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**CITY OF MANDEVILLE, LOUISIANA**  
**FINANCIAL STATEMENTS**  
**AUGUST 31, 2015**

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**CITY OF MANDEVILLE, LOUISIANA**

**FINANCIAL STATEMENTS**

**AUGUST 31, 2015**

**CITY OF MANDEVILLE, LOUISIANA**

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**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, 2015 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, 2015, and the respective changes in financial position and, where applicable, the cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Change in Accounting Principle

As described in Note 12 to the financial statements, the City implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions for the year ended August 31, 2015. 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. The City also implemented GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 15, budgetary comparison information on pages 61 through 64, the schedule of funding progress on page 65, the schedule of proportionate share of the net pension liability on page 66, and the schedule of contributions on page 67 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 8 through 11 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 (Schedules 8 and 9), schedule of compensation paid to City Council members (Schedule 10), and schedule of compensation, benefits, and other payments to the Mayor (Schedule 11) 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 29, 2016, 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 29, 2016

**REQUIRED SUPPLEMENTARY INFORMATION -**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CITY OF MANDEVILLE, LOUISIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**AUGUST 31, 2015**

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, 2015. 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 the financial statements and with additional information presented in the Required Supplemental Information (RSI) that is provided in addition to this MD&A.

**Financial Highlights**

- The assets and deferred outflows of resources of the City exceeded liabilities and deferred inflows of resources of the City at the close of the most recent fiscal year by \$109,516,914. This is comprised of \$63,890,278 in governmental activities and \$45,626,636 in business-type activities.
- The City's total net position increased by \$8,894,515. This is comprised of a \$3,967,515 increase from governmental activities and a \$4,927,000 increase from business-type activities.
- The unrestricted portion of total net position totaled \$10,955,553. This is comprised of \$3,439,541 in governmental activities and \$7,516,012, in business-type activities. Unrestricted net position is available for use at the City's discretion.
- Approximately 62.6% 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 2.1% (\$2,245,129) of the City's net position is restricted for debt service.
- Approximately 25.4% (\$27,812,818) of the City's net position is restricted by tax levies.
- The City's outstanding debt decreased by \$435,000 due to normal debt service requirements.

## CITY OF MANDEVILLE, LOUISIANA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2015

#### 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 focus on the short-term, but 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, 2015**

**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 the 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 are considered to be a major fund of the City.

**CITY OF MANDEVILLE, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**AUGUST 31, 2015**

**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 61.
- 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 2015.
  - 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**
- D. Schedule of Proportionate Share of the Net Pension Liability**
- E. Schedule of Contributions**

**Other Supplemental Information**

- A.** Combining statements of the Non-major Governmental Funds (Bond Reserve and Bond Sinking Funds) begin on page 68.
- 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, 2015**

**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 and deferred outflows or resources exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$109,516,914 (total net position), of which \$10,955,553 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, 2015 and 2014

	Governmental Activities		Business-type activities		Total	
	2015	2014 (restated)	2015	2014 (restated)	2015	2014 (restated)
Current and other assets	\$ 47,665,217	\$ 45,653,705	\$ 9,871,485	\$ 8,605,567	\$ 57,536,702	\$ 54,259,272
Capital assets	32,327,790	30,446,211	38,110,624	34,077,742	70,438,414	64,523,953
Total assets	79,993,007	76,099,916	47,982,109	42,683,309	127,975,116	118,783,225
Deferred outflows	1,796,982	179,167	189,093	13,037	1,986,075	192,204
Long-term liabilities	15,000,305	12,746,706	870,680	686,460	15,870,985	13,433,166
Other liabilities	1,619,165	1,828,672	1,562,788	1,209,188	3,181,953	3,037,860
Total liabilities	16,619,470	14,575,378	2,433,468	1,895,648	19,052,938	16,471,026
Deferred inflows	1,280,241	1,780,942	111,098	101,062	1,391,339	1,882,004
Net position (deficit):						
Net investment in capital assets	30,392,790	28,076,211	38,110,624	34,077,742	68,503,414	62,153,953
Restricted	30,057,947	32,583,271	-	-	30,057,947	32,583,271
Unrestricted	3,439,541	(736,719)	7,516,012	6,621,894	10,955,553	5,885,175
Total net position	\$ 63,890,278	\$ 59,922,763	\$ 45,626,636	\$ 40,699,636	\$ 109,516,914	\$ 100,622,399

**CITY OF MANDEVILLE, LOUISIANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**AUGUST 31, 2015**

The City's net position increased by \$8,894,515 during the current fiscal year. The change in net position is due primarily to the net increase in cash, cash equivalents and investments of \$1.6 million, increase in grants receivable of \$1.6 million, and increase in net capital assets of \$5.9 million, offset by an increase in the net pension liability of \$2.6 million.

**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 \$3,967,515.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues:						
Program Revenues:						
Charges for services	\$ 799,513	\$ 819,426	\$ 3,314,594	\$ 3,174,724	\$ 4,114,107	\$ 3,994,150
Operating grants and contributions	329,443	74,020	13,819	2,246	343,262	76,266
Capital grants and contributions	458,203	419,951	1,715,619	752,662	2,173,822	1,172,613
General revenues:						
Property taxes	2,695,413	2,640,073	-	-	2,695,413	2,640,073
Franchise taxes	1,072,876	1,013,219	-	-	1,072,876	1,013,219
Sales and use taxes	14,832,281	14,497,182	-	-	14,832,281	14,497,182
Licenses and permits	1,580,108	1,515,923	-	-	1,580,108	1,515,923
Fines and forfeitures	358,620	321,249	-	-	358,620	321,249
Investment earnings	73,939	59,846	32,677	23,666	106,616	83,512
Other general revenues	437,553	502,095	-	-	437,553	502,095
Legal settlement proceeds	1,586,617	-	-	-	1,586,617	-
Gain (loss) on disposal	-	101,688	-	(950)	-	100,738
Total revenues	<u>24,224,566</u>	<u>21,964,672</u>	<u>5,076,709</u>	<u>3,952,348</u>	<u>29,301,275</u>	<u>25,917,020</u>
Expenses:						
General government	5,819,368	5,001,192	-	-	5,819,368	5,001,192
Public safety	6,119,998	5,958,312	-	-	6,119,998	5,958,312
Public works	4,007,182	4,547,282	-	-	4,007,182	4,547,282
Cemetery	24,932	21,333	-	-	24,932	21,333
Interest on long-term debt	80,329	117,655	-	-	80,329	117,655
Water	-	-	1,846,927	1,844,909	1,846,927	1,844,909
Sewer	-	-	2,508,024	2,338,763	2,508,024	2,338,763
Total expenses	<u>16,051,809</u>	<u>15,645,774</u>	<u>4,354,951</u>	<u>4,183,672</u>	<u>20,406,760</u>	<u>19,829,446</u>
Change in net position before transfers	8,172,757	6,318,898	721,758	(231,324)	8,894,515	6,087,574
Transfers	(4,205,242)	(1,879,335)	4,205,242	1,879,335	-	-
Change in net position	<u>3,967,515</u>	<u>4,439,563</u>	<u>4,927,000</u>	<u>1,648,011</u>	<u>8,894,515</u>	<u>6,087,574</u>
Net position, beginning of year	59,922,763	65,348,415	40,699,636	39,773,786	100,622,399	105,122,201
Restatement (Note 1)	-	(9,865,215)	-	(722,161)	-	(10,587,376)
Net position, end of year	<u>\$ 63,890,278</u>	<u>\$ 59,922,763</u>	<u>\$ 45,626,636</u>	<u>\$ 40,699,636</u>	<u>\$ 109,516,914</u>	<u>\$ 100,622,399</u>

**CITY OF MANDEVILLE, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**AUGUST 31, 2015**

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

- Operating grants and contributions increased by \$255,423, or 345.07%, because of additional grant funding received during 2015 that was not received in 2015.
- Sales and use taxes increased by \$335,099, or 2.3%, due to an increase in sales revenues from local retailers indicating confidence in the local economy.
- Franchise taxes decreased by \$59,657, or 5.89%. Franchise taxes are based on the utilization of utilities and phone services. The cost of fuel and related revenues for utility companies impact the franchise fee revenue for the City.
- The City received proceeds of \$1,586,617 from the legal settlement relating to the Deepwater Horizon incident.
- General government expenses increased from \$5,001,192 to \$5,819,368 (increase of \$818,176) primarily as a result of the implementation of GASB No. 68 and recording of pension expense of \$538,229.

