bank	AAA	April 2017	748,965
Federal Home Loan Mtg Corp	AAA	May 2017	490,847
Federal National Mtg Assoc	AAA	June 2017	848,631
Tax Exempt Bonds	AAA	July 2017	550,726
Federal Home Loan Mtg Corp	AAA	August 2017	249,950
Tax Exempt Bonds	AAA	August 2017	374,313
Tax Exempt Bonds	AAA	August 2017	199,526
Louisiana Asset Management Pool	AAAm	Not applicable	16,896,927
			<u>\$ 25,552,611</u>

CITY OF MANDEVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2014

(5) Property Taxes

Property taxes on real and personal property are levied by the City as an enforceable lien on the property as of March 31; the taxes are payable on January 1, and are delinquent on March 31.

The assessed value of the property is determined by the St. Tammany Parish assessor's office. The assessed value at January 1, 2014, upon which the 2014 levies were based, was \$168,577,729. The combined 2014 tax rate was \$15.90 per \$1,000 of assessed valuation. Of this amount, \$15.80 was available for general operations and \$0.10 was available for general obligation indebtedness.

(6) Receivables

At August 31, 2014, receivables, net of allowances consisted of the following:

	<u>General Fund</u>	<u>Sales Tax Fund</u>	<u>Tax Collector Fund</u>	<u>Proprietary Fund</u>	<u>Total</u>
Water and sewer	\$ -	\$ -	\$ -	\$ 330,123	\$ 330,123
Property taxes	-	-	52,091	-	52,091
Sales and use taxes	-	1,186,682	-	-	1,186,682
Franchise	151,635	-	-	-	151,635
Grants	840,402	-	-	752,662	1,593,064
Other	42,468	-	-	-	42,468
	<u>\$ 1,034,505</u>	<u>\$ 1,186,682</u>	<u>\$ 52,091</u>	<u>\$ 1,082,785</u>	<u>\$ 3,356,063</u>

Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Total allowance for doubtful accounts is \$48,148 for governmental activities and \$211,422 for the business-type activities at August 31, 2014.

(7) Property, Plant and Equipment

Depreciation was charged to the governmental functions as follows:

Public works – street construction and maintenance	\$ 2,609,398
Public safety – police	324,973
General government – City Hall	269,643
Total	<u>\$ 3,204,014</u>

CITY OF MANDEVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2014

(7) Property, Plant and Equipment (continued)

The following is a summary of the changes in capital assets for governmental activities for the year ended August 31, 2014:

<u>Governmental Activities</u>	<u>September 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>August 31, 2014</u>
<u>Nondepreciable capital assets:</u>					
Land	\$ 4,088,002	\$ 85,986	\$ -	\$ -	\$ 4,173,988
Construction in process	1,041,194	3,202,984		(3,024,501)	1,219,677
Total nondepreciable capital assets	5,129,196	3,288,970	-	(3,024,501)	5,393,665
<u>Depreciable capital assets:</u>					
Infrastructure – streets	48,731,405	361,883	-	2,805,740	51,899,028
Trace and trailhead	3,915,869	-	-	-	3,915,869
Drainage	6,430,370	-	-	-	6,430,370
Vehicles	2,203,455	17,271	(63,751)	-	2,156,975
Equipment	2,082,295	395,026	(104,014)	-	2,373,307
Buildings	4,171,658	100,097	-	218,761	4,490,516
Office equipment and furniture	108,103	-	-	-	108,103
Harbor	641,423	-	-	-	641,423
Total depreciable capital assets	68,284,578	874,277	(167,765)	3,024,501	72,015,591
<u>Less: accumulated depreciation for:</u>					
Infrastructure - streets	(35,384,836)	(2,189,807)	-	-	(37,574,643)
Trace and trailhead	(1,117,200)	(101,134)	-	-	(1,218,334)
Drainage	(2,104,681)	(195,873)	-	-	(2,300,554)
Vehicles	(1,598,834)	(214,600)	63,751	-	(1,749,683)
Equipment	(1,395,064)	(238,162)	104,014	-	(1,529,212)
Buildings	(2,085,858)	(234,327)	-	-	(2,320,185)
Office equipment and furniture	(98,452)	(5,871)	-	-	(104,323)
Harbor	(141,871)	(24,240)	-	-	(166,111)
Total accumulated depreciation	(43,926,796)	(3,204,014)	167,765	-	(46,963,045)
Depreciable capital assets, net	24,357,782	(2,329,737)	-	3,024,501	25,052,546
Total capital assets	\$ 29,486,978	\$ 959,233	\$ -	\$ -	\$ 30,446,211

CITY OF MANDEVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2014

(7) Property, Plant and Equipment (continued)

The following is a summary of the changes in capital assets for business-type activities for the year ended August 31, 2014:

Business-Type Activities	September 1, 2013	Additions	Deletions	Transfers	August 31, 2014
Nondepreciable capital assets:					
Land	\$ 1,745,392	\$ -	\$ -	\$ -	\$ 1,745,392
Construction in process	606,932	2,827,508	-	(1,664,554)	1,769,886
Total nondepreciable capital assets	2,352,324	2,827,508	-	(1,664,554)	3,515,278
Depreciable capital assets:					
Buildings	1,314,487	-	-	-	1,314,487
Water wells, lines and tower	17,364,809	64,838	-	138,821	17,568,468
Sewer lines	18,512,360	-	-	-	18,512,360
Equipment and vehicles	2,127,825	397,537	(14,441)	-	2,510,921
Wastewater treatment plant	5,765,101	109,241	-	1,525,733	7,400,075
Total depreciable capital assets	45,084,582	571,616	(14,441)	1,664,554	47,306,311
Less: accumulated depreciation for:					
Buildings	(270,786)	(27,385)	-	-	(298,171)
Water wells, lines and tower	(4,496,390)	(376,187)	-	-	(4,872,577)
Sewer lines	(7,919,698)	(488,487)	-	-	(8,408,185)
Equipment and vehicles	(1,483,647)	(289,940)	9,610	-	(1,763,977)
Wastewater treatment plant	(1,211,102)	(223,312)	-	-	(1,434,414)
Total accumulated depreciation	(15,381,623)	(1,405,311)	9,610	-	(16,777,324)
Depreciable capital assets, net	29,702,959	(833,695)	(4,831)	1,664,554	30,528,987
Total capital assets	\$ 32,055,283	\$ 1,993,813	\$ (4,831)	\$ -	\$ 34,044,265

Depreciation expense for business type activities is \$1,405,311 for year ended August 31, 2014.

Capital Commitments

The City has active capital projects as of August 31, 2014 as follows:

Project	Total Contract	Remaining Commitment
Magee Excavation	\$ 367,860	\$ 204,316
Mariner's Village Slope Stabilization	103,880	103,880
Road Maintenance Task Order 2	1,128,000	799,936
Surveillance Cameras	163,448	28,983
Rapatel Street Water Tower	2,853,944	2,353,336
Isaac Recovery Fire Hydrant Replacement	677,495	677,495
Mariner's Village	103,880	103,880
Sanitary Sewer System Evaluation program	59,892	9,873

CITY OF MANDEVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2014

(8) Long-Term Debt

Bonds Payable

Bonds payable outstanding at August 31, 2014, are as follows:

Series 2007 Sales Tax Refunding Bonds, for \$4,310,000, payable from special 1% sales tax (water improvements), due in annual installments ranging from \$15,000 to \$515,000 including interest due semiannually through January 1, 2019 a rate of 3.85%	<u>\$ 2,370,000</u>
Total	<u>\$ 2,370,000</u>

The annual requirements to amortize all debt outstanding as of August 31, 2014 including interest are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 435,000	\$ 82,871	\$ 517,871
2016	450,000	65,835	515,835
2017	475,000	48,029	523,029
2018	495,000	29,356	524,356
2019	515,000	9,914	524,914
	<u>\$ 2,370,000</u>	<u>\$ 236,005</u>	<u>\$ 2,606,005</u>

The City is in compliance with its debt covenants at August 31, 2014.

The City is subject to the Municipal Finance Law of the State of Louisiana, which limits the amount of net bonded debt (exclusive of revenue and special assessment bonds) the City may have outstanding up to 10 percent of the assessed valuation. The statutory debt limit and the amount available for general obligation borrowing as of August 31, 2014 is \$16,857,773.

CITY OF MANDEVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2014

(8) Long-Term Debt (continued)

Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended August 31, 2014 is as follows:

	<u>September 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>August 31, 2014</u>	<u>Due within one year</u>
Governmental Activities:					
Bonds payable:					
Sales tax refunding bonds	\$ 2,785,000	\$ -	\$ (415,000)	\$ 2,370,000	\$ 435,000
Water improvement bonds	130,000	-	(130,000)	-	-
Compensated absences	236,409	410,544	(371,444)	275,509	68,877
Post-employment benefit obligation (Note 13)	1,607,077	230,680	-	1,837,757	224,786
	<u>\$ 4,758,486</u>	<u>\$ 641,224</u>	<u>\$ (916,444)</u>	<u>\$ 4,483,266</u>	<u>\$ 728,663</u>
Business-type Activities:					
Compensated absences	<u>\$ 35,499</u>	<u>\$ 66,432</u>	<u>\$ (49,607)</u>	<u>\$ 52,324</u>	<u>\$ 13,081</u>

(9) Fund Balances

Fund balances for the City's governmental funds consisted of the following as of August 31, 2014:

Non-Spendable Fund Balance – The non-spendable fund balance on the general fund is made up of inventory and deposits totaling \$2,879 that is not in spendable form.

Restricted Fund Balance – The restricted fund balance on the special sales tax fund is made up of \$16,551,137 for public works projects and related debt service as detailed in the 1% sales tax proposition. The restricted fund balance on the District No. 3 sales tax fund is made up of \$2,122,439 for public improvements to St. Tammany Parish District No. 3 funded by proceeds of the 2.0% St. Tammany Parish sales tax and use tax. The capital projects fund totals \$11,514,390 in restricted fund balance and is made up of the ½ cent special sales tax and funding from the 1% sales tax dedicated for capital improvements. The tax collector fund totals \$72,816 in restricted fund balance for debt service restricted by dedicated millage. The bond reserve fund and bond sinking fund total \$2,163,443 restricted for debt service by bond ordinance. The general fund has \$159,046 in restricted fund balance for the funding of Department of Motor Vehicle locations in Mandeville and police forfeitures that are restricted for police purposes.

Committed Fund Balance –The general fund has \$28,983 of capital outlay projects approved by the Council and not expended as of August 31, 2014.

CITY OF MANDEVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2014

(10) Interfund Receivables and Payables

The primary purpose of interfund receivables and payables is to loan monies from the general fund to individual funds to cover current expenditures. Individual fund balances due from/to other funds at August 31, 2014, were as follows:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Governmental funds		
Major funds		
General Fund	\$ 1,440,581	\$ -
Sales Tax Fund	-	1,400,402
Special Sales Tax Fund	545,146	469,540
District 3 Sales Tax Fund	137,537	256,660
Tax Collector Fund	-	473,613
Street Construction Fund	529,233	-
Total governmental funds	<u>2,652,497</u>	<u>2,600,215</u>
Proprietary fund	<u>11,191</u>	<u>63,473</u>
Total all funds	<u>\$ 2,663,688</u>	<u>\$ 2,663,688</u>

The balances are expected to be repaid within one year.