**Business-Type Activities**

Business-type activities increased the City's net position by \$4,927,000, or 55.39%, of the total increase in the government's net position. Key elements of this increase are as follows:

- Intergovernmental transfers increased in fiscal year 2015 in the amount of \$2,325,907 or 123.8%, due to funding of water and sewer projects during the year.
- Capital grants and contributions increased by \$962,957, or 127.94%, primarily due to the grants related to the construction of the new water tower.

**CITY OF MANDEVILLE, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**AUGUST 31, 2015**

**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, *unassigned 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, 2015, the City's governmental funds reported a combined ending fund balance of \$45,332,269, an increase of \$2,392,781 when compared to the prior year. Unassigned fund balance, as of August 31, 2015, was \$15,271,443. The restricted fund balance in the amount of \$30,057,947 is primarily reserved to pay debt service and for public works projects. Committed fund balance was \$0 and non-spendable fund balance was \$2,879.

*General Fund*

The general fund is the chief operating fund of the City. At August 31, 2015, the fund balance of the general fund was \$15,453,238. The fund balance of the City's general fund increased by \$4,937,975 for the year ended August 31, 2015. Key factors relative to this change are as follows:

- The increase in total revenues of \$405,362, or 5.58%, is primarily due to small increases in some revenue categories in excess of and offset by small decreases in the remaining revenue categories.
- General government expenditures increased \$403,622, or 9.7%, primarily due to a increases in salaries and related personnel benefits.
- Capital outlay expenditures decreased \$1,274,242, or 66.8%, due to repairs following Hurricane Isaac and other one-time projects completed during fiscal year 2014.
- Transfers in increased by \$2,232,070, or 35.29%. The increase in transfers is primarily due to the rededication 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.
- Other financing sources increased due to the City receiving proceeds of \$1,586,617 from the legal settlement relating to the Deepwater Horizon incident.

**CITY OF MANDEVILLE, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**AUGUST 31, 2015**

**General Fund**  
**Changes in Fund Balance**  
**Years Ended August 31, 2015 and 2014**

	<b>2015</b>	<b>2014</b>
Revenue		
Property taxes	\$ 2,675,772	\$ 2,632,860
Franchise taxes	1,072,876	1,013,219
Intergovernmental grants	551,126	349,151
Licenses and permits	1,580,108	1,515,923
Fines and forfeitures	358,620	321,249
Charges for services	799,513	819,426
Interest income	15,952	14,932
Miscellaneous	612,107	593,952
Total revenues	<u>7,666,074</u>	<u>7,260,712</u>
Expenditures		
General government	4,566,318	4,162,696
Public safety	5,791,982	5,633,339
Public works	1,855,466	1,845,924
Cemetery	24,932	21,333
Capital outlay	633,093	1,907,335
Total expenditures	<u>12,871,791</u>	<u>13,570,627</u>
Excess (Deficiency) of		
Revenues over Expenditures	(5,205,717)	(6,309,915)
Other Financing Sources		
Transfers in	8,557,075	6,325,005
Legal settlement proceeds	1,586,617	-
Total other financing sources	<u>10,143,692</u>	<u>6,325,005</u>
Net change in fund balance	4,937,975	15,090
Fund balance, beginning of year	<u>10,515,263</u>	<u>10,500,173</u>
Fund balance, end of year	<u>\$ 15,453,238</u>	<u>\$ 10,515,263</u>

**CITY OF MANDEVILLE, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**AUGUST 31, 2015**

*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 \$13,666,634, all of which is restricted for public works projects and debt service. The net decrease in fund balance during the current year in the special sales tax fund was \$2,884,503. 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.

*District No. 3 Sales Tax Fund*

The District No. 3 sales tax fund has a total fund balance of \$2,231,125, which is restricted for capital 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 \$108,686.

*Tax Collector Fund*

The Tax Collector fund has a total fund balance of \$74,736, all of which is restricted. The net increase in fund balance during the current year in the Tax Collector fund was \$1,920.

*Street Construction Fund*

The street construction fund has a total fund balance of \$11,736,143, all of which is restricted for capital improvements. The net increase in fund balance during the current year in the street construction fund was \$221,753.

**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 \$7,622,408. The total increase in net position was \$4,968,211. 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 \$71,000. The increase is primarily due to increases in public safety and capital outlay expenditures.

**CITY OF MANDEVILLE, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**AUGUST 31, 2015**

The increase was possible because the City has accumulated fund balance over the past few fiscal years. 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, 2015, amounts to \$70,438,414 (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 \$323,416.
- Construction in progress of the general government was \$2,617,790 and consisted primarily of the road maintenance, drainage, and street projects.
- Road construction and replacement totaled \$1,671,860.
- Improvements to buildings and structures totaled \$215,477.
- Various water and sewer line additions and improvements were constructed by the Water and Sewer Fund at a cost of \$1,902,067.
- Equipment and vehicles were acquired for the Water and Sewer Funds at a cost of \$228,101.

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

**Long-Term Debt**

At August 31, 2015, the City had total bonded debt outstanding of \$1,935,000 in sales tax bonds payable from a pledge of the City's 1% Sales Tax.

Total retirement of long-term debt amounted to \$435,000 during the year ended August 31, 2015.

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, 2015**

**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, 2015, the City has increased its net capital assets from \$57,310,387 to \$70,438,414 representing 55.0% of the City's year-end total assets and increased restricted fund balances to \$30,057,947. Unrestricted funds also increased over the same period, with a balance of \$12,583,128, or 9.8%, of total assets as of August 31, 2015.

The following factors were considered in preparing the City's budget for the 2016 fiscal year:

The City Revenue Projections for Major Governmental Sources for fiscal year 2016 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. The City's economic outlook is always cautiously optimistic. There are improvements and increases in sales tax receipts for fiscal year 2016. During our review of future revenue from ad valorem taxes, the city reduced the millage for this tax year, which was an estimated reduction in revenue of \$800k. The positive indicators from commercial and residential construction permitting in fiscal year 2015 give a positive outlook for the next few years; however, we caution that with the current price of oil, revenue from sale tax may decrease. The extended construction of Highway 190 in the City's concentrated retail area since it has been completed has had a positive effect on sales tax receipts. The entry of Home Goods has helped in fiscal year 2015 to boost sales tax receipts and should help soften the exit of other vendor outside of the city limits. With the expected opening of Whole Food in 2016, we expect a positive effect for destination shoppers. 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

CITY OF MANDEVILLE, LOUISIANAStatement of Net PositionAugust 31, 2015

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 31,858,272	\$ 4,458,998	\$ 36,317,270
Investments	12,519,322	3,612,447	16,131,769
Receivables			
Property taxes, net	52,091	-	52,091
Sales and use taxes	1,210,964	-	1,210,964
Water and sewer, net	-	370,723	370,723
Grants	845,809	2,311,848	3,157,657
Other	200,840	-	200,840
Internal balances	975,040	(975,040)	-
Deposits	2,780	-	2,780
Inventory	99	92,509	92,608
Capital assets, net of depreciation:	32,327,790	38,110,624	70,438,414
	<u>\$ 79,993,007</u>	<u>\$ 47,982,109</u>	<u>\$ 127,975,116</u>
<b>Deferred Outflows of Resources:</b>			
Deferred amounts related to net pension liability	<u>\$ 1,796,982</u>	<u>\$ 189,093</u>	<u>\$ 1,986,075</u>
<b>Liabilities:</b>			
Accounts payables and accrued liabilities	\$ 1,597,665	\$ 1,261,799	\$ 2,859,464
Deposits	21,500	300,989	322,489
Non-current liabilities			
Due within in year	523,809	9,826	533,635
Due in more than one year	14,476,496	860,854	15,337,350
	<u>\$ 16,619,470</u>	<u>\$ 2,433,468</u>	<u>\$ 19,052,938</u>
<b>Deferred Inflows of Resources:</b>			
Deferred amounts related to net pension liability	<u>\$ 1,280,241</u>	<u>\$ 111,098</u>	<u>\$ 1,391,339</u>
<b>Net Position:</b>			
Net investment in capital assets	\$ 30,392,790	\$ 38,110,624	\$ 68,503,414
Restricted for:			
Public works and related bonded debt	30,057,947	-	30,057,947
Unrestricted	3,439,541	7,516,012	10,955,553
	<u>\$ 63,890,278</u>	<u>\$ 45,626,636</u>	<u>\$ 109,516,914</u>

See accompanying notes to financial statements.