(11) Interfund Transfers

Operating transfers between funds consist primarily of sales tax revenues transferred out of the sales tax fund and special sales tax fund to the particular funds for which the sales tax revenue is to be used. Interfund transfers for the year ended August 31, 2014 were as follows:

	<u>Transfers in</u>	<u>Transfers Out</u>
Governmental funds		
Major funds		
General Fund	\$ 6,325,005	\$ -
Sales Tax Fund	-	14,331,715
Special Sales Tax Fund	5,059,406	3,667,290
District No. 3 Sales Tax Fund	1,683,200	256,660
Street Construction Fund	2,786,363	-
Non-major funds	522,356	-
Total governmental funds	<u>16,376,330</u>	<u>18,255,665</u>
Proprietary funds	<u>1,879,335</u>	<u>-</u>
Total all funds	<u>\$ 18,255,665</u>	<u>\$ 18,255,665</u>

CITY OF MANDEVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2014

(12) Pension Plans

Municipal Employees' Retirement System of Louisiana (MERS)

Plan Description and Provisions

All of the City's full-time employees, other than police employees, participate in MERS, a cost-sharing multiple-employer defined benefit pension plan. Employees can retire providing they meet one of the following criteria:

1. 25 years or more service, at any age.
2. 10 years or more service, at age 60 or thereafter.
3. Has at least five years of service credit towards the plan, is not eligible for normal retirement benefits, suffers disability and is approved by the board of trustees after medical review and is eligible to retire and receive disability retirement benefits.
4. Survivor's benefits require five years creditable service at death of member.

Generally, the monthly amount of the retirement allowance for any member shall consist of an amount equal to 3% of the member's final compensation multiplied by his years of creditable service. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts.

If a member's employment is terminated before the member is eligible for any benefits under MERS, the member shall receive a refund of his member contributions.

A publicly available financial report for MERS is available that includes the applicable financial statements and required supplementary information the plan. The report may be obtained by writing to MERS at 7937 Office Park Blvd., Baton Rouge, LA 70809.

Funding Policy

Plan members are required to contribute 9.25%, established by state statute, of their annual covered salary, and the City is required to contribute at an actuarially determined rate. The employer's contribution rate is 18.75% for the years ended June 30, 2015 and 2014. The City has elected to pay the member contribution as an additional benefit to City employees. The City's contributions for the years ended August 31, 2014, 2013, and 2012, was \$488,885, \$448,025, and \$432,954, respectively, equal to the required contributions for each year.

CITY OF MANDEVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2014

(12) Pension Plans (continued)

Municipal Police Employees' Retirement Plan (MPERS)

Plan Description and Provisions

A majority of the City's full-time police officers participate in MPERS, a cost-sharing multiple-employer defined benefit pension plan.

Any member is eligible for normal retirement after he or she has been a member of MPERS for one year, if he or she has 25 years of creditable service at any age, has 20 years creditable service and is age 50, or has 12 years creditable service and is age 55.

Benefit rates are 3½% of average final compensation (average monthly earnings during the highest 36 consecutive months or joined months if service was interrupted) per number of years creditable service not to exceed 100% of final salary.

A member is eligible to receive disability benefits if he was an active contributing member of MPERS or, if he is no longer a member but has 20 years creditable service established in MPERS and suffers disability, which has been certified by examination by a member of the Statewide Medical Disability Board. A service related disability requires no certain number of years of creditable service; however, a non-service connected disability requires ten years of creditable service for new members having an employment date after July 1, 2008. Members employed prior to July 1, 2008 require five years of creditable service.

The disability benefits are calculated at 3% of average final compensation multiplied by years of creditable service, but shall not be less than 40% or more than 60% of average final compensation. Upon reaching the age required for regular retirement, the disability pensioner receives the greater of disability benefit or accrued benefit earned to date of disability.

Upon the death of an active contributing member or disability retiree, the plan provides benefits for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from 40% to 60% of the member's average final compensation.

A publicly available financial report for MPERS is available that includes the applicable financial statements and required supplementary information the plan. The report may be obtained by writing to MPERS at 7722 Office Park Blvd, Suite 200, Baton Rouge, LA 70809.

Funding Policy

The contribution requirements of the plan members and the City are established and may be amended by the MPERS Board of Trustees in accordance with state statute. The City has elected to pay the member contribution as an additional benefit to City police employees.

CITY OF MANDEVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2014

(12) Pension Plans (continued)

Municipal Police Employees' Retirement Plan (MPERS) (continued)

Plan members are required to contribute 10% of their annual covered salary. The City was required to contribute 31.0% for the years ended June 30, 2015 and 2014, if the employee's salary was above the poverty guidelines issued by the U.S. Department of Health and Human Services. If the employee's salary is below poverty guidelines, then the contributions rates for the employee and the City are 7.5% and 33.5%, respectively. The City's contributions for the years ended August 31, 2014, 2013, and 2012, were \$664,337, \$685,004, and \$591,593, respectively, which equal the required contributions for each year.

(13) Post-Employment Benefits

Plan Description

The City's medical and dental benefits are provided through a self-insured medical plan and are made available to employees upon actual retirement.

The employees are covered by one of two retirement systems: first, the Municipal Employees' Retirement System of Louisiana, whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 25 years of service at any age; or, age 60 and 10 years of service; second, the Municipal Police Retirement System of Louisiana, whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 25 years of service at any age; age 50 and 20 years of service; or, age 55 and 12 years of service. Complete plan provisions are included in the official plan documents.

Contribution Rates

Employees do not contribute to their post employment benefits costs until they become retirees and begin receiving those benefits. The plan provisions and contribution rates are contained in the official plan documents.

Funding Policy

The City's funding policy is not to fund the Annual Required Contribution (ARC) except to the extent of the current year's retiree funding costs. In the year ended August 31, 2014, the City's portion of health care funding cost for retired employees totaled \$224,786. This amount is applied toward the Net OPEB Benefit Obligation.

Annual Required Contribution

The City's ARC is an amount actuarially determined in accordance with the GASB Codification. The ARC is the sum of the Normal Cost plus the contribution to amortize the Actuarial Accrued Liability (AAL). A level dollar, open amortization period of 30 years (the maximum amortization period allowed by the GASB Codification) has been used for the post-employment benefits.

CITY OF MANDEVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2014

(13) Post-Employment Benefits (continued)

The actuarially computed ARC year ended August 31, 2014 is as follows:

	<u>Medical/Dental</u>
Normal Cost	\$ 193,491
30-year UAL Amortization Amount	<u>290,629</u>
Annual Required Contribution (ARC)	<u>\$ 484,120</u>

Net Post-Employment Benefit Obligation

The table below shows the City's net other post-employment benefit (OPEB) obligation for the year ended August 31, 2014:

	<u>Medical/Dental</u>
Beginning Net OPEB Obligation	\$ 1,607,077
Annual Required Contribution (ARC)	484,120
Interest on Net OPEB Obligation	64,283
ARC Adjustment	<u>(92,937)</u>
OPEB Cost	455,466
Current year retiree premium	<u>(224,786)</u>
Change in Net OPEB Obligation	<u>230,680</u>
Ending Net OPEB Obligation	<u>\$ 1,837,757</u>

The following table shows the City's annual OPEB cost, percentage of the cost contributed, and the net unfunded OPEB liability:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Percentage of</u> <u>Annual Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
August 31, 2014	\$ 455,466	49.4%	\$ 1,837,757
August 31, 2013	\$ 500,858	35.7%	\$ 1,607,077
August 31, 2012	\$ 486,435	34.0%	\$ 1,284,935

CITY OF MANDEVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2014

(13) Post-Employment Benefits (continued)

Funded Status and Funding Progress

In the fiscal year ending August 31, 2014, the City made no contributions to its post-employment benefits plan. The plan has not been funded, has no assets, and hence has a funded ratio of zero. As of September 1, 2013, the most recent actuarial valuation, the Actuarial Accrued Liability (AAL) was \$5,226,545 which is defined as that portion, as determined by a particular actuarial cost method (the City uses the Projected Unit Credit Cost Method), of the actuarial present value of post employment plan benefits and expenses which is not provided by normal cost. Since the plan was not funded during the fiscal year ended August 31, 2014, the entire Actuarial Accrued Liability of \$5,226,545 (medical/dental) was unfunded.

	<u>Medical/Dental</u>
Actuarial Accrued Liability (AAL)	\$ 5,226,545
Actuarial Value of Plan Assets (AVP)	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 5,226,545</u>
Funded Ratio (AVP/AAL)	0%
Covered Payroll (active plan members)	\$ 4,999,237
UAAL as a percentage of Covered Payroll	104.5%

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarial valuation for post employment benefits includes estimates and assumptions regarding (1) turnover rate; (2) retirement rate; (3) health care cost trend rate; (4) mortality rate; (5) discount rate (investment return assumption); and (6) the period to which the costs apply (past, current, or future years of service by employees). Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the City and its employee plan members) at the time of the valuation and on the pattern of sharing costs between the City and its plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the City and plan members in the future. Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets.

CITY OF MANDEVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2014

(13) Post-Employment Benefits (continued)

Actuarial Cost Method

The ARC is determined using the Projected Unit Credit Cost Method. The employer portion of the cost for retiree medical care in each future year is determined by projecting the current cost levels using the healthcare cost trend rate and discounting this projected amount to the valuation date using the other described pertinent actuarial assumptions, including the investment return assumption (discount rate), mortality, and turnover.

Actuarial Value of Plan Assets

Since the OPEB obligation has not as yet been funded, there are not any assets. It is anticipated that in future valuations, should funding take place, a smoothed market value consistent with Actuarial Standards Board Actuarial Standards of Practice Number 6 (ASOP 6), as provided in the GASB Codification will be used.

Turnover Rate

An age-related turnover scale based on actual experience as described by administrative staff has been used. The rates, when applied to the active employee census, produce an annual turnover of approximately 8%. The rates for each age are below:

<u>Age</u>	<u>Percent Turnover</u>
18 - 25	15.0%
26 - 40	9.0%
41 - 54	8.0%
55+	6.0%

Post-Employment Benefit Plan Eligibility Requirements

Based on past experience, it has been assumed that entitlement to benefits will commence six years after retirement eligibility (D.R.O.P. entry), as described above under "Plan Description", except that police personnel were assumed to wait until age 60 and 10 years of service instead of age 55 and 12 years of service. Medical benefits are provided to employees upon actual retirement.

Investment Return Assumption (Discount Rate)

GASB Codification provides that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits. Since the ARC is not currently being funded and not expected to be funded in the near future, we have performed this valuation using a 4% annual investment return assumption.

CITY OF MANDEVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2014

(13) Post-Employment Benefits (continued)

Health Care Cost Trend Rate

The expected rate of increase in medical cost is based on projections performed by the Office of the Actuary at the Centers for Medicare & Medicaid Services as published in National Health Care Expenditures Projections: 2003 to 2013, Table 3: National Health Expenditures, Aggregate and per Capita Amounts, Percent Distribution and Average Annual Percent Change by Source of Funds: Selected Calendar Years 1990-2013, released in January, 2004 by the Health Care Financing Administration (www.cms.hhs.gov). "State and Local" rates for 2008 through 2013 from this report were used, with rates beyond 2013 graduated down to an ultimate annual rate of 5.0% for 2016 and later.

Mortality Rate

The 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rate and 50% of the unloaded female mortality rates, was used. This is a published mortality table which was designed to be used in determining the value of accrued benefits in defined benefit pension plans.

Method of Determining Value of Benefits

The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. The employee or retiree pays a flat monthly charge, currently \$46.84, and the employer pays the remainder of the cost of the medical and dental benefits for the retiree and dependents. Retiree coverage is offered only until attainment of age 65. The rates provided are "blended" rates. Since GASB Codification mandates that "unblended" rates be used, we have estimated the "unblended" rates for two broad groups: active and retired before Medicare eligibility. It has been assumed that the retiree rate before Medicare eligibility is 130% of the blended rate.

Inflation Rate

Included in both the Investment Return Assumption and the Healthcare Cost Trend rates above is an implicit inflation assumption of 2.50% annually.

Projected Salary Increases

This assumption is not applicable since neither the benefit structure nor the valuation methodology involves salary.

Post-retirement Benefit Increases

The plan benefit provisions in effect for retirees as of the valuation date have been used and it has been assumed for valuation purposes that there will not be any changes in the future.

CITY OF MANDEVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2014

(14) Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. An independent plan administrator through an administrative service agreement administers the plan. The City's administrative involvement is limited to transmitting amounts withheld to the plan administrator who performs investing functions.