**FINANCIAL STATEMENTS**

## CITY OF MANDEVILLE, LOUISIANA

## Statement of Activities

For the year ended August 31, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities:</b>							
General government	\$ 5,819,368	\$ 757,623	\$ 329,443	\$ 458,203	\$ (4,274,099)	\$ -	\$ (4,274,099)
Public safety	6,119,998	-	-	-	(6,119,998)	-	(6,119,998)
Public works	4,007,182	-	-	-	(4,007,182)	-	(4,007,182)
Cemetery	24,932	41,890	-	-	16,958	-	16,958
Interest on long-term debt	80,329	-	-	-	(80,329)	-	(80,329)
Total governmental activities	16,051,809	799,513	329,443	458,203	(14,464,650)	-	(14,464,650)
<b>Business-Type Activities:</b>							
Water	1,846,927	1,284,724	13,819	1,715,619	-	1,167,235	1,167,235
Sewer	2,508,024	2,029,870	-	-	-	(478,154)	(478,154)
Total business-type activities	4,354,951	3,314,594	13,819	1,715,619	-	689,081	689,081
<b>Total</b>	<b>\$ 20,406,760</b>	<b>\$ 4,114,107</b>	<b>\$ 343,262</b>	<b>\$ 2,173,822</b>	<b>\$ (14,464,650)</b>	<b>\$ 689,081</b>	<b>\$ (13,775,569)</b>
<b>General revenues</b>							
Ad valorem (property) taxes					2,695,413	-	2,695,413
Franchise taxes					1,072,876	-	1,072,876
Sales and use taxes					14,832,281	-	14,832,281
Licenses and permits					1,580,108	-	1,580,108
Fines, forfeitures and other					358,620	-	358,620
Interest and investment earnings					73,939	32,677	106,616
Other general revenues					437,553	-	437,553
Legal settlement proceeds					1,586,617	-	1,586,617
Total general revenues and transfers					22,637,407	32,677	22,670,084
Transfer in (out)					(4,205,242)	4,205,242	-
Changes in net position					3,967,515	4,927,000	8,894,515
Net position, beginning of year, as previously reported					69,787,978	41,421,797	111,209,775
Restatement (Note 1)					(9,865,215)	(722,161)	(10,587,376)
Net position, beginning of year, as restated					59,922,763	40,699,636	100,622,399
Net position, end of year					\$ 63,890,278	\$ 45,626,636	\$ 109,516,914

See accompanying notes to financial statements.

## CITY OF MANDEVILLE, LOUISIANA

## Governmental Funds - Balance Sheet

August 31, 2015

	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
<b>ASSETS</b>								
Cash and cash equivalents	\$ 11,352,236	\$ 122,536	\$ 7,282,108	\$ 2,191,234	\$ 27,228	\$ 9,785,022	\$ 1,097,908	\$ 31,858,272
Investments	2,162,140	91,340	6,597,808	-	472,412	2,123,137	1,072,485	12,519,322
Receivables								
Property taxes	-	-	-	-	52,091	-	-	52,091
Sales and use taxes	-	1,210,964	-	-	-	-	-	1,210,964
Grants	845,809	-	-	-	-	-	-	845,809
Other	200,840	-	-	-	-	-	-	200,840
Deposits	2,780	-	-	-	-	-	-	2,780
Inventory plots and crypts	99	-	-	-	-	-	-	99
Interfund receivables	2,610,033	-	256,258	143,547	-	276,960	-	3,286,798
<b>Total assets</b>	<b>\$ 17,173,937</b>	<b>\$ 1,424,840</b>	<b>\$ 14,136,174</b>	<b>\$ 2,334,781</b>	<b>\$ 551,731</b>	<b>\$ 12,185,119</b>	<b>\$ 2,170,393</b>	<b>\$ 49,976,975</b>
<b>LIABILITIES</b>								
Accounts payable	\$ 760,782	\$ -	\$ -	\$ 103,656	\$ -	\$ 448,976	\$ -	\$ 1,313,414
Accrued liabilities	272,474	-	-	-	-	-	-	272,474
Deposits	21,500	-	-	-	-	-	-	21,500
Interfund payables	-	1,424,840	469,540	-	417,378	-	-	2,311,758
<b>Total liabilities</b>	<b>1,054,756</b>	<b>1,424,840</b>	<b>469,540</b>	<b>103,656</b>	<b>417,378</b>	<b>448,976</b>	<b>-</b>	<b>3,919,146</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Unavailable revenues	665,943	-	-	-	59,617	-	-	725,560
<b>Total deferred inflows of resources</b>	<b>665,943</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>59,617</b>	<b>-</b>	<b>-</b>	<b>725,560</b>
<b>FUND BALANCES</b>								
Nonspendable amounts:								
Not in spendable form	2,879	-	-	-	-	-	-	2,879
Restricted	178,916	-	13,666,634	2,231,125	74,736	11,736,143	2,170,393	30,057,947
Unassigned	15,271,443	-	-	-	-	-	-	15,271,443
<b>Total fund balances</b>	<b>15,453,238</b>	<b>-</b>	<b>13,666,634</b>	<b>2,231,125</b>	<b>74,736</b>	<b>11,736,143</b>	<b>2,170,393</b>	<b>45,332,269</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 17,173,937</b>	<b>\$ 1,424,840</b>	<b>\$ 14,136,174</b>	<b>\$ 2,334,781</b>	<b>\$ 551,731</b>	<b>\$ 12,185,119</b>	<b>\$ 2,170,393</b>	<b>\$ 49,976,975</b>

See accompanying notes to financial statements.

CITY OF MANDEVILLE, LOUISIANAReconciliation of the Governmental Funds' Balance Sheet to the Statement of Net PositionAugust 31, 2015

Total fund balances – governmental funds	\$	45,332,269
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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	\$ 82,012,157	
Accumulated depreciation	<u>(49,684,367)</u>	32,327,790

Revenues in the statement of activities that do not provide current financial resources and are not reported as revenues in the funds.		725,560
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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.		(11,777)
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Net pension liability balances in accordance with GASB 68:

Deferred outflow of resources - deferred pension contributions	204,812	
Deferred outflow of resources - related to net pension liability	1,592,170	
Net pension liability	(10,704,365)	
Deferred inflow of resources - related to net pension liability	<u>(1,280,241)</u>	(10,187,624)

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	(1,935,000)	
Net other post-employment benefit obligation	(2,065,706)	
Compensated absences	<u>(295,234)</u>	<u>(4,295,940)</u>

Net position – governmental activities	\$	<u>63,890,278</u>
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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, 2015