Plan assets are held in trust for the exclusive benefit of the participants and their beneficiaries. The assets will not be diverted to any other purpose. Accordingly, the plan assets and related liabilities have not been included herein.

(15) Pledged Revenues

The City issued its sales tax revenue refunding bonds in 2007 in the amount of \$4,310,000 to refund all or a portion of the outstanding Series 1999 and Series 2000 bonds and to fund the costs of issuance. The bonds are payable from and secured by an irrevocable pledge and dedication of existing 1% sales and use tax revenues.

The voters of the City passed the 1% sales and use tax dedication with elections held on November 4, 1986, and May 1, 1999, for the purpose of constructing, acquiring, extending, improving, operating, and maintaining sewers and sewerage disposal works; waterworks improvements; streets; drains and drainage facilities; and for the repayment of bonds for related capital improvements. The current proposition extends the sales and use tax dedication until December 31, 2019, which coincides with the maturity of the Series 2007 bonds.

The City transferred \$5,059,406 of 1% sales and use tax revenues into the Special Sales Tax Fund during 2014. Of this amount \$522,356 was pledged to satisfy the sinking and reserve fund requirements for the Series 2007 bond and was transferred into the debt service funds. Principal and interest of \$415,000 and \$99,484, respectively, was paid on the bonds during 2014. As of August 31, 2014 the outstanding bond principal and interest was \$2,370,000 and \$14,569, respectively.

(16) Mausoleum Endowed Care Trust Fund

The City entered into an agreement with the Citizens Bank and Trust Company on June 24, 1966, creating "Lake Lawn Park, Inc., Endowed Care Trust, Town of Mandeville." This Trust Fund was created to provide for the maintenance and care of the mausoleum. On January 24, 2006, the account was transferred to Argent Trust. The Trust Fund can make disbursements to the City "upon presentation to the company of an itemized and notarized statement of maintenance expenses and costs approved and signed by the mayor." This account is not reflected on the financial statements because the Trust Fund is not considered a part of the reporting entity and is not significant in total.

CITY OF MANDEVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2014

(17) Commitments and Contingencies

The City is a defendant in several lawsuits. Damages are generally covered by insurance less deductible for risks retained by the City. The City persists in its vigorous defense of these lawsuits and maintains that the defenses available should shield the City from liability or, at a minimum, preclude the amount of damages sought by the plaintiffs. The City does not expect any material adverse impact relating to these lawsuits.

The City of Mandeville is exposed to various risks of loss related to damage and destruction of assets, errors and omissions, and injuries to employees. The City has contracted with various insurers to cover its risk of loss in these areas. The City has also contracted with various insurers to provide health insurance coverage for its workers.

(18) Grant Programs

The City participates in a number of state and federal grant programs, which are governed by various rules and regulations. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received and the collectability of any related receivable as of August 31, 2014 might be impaired. In management's opinion, there are no significant contingent liabilities relating to compliance with the rules and regulations governing state and federal grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies, except as described below. Audits of prior years have not resulted in any significant disallowed costs or refunds. Any costs that would be disallowed would be recognized in the period agreed upon by the grantor agency and the Organization.

The City's FEMA funding received as a result of the expenses incurred following Hurricane Katrina is currently being reviewed by the State of Louisiana. The City and GOESEP are working on the final closeout of the grant project worksheets from Hurricane Katrina. Expenditures of approximately \$91,000 were de-obligated by the State and are included in accounts payable in the general fund at August 31, 2014.

(19) Hurricane Isaac

On August 28, 2012, the Mandeville area suffered damages from Hurricane Isaac. There were physical damages to some of the City's capital assets as a result of the Hurricane. As a result, certain assets were impaired and required restoration efforts to restore their service utility. As of August 31, 2014, hurricane related costs totaling \$2,436,893 were incurred. Repair efforts were ongoing as of August 31, 2014. Subsequent to year-end the Federal Emergency Management Agency obligated \$1,827,670 to reimburse the City for operating and capital costs incurred related to the hurricane.

CITY OF MANDEVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2014

(20) New Pronouncements

The GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* in June 2012. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*. Statement No. 67, *Financial Reporting for Pension Plans*, revises existing standards of financial reporting for most pension plans. This Statement and Statement 67 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement—determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. This Statement is effective for fiscal years beginning after June 15, 2014.

The GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, in November 2013. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68.

Management of the City is currently assessing the impact of these new pronouncements on the financial statements.

(21) Subsequent Event

On November 4, 2014, a special election was held to authorize the rededication of the proceeds of the 1% sales and use tax authorized at an election held on May 1, 1999. The 1% tax was rededicated to 50% for any lawful corporate purpose of the City and 50% for constructing, acquiring, extending, improving, equipping, repairing, operating and/or maintaining sewers and sewerage disposal works, waterworks improvements, streets, drains, drainage facilities, flood protection, and funding the proceeds of the 1% tax into bonds for capital improvements.

REQUIRED SUPPLEMENTARY INFORMATION – OTHER

CITY OF MANDEVILLE, LOUISIANAGeneral FundBudget Comparison Schedule (GAAP Basis)For the year ended August 31, 2014

	Initial Budget	Final Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
REVENUES				
Ad valorem (property) taxes	\$ 2,671,990	\$ 2,671,990	\$ 2,632,860	\$ (39,130)
Franchise taxes	1,000,665	1,000,665	1,013,219	12,554
Intergovernmental grants	600,000	514,000	349,151	(164,849)
Licenses and Permits	1,409,467	1,409,467	1,515,923	106,456
Fines and forfeitures	270,000	270,000	321,249	51,249
Charges for services	844,466	844,466	819,426	(25,040)
Interest income	19,837	19,837	14,932	(4,905)
Other	404,834	504,281	593,952	89,671
Total revenues	<u>7,221,259</u>	<u>7,234,706</u>	<u>7,260,712</u>	<u>26,006</u>
EXPENDITURES				
General government	4,413,011	4,646,369	4,162,696	483,673
Public safety	5,814,518	5,832,437	5,633,339	199,098
Public works	2,150,011	2,159,786	1,845,924	313,862
Cemetery	70,000	70,000	21,333	48,667
Capital outlay	2,325,100	2,531,100	1,907,335	623,765
Total expenditures	<u>14,772,640</u>	<u>15,239,692</u>	<u>13,570,627</u>	<u>1,669,065</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(7,551,381)</u>	<u>(8,004,986)</u>	<u>(6,309,915)</u>	<u>1,695,071</u>
OTHER FINANCING SOURCES				
Operating transfers in				
Sales Tax Fund	4,603,934	4,845,387	5,059,406	214,019
Special Sales Tax Fund	1,254,908	1,254,908	1,265,599	10,691
Street Construction	472,980	-	-	-
Total other financing sources	<u>6,331,822</u>	<u>6,100,295</u>	<u>6,325,005</u>	<u>224,710</u>
NET CHANGE IN FUND BALANCE*	<u>\$ (1,219,559)</u>	<u>\$ (1,904,691)</u>	15,090	<u>\$ 1,919,781</u>
FUND BALANCE:				
BEGINNING OF YEAR			<u>10,500,173</u>	
END OF YEAR			<u>\$ 10,515,263</u>	

* The net change in fund balance was included in the budget as an appropriation (i.e., spenddown) of fund balance.

See accompanying independent auditors' report.

CITY OF MANDEVILLE, LOUISIANASales Tax Fund
Budget Comparison Schedule (GAAP Basis)

For the year ended August 31, 2014

	Initial Budget	Final Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
REVENUES				
Sales and use taxes	\$ 13,332,000	\$ 14,010,102	\$ 14,497,182	\$ 487,080
Interest income	3,566	3,566	435	(3,131)
Total revenues	<u>13,335,566</u>	<u>14,013,668</u>	<u>14,497,617</u>	<u>483,949</u>
EXPENDITURES				
General government	<u>159,231</u>	<u>175,605</u>	<u>165,902</u>	<u>9,703</u>
Total expenditures	<u>159,231</u>	<u>175,605</u>	<u>165,902</u>	<u>9,703</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>13,176,335</u>	<u>13,838,063</u>	<u>14,331,715</u>	<u>493,652</u>
OTHER FINANCING USES				
Operating transfers out				
General Fund	(4,603,934)	(4,845,387)	(5,059,406)	(214,019)
Special Sales Tax Fund	(4,603,934)	(4,845,387)	(5,059,406)	(214,019)
District No. 3 Sales Tax Fund	(1,666,500)	(1,724,595)	(1,683,200)	41,395
Street Construction Fund	<u>(2,301,967)</u>	<u>(2,422,694)</u>	<u>(2,529,703)</u>	<u>(107,009)</u>
Total other financing uses	<u>(13,176,335)</u>	<u>(13,838,063)</u>	<u>(14,331,715)</u>	<u>(493,652)</u>
NET CHANGE IN FUND BALANCE*	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
FUND BALANCE:				
BEGINNING OF YEAR			-	
END OF YEAR			<u>\$ -</u>	

See accompanying independent auditors' report.

CITY OF MANDEVILLE, LOUISIANASpecial Sales Tax Fund
Budget Comparison Schedule (GAAP Basis)

For the year ended August 31, 2014

	<u>Initial Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance - Favorable (Unfavorable)</u>
REVENUES				
Interest income	\$ 45,586	\$ 45,586	\$ 28,742	\$ (16,844)
Total revenues	<u>45,586</u>	<u>45,586</u>	<u>28,742</u>	<u>(16,844)</u>
EXPENDITURES				
General government	<u>791</u>	<u>791</u>	<u>-</u>	<u>791</u>
Total expenditures	<u>791</u>	<u>791</u>	<u>-</u>	<u>791</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>44,795</u>	<u>44,795</u>	<u>28,742</u>	<u>(16,053)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)				
Sales Tax Fund	4,603,934	4,603,934	5,059,406	455,472
Proprietary Fund	(5,449,000)	(5,449,000)	(1,879,335)	3,569,665
Bond Sinking Fund	(664,500)	(664,500)	(522,356)	142,144
General Fund	<u>(1,254,908)</u>	<u>(1,254,908)</u>	<u>(1,265,599)</u>	<u>(10,691)</u>
Total other financing sources (uses)	<u>(2,764,474)</u>	<u>(2,764,474)</u>	<u>1,392,116</u>	<u>4,156,590</u>
NET CHANGE IN FUND BALANCE*	<u>\$ (2,719,679)</u>	<u>\$ (2,719,679)</u>	<u>1,420,858</u>	<u>\$ 4,140,537</u>
FUND BALANCE:				
BEGINNING OF YEAR			<u>15,130,279</u>	
END OF YEAR			<u>\$ 16,551,137</u>	

* The net change in fund balance was included in the budget as an appropriation (i.e., spenddown) of fund balance.

See accompanying independent auditors' report.

CITY OF MANDEVILLE, LOUISIANADistrict No. 3 Sales Tax Fund
Budget Comparison Schedule (GAAP Basis)

For the year ended August 31, 2014

	<u>Initial Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance - Favorable (Unfavorable)</u>
REVENUES				
Interest income	\$ -	\$ -	\$ 2,024	\$ 2,024
Total revenues	-	-	2,024	2,024
EXPENDITURES				
General government	-	-	103,657	(103,657)
Total expenditures	-	-	103,657	(103,657)
EXCESS OF REVENUES OVER EXPENDITURES	-	-	(101,633)	(101,633)
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)				
Street Construction Fund	(2,171,850)	(2,171,850)	(256,660)	1,915,190
Sales Tax Fund	1,666,500	1,724,595	1,683,200	(41,395)
Total other financing sources (uses)	(505,350)	(447,255)	1,426,540	1,873,795
NET CHANGE IN FUND BALANCE*	<u>\$ (505,350)</u>	<u>\$ (447,255)</u>	1,324,907	<u>\$ 1,772,162</u>
FUND BALANCE:				
BEGINNING OF YEAR			797,532	
END OF YEAR			<u>\$ 2,122,439</u>	

* The net change in fund balance was included in the budget as an appropriation (i.e., spenddown) of fund balance.