	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
<b>REVENUES</b>								
Taxes								
Ad valorem	\$ 2,675,772	\$ -	\$ -	\$ -	\$ 19,641	\$ -	\$ -	\$ 2,695,413
Franchise	1,072,876	-	-	-	-	-	-	1,072,876
Sales and Use	-	14,832,281	-	-	-	-	-	14,832,281
Intergovernmental	551,126	-	-	-	-	20,700	-	571,826
Licenses and permits	1,580,108	-	-	-	-	-	-	1,580,108
Fines and forfeitures	358,620	-	-	-	-	-	-	358,620
Charges for services	799,513	-	-	-	-	-	-	799,513
Interest income	15,952	156	26,983	1,206	9,925	9,048	10,669	73,939
Other	612,107	-	-	-	-	-	-	612,107
Total revenues	<u>7,666,074</u>	<u>14,832,437</u>	<u>26,983</u>	<u>1,206</u>	<u>29,566</u>	<u>29,748</u>	<u>10,669</u>	<u>22,596,683</u>
<b>EXPENDITURES</b>								
General government	4,566,318	170,339	-	-	27,646	2,552	-	4,766,855
Public safety	5,791,982	-	-	-	-	-	-	5,791,982
Public works	1,855,466	-	-	-	-	1,133	-	1,856,599
Cemetery	24,932	-	-	-	-	-	-	24,932
Debt service								
Principal	-	-	-	-	-	-	435,000	435,000
Interest and fiscal charges	-	-	-	-	-	-	83,121	83,121
Capital outlay	633,093	-	-	-	-	3,993,695	-	4,626,788
Total expenditures	<u>12,871,791</u>	<u>170,339</u>	<u>-</u>	<u>-</u>	<u>27,646</u>	<u>3,997,380</u>	<u>518,121</u>	<u>17,585,277</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(5,205,717)</u>	<u>14,662,098</u>	<u>26,983</u>	<u>1,206</u>	<u>1,920</u>	<u>(3,967,632)</u>	<u>(507,452)</u>	<u>5,011,406</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Operating transfers in	8,557,075	-	2,894,653	1,730,555	-	4,189,385	524,904	17,896,572
Operating transfers out	-	(14,662,098)	(5,806,139)	(1,623,075)	-	-	(10,502)	(22,101,814)
Legal settlement proceeds	1,586,617	-	-	-	-	-	-	1,586,617
Total other financing sources (uses)	<u>10,143,692</u>	<u>(14,662,098)</u>	<u>(2,911,486)</u>	<u>107,480</u>	<u>-</u>	<u>4,189,385</u>	<u>514,402</u>	<u>(2,618,625)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<u>4,937,975</u>	<u>-</u>	<u>(2,884,503)</u>	<u>108,686</u>	<u>1,920</u>	<u>221,753</u>	<u>6,950</u>	<u>2,392,781</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>10,515,263</u>	<u>-</u>	<u>16,551,137</u>	<u>2,122,439</u>	<u>72,816</u>	<u>11,514,390</u>	<u>2,163,443</u>	<u>42,939,488</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 15,453,238</u>	<u>\$ -</u>	<u>\$ 13,666,634</u>	<u>\$ 2,231,125</u>	<u>\$ 74,736</u>	<u>\$ 11,736,143</u>	<u>\$ 2,170,393</u>	<u>\$ 45,332,269</u>

See accompanying notes to financial statements.

**Statement F**

CITY OF MANDEVILLE, LOUISIANA

Reconciliation of the Governmental Funds' Statement of Revenues,  
Expenditures, and Changes in Fund Balance to the Statement of Activities

For the year ended August 31, 2015

Total net changes in fund balances – governmental funds	\$	2,392,781
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>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 (\$4,626,788) exceeded depreciation (\$2,745,209) in the current period.</p>		
		1,881,579
<p>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.</p>		
Bond principal payments		435,000
<p>Change in revenue accruals and availability - 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.</p>		
		(174,554)
Change in accrual basis recognition of interest expenditures		2,792
<p>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.</p>		
		(227,949)
Change in net pension liability and deferred inflows and outflows in accordance with GASB 68		(538,229)
Contributions made to the retirement plans by other governments		215,820
<p>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.</p>		
		<u>(19,725)</u>
Change in net assets of governmental activities	<u>\$</u>	<u>3,967,515</u>

See accompanying notes to financial statements.

CITY OF MANDEVILLE, LOUISIANAProprietary Fund  
Statement of Net Position

August 31, 2015

	<u>Enterprise Fund</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	
<b>ASSETS</b>	
Cash and cash equivalents	\$ 4,458,998
Investments	3,612,447
Accounts receivable (net of allowance for uncollectibles)	370,723
Grant receivable	2,311,848
Inventory	<u>92,509</u>
Total current assets	<u>10,846,525</u>
<b>PROPERTY, PLANT, AND EQUIPMENT</b>	
Property, plant, and equipment, at cost	56,400,784
Less: Accumulated depreciation	<u>(18,290,160)</u>
Property, plant, and equipment, net	<u>38,110,624</u>
Total assets	<u>48,957,149</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred amounts related to net pension liability	<u>189,093</u>
Total deferred outflows of resources	<u>189,093</u>
Total assets and deferred outflows of resources	<u>\$ 49,146,242</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	
<b>LIABILITIES</b>	
Accounts and other payables	\$ 1,261,799
Interfund payables	975,040
Customer deposits	300,989
Accrued compensated absences, current	<u>9,826</u>
Total current liabilities	2,547,654
Accrued compensated absences, noncurrent	29,477
Net pension liability	<u>831,377</u>
Total liabilities	<u>3,408,508</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred amounts related to net pension liability	<u>111,098</u>
Total deferred inflows of resources	<u>111,098</u>
<b>NET POSITION</b>	
Net investment in capital assets	38,110,624
Unrestricted	<u>7,516,012</u>
Total net position	<u>45,626,636</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 49,146,242</u>

See accompanying notes to financial statements.

**CITY OF MANDEVILLE, LOUISIANA**Proprietary FundStatement of Revenues, Expenses, and Changes in Net Position

For the year ended August 31, 2015

	<u>Enterprise Fund</u>
<b>OPERATING REVENUES</b>	
Charges for services:	
Water fees	\$ 1,125,250
Sewer fees	1,974,327
Tapping fees:	
Water	17,840
Sewer	9,800
Water service charges	22,924
Delinquent fees	72,559
Miscellaneous	25,354
Sewer impact fees	31,004
Water impact fees	35,536
	<u>3,314,594</u>
<b>OPERATING EXPENSES</b>	
Water department expenses	1,846,927
Sewer department expenses	2,508,024
	<u>4,354,951</u>
Total operating expenses	<u>4,354,951</u>
Operating loss	<u>(1,040,357)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Operating grants	13,819
Interest income	32,677
	<u>46,496</u>
Total non-operating revenues (expenses)	<u>46,496</u>
<b>CHANGES IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<u>(993,861)</u>
Capital contributions	1,715,619
Transfers in	4,205,242
	<u>4,927,000</u>
<b>CHANGES IN NET POSITION</b>	<u>4,927,000</u>
<b>NET POSITION:</b>	
<b>BEGINNING OF YEAR, AS PREVIOUSLY REPORTED</b>	41,421,797
<b>RESTATEMENT</b>	(722,161)
<b>BEGINNING OF YEAR, AS RESTATED</b>	<u>40,699,636</u>
<b>END OF YEAR</b>	<u>\$ 45,626,636</u>

See accompanying notes to financial statements.