See accompanying independent auditors' report.

CITY OF MANDEVILLE, LOUISIANASchedule of Funding ProgressRequired Supplementary Information Under GASB Statement No. 45For the year ended August 31, 2014

<u>Fiscal Year Ended August 31</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded AAL as a Percentage of Payroll</u>
2012	9/1/2011	-	4,927,838	4,927,838	0.0%	5,291,892	93.12%
2013	9/1/2012	-	5,124,952	5,124,952	0.0%	4,688,697	109.30%
2014	9/1/2013	-	5,025,524	5,025,524	0.0%	4,806,814	104.55%

See accompanying independent auditors' report.

SUPPLEMENTARY INFORMATION

CITY OF MANDEVILLE, LOUISIANA**Non-Major Governmental Funds - Combining Balance Sheet****August 31, 2014**

	<u>Debt Service Fund</u>		<u>Total Non-Major Governmental Funds</u>
	<u>Bond Reserve Fund</u>	<u>Bond Sinking Fund</u>	
ASSETS			
Cash and cash equivalents	\$ 623	\$ 1,089,983	\$ 1,090,606
Investments	985,556	87,281	1,072,837
Total assets	<u>\$ 986,179</u>	<u>\$ 1,177,264</u>	<u>\$ 2,163,443</u>
FUND BALANCES			
Restricted for debt service	\$ 986,179	\$ 1,177,264	\$ 2,163,443
Total fund balances	<u>\$ 986,179</u>	<u>\$ 1,177,264</u>	<u>\$ 2,163,443</u>

See accompanying independent auditors' report.

CITY OF MANDEVILLE, LOUISIANAStatement of Revenues, Expenditures, and Changes in
Fund Balances - Non-Major Governmental Fund TypesFor the year ended August 31, 2014

	Debt Service Fund		Total Non-Major Governmental Funds
	Bond Reserve Fund	Bond Sinking Fund	
REVENUES			
Interest income	\$ 890	\$ 1,015	\$ 1,905
Total revenues	890	1,015	1,905
EXPENDITURES			
Debt service			
Principal	-	415,000	415,000
Interest and fiscal charges	-	99,484	99,484
Total expenditures	-	514,484	514,484
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	890	(513,469)	(512,579)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	522,356	522,356
Total other financing sources (uses)	-	522,356	522,356
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	890	8,887	9,777
FUND BALANCES - BEGINNING OF YEAR	985,289	1,168,377	2,153,666
FUND BALANCES - END OF YEAR	\$ 986,179	\$ 1,177,264	\$ 2,163,443

See accompanying independent auditors' report.

CITY OF MANDEVILLE, LOUISIANASchedule of Compensation Paid to City Council MembersYear ended August 31, 2014

<u>Council Member</u>	<u>Period Active During Year</u>	<u>Compensation</u>
Carla Buchholz	9/1/2013 - 8/31/2014	\$ 12,000
Ernest Burguieres	9/1/2013 - 8/31/2014	12,000
Rick Danielson	9/1/2013 - 8/31/2014	12,000
David Ellis	9/1/2013 - 8/31/2014	12,000
Clay Madden	9/1/2013 - 8/31/2014	12,000
		<u>\$ 60,000</u>

See accompanying independent auditors' report.

CITY OF MANDEVILLE, LOUISIANASchedule of Compensation, Benefits, and Other Payments to the MayorYear ended August 31, 2014

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 106,296
Benefits-insurance	13,781
Benefits-retirement	31,092
Life and dental insurance	1,035
Car allowance	9,326
Vehicle provided by government	-
Per diem	-
Reimbursements	301
Travel	-
Registration fees	-
Conference travel	787
Continuing professional education fees	-
Housing	-
Unvouchered expenses*	-
Special meals	-
Cell phone	877

*an example of an unvouchered expense would be a travel advance

See accompanying independent auditors' report.

CITY OF MANDEVILLE, LOUISIANA
SINGLE AUDIT REPORT
AUGUST 31, 2014



A Professional Accounting Corporation

www.pncpa.com

CITY OF MANDEVILLE, LOUISIANA

SINGLE AUDIT REPORT

TABLE OF CONTENTS

AUGUST 31, 2014

	<u>Page</u>
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Independent Auditors' Report on Compliance for the Major Program and on Internal Control over Compliance Required by OMB Circular A-133	3
Schedule of Expenditures of Federal Awards	6
Notes to Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs	8
Summary Schedule of Prior Audit Findings	9

**INDEPENDENT AUDITORS' 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**

The Honorable Mayor and Members of
the City Council of the City of Mandeville, Louisiana:

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mandeville, Louisiana (the City), as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 20, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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*.

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.

Postlethwaite + Netterville

Metairie, Louisiana
February 20, 2015

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB
CIRCULAR A-133 AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The Honorable Mayor and Members of
the City Council of the City of Mandeville, Louisiana:

Report on Compliance for the Major Federal Program

We have audited the City of Mandeville, Louisiana (the City)'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended August 31, 2014. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended August 31, 2014.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mandeville, Louisiana (the City), as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated February 20, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such 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 information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Postlethwaite + Netterville

Metairie, Louisiana
February 20, 2015

CITY OF MANDEVILLE, LOUISIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2014

<u>Federal Grantor/Pass-Through Grantor/ Program Title/Program Description</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Environmental Protection Agency			
Pass-through programs from:			
UNO Research and Technology Foundation Lake Pontchartrain Basin Restoration Program	66.125	58555J, 58556F	\$ 272,318
Total - U.S. Department of Environmental Protection Agency			<u>272,318</u>
U.S. Department of Transportation			
Pass-through program from:			
Louisiana Highway Safety Commission Highway Safety Cluster State and Community Highway Safety	20.600	Sect402 - 2857	1,032
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	Sect410 - 2862, 2853	<u>20,000</u>
Total - Highway Safety Cluster			21,032
Louisiana Highway Safety Commission Highway Planning and Construction	20.205 - ARRA	HSIP - 2505	<u>12,250</u>
Total - U.S. Department of Transportation			<u>33,282</u>
U.S. Department of Homeland Security			
Pass-through programs from:			
Louisiana Office of Homeland Security and Emergency Preparedness Disaster Grants - Public Assistance	97.036		554,969
Governor's Office of Homeland Security and Emergency Preparedness Hazard Mitigation Grant Program	97.039		<u>97,112</u>
Total - U.S. Department of Homeland Security			<u>652,081</u>
Total expenditures of federal awards included in this report			<u>\$ 957,681</u>

See accompanying notes to schedule of expenditures of federal awards.

CITY OF MANDEVILLE, LOUISIANA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED AUGUST 31, 2014

(1) General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of the federal awards of the City of Mandeville, Louisiana. The City's reporting entity is defined in note 1 to the financial statements for the year ended August 31, 2014. All federal awards received from federal agencies are included on the schedule.

(2) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in note 1 to the City's financial statements for the year ended August 31, 2014.

(3) Relationship to Financial Statements

Federal awards are included in the Statement of Activities of the City as operating and capital grant contributions.

CITY OF MANDEVILLE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED AUGUST 31, 2014

(A) Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

- Material weakness(es) identified: no
- Significant deficiency(ies) identified that are not considered to be material weaknesses: no

Noncompliance material to the financial statements: none reported

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? none reported

Type of auditor's report issued on compliance for major programs: unmodified

Any audit findings which are required to be reported in accordance with section 510(a) of OMB Circular A-133? no

Identification of major programs:

U.S. Department of Homeland Security
Disaster Grants - Public Assistance 97.036

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as a low-risk auditee? no

(B) Findings Relating to the Financial Statements Reported in Accordance with Government Auditing Standards - None

(C) Findings and Questioned Costs Related to Federal Awards - None

CITY OF MANDEVILLE, LOUISIANA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED AUGUST 31, 2014

2013-1 Accounting and Financial Reporting

Recommendation: The City should implement a policy in which all significant balance sheet accounts, including all cash accounts, accounts receivable, prepaid expenses, accounts payable, and other liabilities are reconciled on a monthly basis and reviewed for agreement to the general ledger. Reconciliations for all accounts should be performed at least annually. Review of the reconciliations should be performed in a timely manner and should be documented.

Current Status: Resolved.

2013-2 Segregation of Duties

Recommendation: The City should implement proper segregation of duties over financial reporting, payroll processing and wire transfers. Management should implement preventative and detective controls, including timely review of bank statements, cash reconciliations, payroll registers, and payroll rate changes. This review should be documented. The Administration should also review the Munis activity of the Finance Director on a regular basis.

Current Status: Resolved.

2013-3 Local Government Budget Act

Recommendation: The City should perform a review at least quarterly of the variance between the budgeted expenditures and actual expenditures incurred for the Sales Tax fund to ensure the necessary amendments are made for the City to be in compliance with Local Government Budget Act.

Current Status: Resolved.

The Honorable Mayor and Members of
the City Council of the City of Mandeville, Louisiana:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mandeville, Louisiana (the City) as of and for the year ended August 31, 2014, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 20, 2015. In planning and performing our audit of the financial statements of the City in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

During our audit we noted certain matters involving internal control and other operational matters that are presented for your consideration. A separate report dated February 20, 2015, contains our report on material weaknesses in the City's internal control. This letter does not affect our report dated February 20, 2015, on the financial statements of the City. These comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies and are summarized as follows:

2014-1 Capital Assets

Observation:

The City did not maintain updated capital asset subledgers for the government-wide and enterprise fund capital assets throughout the year. During the course of procedures performed, adjustments were required to properly report capital assets.

Recommendation:

The City should implement processes and procedures to review that expenditures are properly classified as capital outlay expense (capital assets). The City should also ensure that assets are appropriately valued on the capital asset schedules and that the schedule is reconciled throughout the year.

Management's Response:

The Administration will explore the utilization of the current accounting system, which has the capability to provide uploads from the Purchase Order and Accounts Payable system for creation of the new asset. The Administration has met with a technology company to discuss training and assistance to activate the Purchase Order and Fixed Assets modules so the manual tracking will be eliminated.

2014-2 Accounts Payable

Observation: The City recorded adjustments to properly reflect accounts payable after year-end. In testing of payments made by the City after year-end, we identified invoices totaling approximately \$75,000 that were not properly accrued.

Recommendation: The City should implement processes and procedures to ensure that accounts payable is properly reported at year-end.

Management's Response: The City has implemented a process to review all incoming invoices at fiscal year-end to record them in the appropriate year, however, the invoices in questions had two fiscal years in one package. We agree with the item and, in the future, will review all invoices received in the first 60 days in detail so the invoices may be appropriately recorded.

Status of Prior Year Management Letter Comments

2013-1 Escheatment of Un-negotiated Items

Recommendation: The City should implement processes and procedures so that outstanding un-negotiated checks are escheated to the State on a timely basis.

Status: Resolved.

2013-2 Capital Assets

Recommendation: The City should implement processes and procedures to review that expenditures are properly classified as either capital outlay expense (capital assets) or repairs and maintenance expense. The City should also ensure that assets are appropriately valued on the capital asset schedules and that the schedule is reconciled throughout the year.

Status: Not Resolved. See repeat comment 2014-1.

2013-3 Bank Reconciliations

Recommendation: The City should implement processes and procedures to ensure that bank accounts are reconciled to the adjusted general ledger balance. The City should perform the bank reconciliation process utilizing available software options to reduce the risk of errors due to interpretation and mathematical accuracy.

Status: Resolved.

2013-4 Interfund Receivables/Payables

Recommendation: The City should implement processes and procedures to ensure that transfers of cash between funds are completed throughout the year to pay interfund receivables and payables.

Status: Resolved.

Our audit procedures are designed primarily to enable us to form an opinion on the financial statements, and therefore may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of the City's organization gained during our work to make comments and suggestions that we hope will be useful to you.

We would be pleased to discuss these comments and recommendations with you at any time.

The City's written response to our comments and recommendations has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Mayor, members of City Council, management, and 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.

Postlethwaite + Netterville

Metairie, Louisiana
February 20, 2015