CITY OF MANDEVILLE, LOUISIANAProprietary Fund  
Statement of Cash FlowsFor the year ended August 31, 2015

	<u>Enterprise Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers and users	\$ 3,278,237
Cash paid to suppliers of goods or services	(1,835,818)
Cash paid to employees	(597,651)
	<hr/>
Net cash provided by operating activities	844,768
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Transfers in	4,205,242
Proceeds from operating grants	13,819
Net payments to other funds	922,758
	<hr/>
Net cash provided by non-capital financing activities	5,141,819
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital grants	156,433
Purchase of capital assets	(5,628,018)
	<hr/>
Net cash used in capital and related financing activities	(5,471,585)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from sale of investments	1,472,338
Interest received	32,677
	<hr/>
Net cash provided by capital and related financing activities	1,505,015
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	2,020,017
<b>CASH AND CASH EQUIVALENTS:</b>	
<b>BEGINNING OF YEAR</b>	<hr/> 2,397,770
<b>END OF YEAR</b>	<hr/> <b>\$ 4,417,787</b> <hr/>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:</b>	
Operating loss	\$ (1,040,357)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	1,561,662
Increase in accounts receivable	(40,600)
Increase in accounts payable and other payables	359,820
Increase in customer deposits	4,243
	<hr/>
Net cash provided by operating activities	<b>\$ 844,768</b> <hr/>

See accompanying notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS**

**CITY OF MANDEVILLE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**AUGUST 31, 2015**

**(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, 2015

(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 aide 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, 2015

(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 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. On November 4, 2015, 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.

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.

CITY OF MANDEVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

(1) Summary of Significant Accounting Policies (continued)

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

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 .5% 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, May 1, 1999, and November 4, 2015 and 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. (See Note 19)

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).

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.

**CITY OF MANDEVILLE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**AUGUST 31, 2015**

**(1) Summary of Significant Accounting Policies (continued)**

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

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).

***(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 \$222,741 at August 31, 2015.

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, 2015, was \$2,695,413.

CITY OF MANDEVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

(1) Summary of Significant Accounting Policies (continued)

(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.

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.

CITY OF MANDEVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

(1) Summary of Significant Accounting Policies (continued)

(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 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.

(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.

**CITY OF MANDEVILLE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**AUGUST 31, 2015**

**(1) Summary of Significant Accounting Policies (continued)**

***(j) Fund Balance (continued)***

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.

***(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***

Current Year Adoption of New Accounting Standard and Restatement of Net Position:

The City of Mandeville adopted Government Accounting Standards Board (GASB) Statement Number 68 - Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27, and Statement Number 71 - Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68.

**CITY OF MANDEVILLE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**AUGUST 31, 2015**

**(1) Summary of Significant Accounting Policies (continued)**

***(m) Change in Accounting Principle (continued)***

The net effect to the entity-wide Statement of Net Position for the prior year that resulted from the adoption of GASBs 68 and 71 is as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Total Net Position, August 31, 2014			
as previously reported	\$ 69,787,978	\$ 41,421,797	\$ 111,209,775
Net pension liability at August 31, 2014	(8,263,440)	(634,136)	(8,897,576)
Deferred outflows of resources at August 31, 2014	179,167	13,037	192,204
Deferred inflows of resources at August 31, 2014	<u>(1,780,942)</u>	<u>(101,062)</u>	<u>(1,882,004)</u>
Total net position, August 31, 2014, restated	<u>\$ 59,922,763</u>	<u>\$ 40,699,636</u>	<u>\$ 100,622,399</u>

**(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.

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.

CITY OF MANDEVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

**(2) Budgetary Procedures and Budgetary Accounting (continued)**

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, 2015, the City had \$36,317,270 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, 2015, the City had \$37,319,969 (collected bank balances). These deposits are secured from risk by federal deposit insurance and \$35,597,318 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.

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.

CITY OF MANDEVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

**(4) Investments (continued)**

- 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, 2015.
- 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, \$8,775,486 have investment maturities of less than one year and \$7,356,283 have maturities of one to five years.

*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, 2015 were not subject to custodial credit risk.

**CITY OF MANDEVILLE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**AUGUST 31, 2015**

**(4) Investments (continued)**

The following table provides information on the credit ratings, maturity dates, and fair values associated with the City's investments at August 31, 2015:

<b><u>Investment</u></b>	<b><u>Rating</u></b>	<b><u>Maturity Date</u></b>	<b><u>Fair Value</u></b>
Certificates of Deposit	not rated	December 2015	\$ 250,000
Certificates of Deposit	not rated	January 2016	200,000
Certificates of Deposit	not rated	January 2016	150,000
Federal Home Loan Bank	AAA	December 2016	700,049
Tax Exempt Bonds	AAA	December 2016	77,237
Tax Exempt Bonds	AAA	May 2017	50,862
Federal Home Loan Mtg Corp	AAA	June 2017	850,332
Federal National Mtg Assoc	AAA	August 2017	375,596
Federal Farm Credit Bank	AAA	September 2017	400,348
Federal Home Loan Mtg Corp	AAA	September 2017	500,200
Federal Farm Credit Bank	AAA	October 2017	148,428
Federal Farm Credit Bank	AAA	November 2017	100,154
Federal Home Loan Bank	AAA	November 2017	350,508
Federal Farm Credit Bank	AAA	January 2018	748,905
Federal Farm Credit Bank	AAA	February 2018	49,905
Federal National Mtg Assoc	AAA	February 2018	700,925
Tax Exempt Bonds	AAA	March 2018	153,137
Federal National Mtg Assoc	AAA	April 2018	499,575
Federal National Mtg Assoc	AAA	May 2018	99,907
Federal Home Loan Mtg Corp	AAA	June 2018	50,020
Federal Home Loan Bank	AAA	June 2018	700,357
Federal Home Loan Mtg Corp	AAA	August 2018	549,725
Federal Home Loan Mtg Corp	AAA	August 2018	250,113
Louisiana Asset Management Pool	AAAm	Not applicable	8,175,486
			<u>\$ 16,131,769</u>

**CITY OF MANDEVILLE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**AUGUST 31, 2015**

**(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, 2015, upon which the 2015 levies were based, was \$170,872,339. The combined 2015 tax rate was \$15.80 per \$1,000 of assessed valuation. Of this amount, \$15.70 was available for general operations and \$0.10 was available for general obligation indebtedness.

**(6) Receivables**

At August 31, 2015, 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	\$ -	\$ -	\$ -	\$ 370,723	\$ 370,723
Property taxes	-	-	52,091	-	52,091
Sales and use taxes	-	1,210,964	-	-	1,210,964
Franchise	184,464	-	-	-	184,464
Grants	845,809	-	-	2,311,848	3,157,657
Other	16,376	-	-	-	16,376
	<u>\$ 1,046,649</u>	<u>\$ 1,210,964</u>	<u>\$ 52,091</u>	<u>\$ 2,682,571</u>	<u>\$ 4,992,275</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 \$222,741 for the business-type activities at August 31, 2015.

**(7) Property, Plant and Equipment**

Depreciation was charged to the governmental functions as follows:

Public works – street construction and maintenance	\$ 2,150,583
Public safety – police	328,016
General government – City Hall	266,610
Total	<u>\$ 2,745,209</u>

**CITY OF MANDEVILLE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**AUGUST 31, 2015**

**(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, 2015:

<b>Governmental Activities</b>	<b>September 1, 2014</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers</b>	<b>August 31, 2015</b>
<b>Nondepreciable capital assets:</b>					
Land	\$ 4,173,988	\$ -	\$ -	\$ -	\$ 4,173,988
Construction in process	1,219,677	1,996,121	-	(598,008)	2,617,790
Total nondepreciable capital assets	5,393,665	1,996,121	-	(598,008)	6,791,778
<b>Depreciable capital assets:</b>					
Infrastructure – streets	51,899,028	1,671,860	-	427,612	53,998,500
Trace and trailhead	3,915,869	-	-	-	3,915,869
Drainage	6,430,370	419,914	-	-	6,850,284
Vehicles	2,156,975	161,565	(23,887)	-	2,294,653
Equipment	2,373,307	161,851	-	135,066	2,670,224
Buildings	4,490,516	215,477	-	35,330	4,741,323
Office equipment and furniture	108,103	-	-	-	108,103
Harbor	641,423	-	-	-	641,423
Total depreciable capital assets	72,015,591	2,630,667	(23,887)	598,008	75,220,379
<b>Less: accumulated depreciation for:</b>					
Infrastructure - streets	(37,574,643)	(1,652,119)	-	-	(39,226,762)
Trace and trailhead	(1,218,334)	(101,134)	-	-	(1,319,468)
Drainage	(2,300,554)	(237,865)	-	-	(2,538,419)
Vehicles	(1,749,683)	(184,808)	23,887	-	(1,910,604)
Equipment	(1,529,212)	(286,805)	-	-	(1,816,017)
Buildings	(2,320,185)	(254,457)	-	-	(2,574,642)
Office equipment and furniture	(104,323)	(3,781)	-	-	(108,104)
Harbor	(166,111)	(24,240)	-	-	(190,351)
Total accumulated depreciation	(46,963,045)	(2,745,209)	23,887	-	(49,684,367)
Depreciable capital assets, net	25,052,546	(114,542)	-	598,008	25,536,012
Total capital assets	\$ 30,446,211	\$ 1,881,579	\$ -	\$ -	\$ 32,327,790

**CITY OF MANDEVILLE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**AUGUST 31, 2015**

**(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, 2015:

<b>Business-Type Activities</b>	<b>September 1, 2014</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers</b>	<b>August 31, 2015</b>
<b>Nondepreciable capital assets:</b>					
Land	\$ 1,745,392	\$ -	\$ -	\$ -	\$ 1,745,392
Construction in process	1,769,886	3,497,850	-	(578,264)	4,689,472
Total nondepreciable capital assets	3,515,278	3,497,850	-	(578,264)	6,434,864
<b>Depreciable capital assets:</b>					
Buildings	1,314,487	-	-	-	1,314,487
Water wells, lines and tower	17,568,468	739,519	-	10,803	18,318,790
Sewer lines	18,512,360	-	-	-	18,512,360
Equipment and vehicles	2,510,921	228,104	(48,826)	-	2,690,199
Wastewater treatment plant	7,400,075	1,162,548	-	567,461	9,130,084
Total depreciable capital assets	47,306,311	2,130,171	(48,826)	578,264	49,965,920
<b>Less: accumulated depreciation for:</b>					56,400,784
Buildings	(298,171)	(27,388)	-	-	(325,559)
Water wells, lines and tower	(4,872,577)	(413,703)	-	-	(5,286,280)
Sewer lines	(8,408,185)	(488,487)	-	-	(8,896,672)
Equipment and vehicles	(1,763,977)	(335,496)	48,826	-	(2,050,647)
Wastewater treatment plant	(1,434,414)	(296,588)	-	-	(1,731,002)
Total accumulated depreciation	(16,777,324)	(1,561,662)	48,826	-	(18,290,160)
Depreciable capital assets, net	30,528,987	568,509	-	578,264	31,675,760
Total capital assets	\$ 34,044,265	\$ 4,066,359	\$ -	\$ -	\$ 38,110,624

Depreciation expense for business type activities is \$1,561,662 for year ended August 31, 2015.

**Capital Commitments**

The City has active capital projects as of August 31, 2015 as follows:

<b>Project</b>	<b>Total Contract</b>	<b>Remaining Commitment</b>
Roadway & Drainage Maintenance	\$ 3,566,572	\$ 1,297,424
New Water Tower & Distribution System	3,192,750	433,778
Lift Station #21 Relocation	1,427,402	306,231
Old Golden Shores Water Main Rehabilitation	1,145,139	967,309
Lift Stations 22, 23, & 33	735,200	295,007
Lafayette Street Drainage	321,000	231,000

**CITY OF MANDEVILLE, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS**

**AUGUST 31, 2015**

**(8) Long-Term Debt**

**Bonds Payable**

Bonds payable outstanding at August 31, 2015, 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% \$ 1,935,000

The annual requirements to amortize all debt outstanding as of August 31, 2015 including interest are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 1,935,000</u>	<u>\$ 153,134</u>	<u>\$ 2,088,134</u>

The City is in compliance with its debt covenants at August 31, 2015.

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, 2015 is \$17,087,240.

**CITY OF MANDEVILLE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**AUGUST 31, 2015**

**(8) Long-Term Debt (continued)**

**Changes in Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended August 31, 2015 is as follows:

	<b><u>September 1, 2014</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>August 31, 2015</u></b>	<b><u>Due within one year</u></b>
<b>Governmental Activities:</b>					
Bonds payable:					
Sales tax refunding bonds	\$ 2,370,000	\$ -	\$ (435,000)	\$ 1,935,000	\$ 450,000
Compensated absences	275,509	173,759	(154,034)	295,234	73,809
Net pension liability (Note 12)	8,263,440	2,440,925	-	10,704,365	-
Post-employment benefit obligation (Note 13)	1,837,757	227,949	-	2,065,706	-
	<b><u>\$ 12,746,706</u></b>	<b><u>\$ 2,842,633</u></b>	<b><u>\$ (589,034)</u></b>	<b><u>\$ 15,000,305</u></b>	<b><u>\$ 523,809</u></b>
<b>Business-type Activities:</b>					
Compensated absences	\$ 52,324	\$ 17,314	\$ (30,335)	\$ 39,303	\$ 9,826
Net pension liability (Note 12)	634,136	197,241	-	831,377	-
	<b><u>\$ 686,460</u></b>	<b><u>\$ 214,555</u></b>	<b><u>\$ (30,335)</u></b>	<b><u>\$ 870,680</u></b>	<b><u>\$ 9,826</u></b>

All principal and interest requirements are funded in accordance with Louisiana law by the annual tax levy on taxable property within the taxing districts and by a pledge of sales tax collections. Compensated absences liability, net pension liability and the post-employment benefit obligation liability are expected to be funded by the General fund and the Proprietary fund (Water and Sewer).

**(9) Fund Balances**

Fund balances for the City's governmental funds consisted of the following as of August 31, 2015:

**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 \$13,666,634 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 \$2,231,125 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 \$11,736,143 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 \$74,736 in restricted fund balance for debt service restricted by dedicated millage. The bond reserve fund and bond sinking fund total \$2,170,393 restricted for debt service by bond ordinance.

CITY OF MANDEVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

**(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, 2015, were as follows:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
<b>Governmental funds</b>		
Major funds		
General Fund	\$ 2,610,033	\$ -
Sales Tax Fund	-	1,424,840
Special Sales Tax Fund	256,258	469,540
District 3 Sales Tax Fund	143,547	-
Tax Collector Fund	-	417,378
Street Construction Fund	276,960	-
Total governmental funds	<u>3,286,798</u>	<u>2,311,758</u>
<b>Proprietary fund</b>	<u>-</u>	<u>975,040</u>
Total all funds	<u>\$ 3,286,798</u>	<u>\$ 3,286,798</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, 2015 were as follows:

	<u>Transfers in</u>	<u>Transfers Out</u>
<b>Governmental funds</b>		
Major funds		
General Fund	\$ 8,557,075	\$ -
Sales Tax Fund	-	14,662,098
Special Sales Tax Fund	2,894,653	5,806,139
District No. 3 Sales Tax Fund	1,730,555	1,623,075
Street Construction Fund	4,189,385	-
Non-major funds	524,904	10,502
Total governmental funds	<u>17,896,572</u>	<u>22,101,814</u>
<b>Proprietary funds</b>	<u>4,205,242</u>	<u>-</u>
Total all funds	<u>\$ 22,101,814</u>	<u>\$ 22,101,814</u>

**CITY OF MANDEVILLE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**AUGUST 31, 2015**

**(12) Pension and Retirement Plans**

The City of Mandeville (the City) is a participating employer in two cost-sharing defined benefit pension plans. These plans are administered by two public employee retirement systems, the Municipal Employees' Retirement System of Louisiana (MERS) and the Municipal Police Employees' Retirement System (MPERS). Article X, Section 29(F) of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions of these plans to the State Legislature. Each system is administered by a separate board of trustees.

Each of the Systems issues an annual publicly available financial report that includes financial statements and required supplementary information for the system. These financial reports for each of the Systems are for fiscal years ending June 30<sup>th</sup>. These reports may be obtained by writing, calling or downloading the reports as follows:

MERS:	MPERS:
7937 Office Park Boulevard	7722 Office Park Boulevard, Suite 200
Baton Rouge, Louisiana 70809	Baton Rouge, LA 70809
(225) 925-4810	(225) 929-7411
<a href="http://www.mersla.com">www.mersla.com</a>	<a href="http://www.lampers.org">www.lampers.org</a>

The City implemented Government Accounting Standards Board (GASB) Statement 68 on Accounting and Financial Reporting for Pensions and Statement 71 on Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB 68. These standards require the City to record its proportional share of each of the pension plans Net Pension Liability and report the following disclosures:

**Plan Descriptions:**

**Municipal Employees' Retirement System of Louisiana (MERS)**

The Municipal Employees' Retirement System of Louisiana (MERS) is the administrator of a cost sharing multiple-employer defined benefit pension plan. The System was originally established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana. The System provides retirement benefits to employees of all incorporated villages, towns and cities within the State which do not have their own retirement system and which elect to become members of the System. For the year ended June 30, 2015, there were 85 contributing municipalities in Plan A and 69 in Plan B. The City of Mandeville is a participant in Plan A only.

The following is a description of the plan and its benefits and is provided for general information purposes only.

Membership is mandatory as a condition of employment beginning on the date employed if the employee is on a permanent basis working at least thirty-five hours per week. Those individuals paid jointly by a participating employer and the parish are not eligible for membership in the System with exceptions as outlined in the statutes.

CITY OF MANDEVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

**(12) Pension and Retirement Plans (continued)**

Any member of Plan A who was hired before January 1, 2013 can retire providing the member meets one of the following criteria:

1. Any age with twenty-five (25) or more years of creditable service.
2. Age 60 with a minimum of ten (10) years of creditable service.
3. Any age with five (5) years of creditable service eligible for disability benefits.
4. Survivor's benefits require five (5) years creditable service at death of member.
5. Any age with 20 years of creditable service, exclusive of military service with an actuarially reduced early benefit.

Any member of Plan B who was hired before January 1, 2013 can retire providing the member meets one of the following criteria:

1. Any age with thirty (30) years of creditable service.
2. Age 60 with a minimum of ten (10) or more years of creditable service.
3. Any age with ten (10) years of creditable service eligible for disability benefits.
4. Survivor's benefits require five (5) years creditable service at death of member.

Eligibility for Retirement for Plan A and Plan B members hired on or after January 1, 2013 is as follows:

1. Age 67 with seven (7) or more years of creditable service
2. Age 62 with ten (10) or more years of creditable service
3. Age 55 with thirty (30) or more years of creditable service
4. Any age with twenty five (25) years of creditable service, exclusive of military service and unused side leave. However, any member retiring under this subsection shall have their benefit actuarially reduced from the earliest age of which the member would be entitled to a vested deferred benefit under any provision of this section, if the member had continued in service to that age.

Generally, the monthly amount of the retirement allowance for any member of Plan A shall consist of an amount equal to three percent of the member's monthly average 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.

Generally, the monthly amount of the retirement allowance for any member of Plan B shall consist of an amount equal to two percent of the member's monthly average 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.

CITY OF MANDEVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

**(12) Pension and Retirement Plans (continued)**

Upon death of any member of Plan A with five (5) or more years of creditable service, not eligible for retirement, the plan provides for benefits for the surviving spouse and/or minor children as outlined in the statutes. Any member of Plan A who is eligible for normal retirement at time of death and who leaves a surviving spouse will be deemed to have retired and selected Option 2 benefits on behalf of the surviving spouse on the date of death. Such benefits will begin only upon proper application and are paid in lieu of any other survivor benefits. Upon death of any member of Plan B with five (5) or more years of creditable service, not eligible for normal retirement, the plan provides for benefits for the surviving spouse as outlined in the statutes. Any member of Plan B who is eligible for normal retirement at time of death and who leaves a surviving spouse will be deemed to have retired and selected Option 2 benefits on behalf of the surviving spouse on the date of death. Such benefits will begin only upon proper application and are paid in lieu of any other survivor benefits.

In lieu of terminating employment and accepting a service retirement allowance, any member of Plan A or B who is eligible to retire may elect to participate in the deferred retirement option plan (DROP) for up to three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund. Interest is earned when the member has completed DROP participation. Interest earnings are based upon the actual rate of return on the investments identified as DROP funds for the period. In addition, no cost-of-living increases are payable to participants until employment which made them eligible to become members of the System has been terminated for at least one full year.

Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or any other method of payment if approved by the board of trustees. If a participant dies during participation in the DROP, a lump sum equal to the balance in his account shall be paid to his named beneficiary or, if none, to his estate. If employment is not terminated at the end of the three years, payments into the DROP fund cease and the person resumes active contributing membership in the System.

For Plan A, a member shall be eligible to retire and receive a disability benefit if he has at least five years of creditable service, is not eligible for normal retirement and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan A shall be paid a disability benefit equal to the lesser of forty-five percent of his final average compensation or three percent of his final average compensation multiplied by his years of creditable service whichever is greater or an amount equal to three percent of the member's final average compensation multiplied by his years of creditable service projected to his earliest normal retirement age.

CITY OF MANDEVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

**(12) Pension and Retirement Plans (continued)**

For Plan B, a member shall be eligible to retire and receive a disability benefit if he has at least ten years of creditable service; in which he would receive a regular retirement under retirement provisions. A member shall be eligible to retire and receive a disability benefit if he has at least ten years of creditable service, is not eligible for normal retirement, and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan B shall be paid a disability benefit equal to the lesser of thirty percent of his final average compensation or two percent of his final average compensation multiplied by his years of creditable service, whichever is greater; or an amount equal to two percent of the member's final average compensation multiplied by his years of creditable service, projected to his earliest normal retirement age.

**Municipal Police Employees' Retirement System (MPERS)**

The Municipal Police Employees' Retirement System (MPERS) is the administrator of a cost-sharing multiple-employer plan. Membership in the System is mandatory for any full-time police officer employed by a municipality of the State of Louisiana and engaged in law enforcement, empowered to make arrests, providing he or she does not have to pay social security and providing he or she meets the statutory criteria. The System provides retirement benefits for municipal police officers. The projections of benefit payments in the calculation of the total pension liability includes all benefits to be provided to current active and inactive employees through the System in accordance with benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date. Benefit provisions are authorized within Act 189 of 1973 and amended by LRS 11:2211- 11:2233.

The following is a brief description of the plan and its benefits and is provided for general information purposes only.

Membership Prior to January 1, 2013: A member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 20 years of creditable service and is age 50 or has 12 years creditable service and is age 55. A member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age with an actuarially reduced benefit. Benefit rates are three and one-third percent of average final compensation (average monthly earnings during the highest 36 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary. Upon the death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children.

Under certain conditions outlined in the statutes, the benefits range from forty to sixty percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives benefits equal to ten percent of the member's average final compensation or \$200.00 per month, whichever is greater.

CITY OF MANDEVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

**(12) Pension and Retirement Plans (continued)**

Membership Commencing January 1, 2013: Member eligibility for regular retirement, early retirement, disability and survivor benefits are based on Hazardous Duty and Non Hazardous Duty sub plans. Under the Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 12 years of creditable service at age 55. Under the Non Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 30 years of creditable service at any age, 25 years of creditable service at age 55, or 10 years of creditable service at age 60. Under both sub plans, a member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age, with an actuarially reduced benefit from age 55. Under the Hazardous and Non Hazardous Duty sub plans, the benefit rates are three percent and two and a half percent, respectively, of average final compensation (average monthly earnings during the highest 60 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary. Upon death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from twenty-five to fifty-five percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives ten percent of average final compensation or \$200 per month whichever is greater. If deceased member had less than ten years of service, beneficiary will receive a refund of employee contributions only.

Deferred Retirement Option Plan: A member is eligible to elect to enter the deferred retirement option plan (DROP) when he is eligible for regular retirement based on the members' sub plan participation. Upon filing the application for the program, the employee's active membership in the System is terminated. At the entry date into the DROP, the employee and employer contributions cease. The amount to be deposited into the DROP account is equal to the benefit computed under the retirement plan elected by the participant at date of application. The duration of participation in the DROP is thirty six months or less. If employment is terminated after the three-year period the participant may receive his benefits by lump sum payment or a true annuity. If employment is not terminated, active contributing membership into the System shall resume and upon later termination, he shall receive additional retirement benefit based on the additional service.

For those eligible to enter DROP prior to January 1, 2004, DROP accounts shall earn interest subsequent to the termination of DROP participation at a rate of half of one percentage point below the percentage rate of return of the System's investment portfolio as certified by the actuary on an annual basis but will never lose money. For those eligible to enter DROP subsequent to January 1, 2004, an irrevocable election is made to earn interest based on the System's investment portfolio return or a money market investment return. This could result in a negative earnings rate being applied to the account. If the member elects a money market investment return, the funds are transferred to a government money market account.

Initial Benefit Option Plan In 1999, the State Legislature authorized the System to establish an Initial Benefit Option program. Initial Benefit Option is available to members who are eligible for regular retirement and have not participated in DROP. The Initial Benefit Option program provides both a one-time single sum payment of up to 36 months of regular monthly retirement benefit, plus a reduced monthly retirement benefit for life. Interest is computed on the balance based on same criteria as DROP.

**CITY OF MANDEVILLE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**AUGUST 31, 2015**

**(12) Pension and Retirement Plans (continued)**

**Funding Policy**

Article X, Section 29(E)(2)(a) of the Louisiana Constitution of 1974 assigns the Legislature the authority to determine employee contributions. Employer contributions are actuarially determined using statutorily established methods on an annual basis and are constitutionally required to cover the employer's portion of the normal cost and provide for the amortization of the unfunded accrued liability. Employer contributions are adopted by the Legislature annually upon recommendation of the Public Retirement Systems' Actuarial Committee (PRSAC).

Contributions to the plans are required and determined by State statute (which may be amended) and are expressed as a percentage of covered payroll. The contribution rates in effect for the year ended August 31, 2015, for the City and covered employees were as follows:

	<u>City</u>	<u>Employees</u>
Municipal Employees' Retirement System Plan A		
Members hired prior to 01/01/2013	18.75%	9.25%
Members hired after 01/01/2013	18.75%	9.50%
Municipal Police Employees' Retirement System		
All employees hired prior to 01/01/2013 and all		
Hazardous Duty employees hired after 01/01/2013	31.00%	10.00%
Non-Hazardous Duty (hired after 01/01/2013)	33.00%	8.00%
Employees receiving compensation below poverty guidelines of US Department of Health	33.50%	7.50%

The contributions made to the Systems for the past three fiscal years, which equaled the required contributions for each of these years, were as follows:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Municipal Employees' Retirement System Plan A	\$ 481,064	\$ 488,885	\$ 448,025
Municipal Police Employees' Retirement System	678,541	664,337	685,004

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

The following schedule lists the City's proportionate share of the Net Pension Liability allocated by each of the pension plans for based on the June 30, 2015 measurement date. The City uses this measurement to record its Net Pension Liability and associated amounts as of June 30, 2015 in accordance with GASB Statement 68. The schedule also includes the proportionate share allocation rate used at June 30, 2015 along with the change compared to the June 30, 2014 rate. The City's proportion of the Net Pension Liability was based on a projection of the Agency's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

**CITY OF MANDEVILLE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**AUGUST 31, 2015**

**(12) Pension and Retirement Plans (continued)**

	Net Pension Liability at June 30, 2015	Rate at June 30, 2015	Increase (Decrease) on June 30, 2014 Rate
Municipal Employees' Retirement System Plan A	\$ 5,196,106	1.4546%	-0.0897%
Municipal Police Employees' Retirement System	6,339,636	0.8093%	0.0205%
	<u>\$ 11,535,742</u>		

The following schedule lists each pension plan's recognized pension expense of the City for the year ended June 30, 2015:

	Total
Municipal Employees' Retirement System Plan A	\$ 281,505
Municipal Police Employees' Retirement System	301,764
	<u>\$ 583,269</u>

At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (331,333)
Changes of assumptions	987,243	(913)
Net difference between projected and actual earnings on pension plan investments	660,073	(120,395)
Changes in proportion and differences between Employer contributions and proportionate share of contributions	119,917	(938,698)
Employer contributions subsequent to the measurement date	218,842	-
Total	<u>\$ 1,986,075</u>	<u>\$ (1,391,339)</u>

Summary totals of deferred outflows of resources and deferred inflows of resources by pension plan and by governmental activities and business-type activities are presented below.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Municipal Employees' Retirement System Plan A	\$ 1,181,828	\$ (694,361)
Municipal Police Employees' Retirement System	804,247	(696,978)
	<u>\$ 1,986,075</u>	<u>\$ (1,391,339)</u>
	Deferred Outflows of Resources	Deferred Inflows of Resources
Governmental Activities	\$ 1,796,982	\$ (1,280,241)
Business-Type Activities	189,093	(111,098)
	<u>\$ 1,986,075</u>	<u>\$ (1,391,339)</u>

CITY OF MANDEVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

**(12) Pension and Retirement Plans (continued)**

The City reported a total of \$218,842 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2015 which will be recognized as a reduction in Net Pension Liability in the year ended June 30, 2016. The following schedule list the pension contributions made subsequent to the measurement period for each pension plan:

	<u>Subsequent Contributions</u>
Municipal Employees' Retirement System Plan A	\$ 87,690
Municipal Police Employees' Retirement System	131,152
	<u>\$ 218,842</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year</u>	<u>MERS</u>	<u>MPERS</u>	<u>Total</u>
2016	\$ 86,069	\$ 53,751	\$ 139,820
2017	211,981	53,751	265,732
2018	143,371	99,106	242,477
2019	229,960	184,717	414,677
	<u>\$ 671,381</u>	<u>\$ 391,325</u>	<u>\$ 1,062,706</u>

**Actuarial Assumptions**

A summary of the actuarial methods and assumptions used in determining the total pension liability for each pension plan as of June 30, 2015 are as follows:

	<u>MERS</u>	<u>MPERS</u>
<b>Valuation Date</b>	June 30, 2015	June 30, 2015
<b>Actuarial Cost Method</b>	Entry Age Normal Cost	Entry Age Normal Cost
<b>Actuarial Assumptions:</b>		
<b>Expected Remaining</b>		
<b>Service Lives</b>	3 years	4 years
<b>Investment Rate of Return</b>	7.50% net of investment expenses	7.50% net of investment expenses
<b>Inflation Rate</b>	2.875%	2.875%

**CITY OF MANDEVILLE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**AUGUST 31, 2015**

**(12) Pension and Retirement Plans (continued)**

**Mortality** Mortality rates based on the RP-2000 Sex Distinct Mortality Table.

Mortality assumptions were set based upon an experience study performed by the prior actuary on plan data for the period July 1, 2003 through June 30, 2008. The RP-2000 Employee Mortality Table was selected for active members. The RP-2000 Healthy Annuitant Mortality Table was selected for healthy annuitants and beneficiaries. The RP-2000 Disabled Lives Mortality Table was selected for disabled annuitants

**Salary Increases** 5.0% (2.875% Inflation, 2.125% Merit)

<u>Years of Service</u>	<u>Salary Growth Rate</u>
1	9.75%
2	9.75%
3 - 23	4.75%
Over 23	4.25%

**Cost of Living Adjustments** The System is authorized under state law to grant a cost of living increase to members who have been retired for at least one year. The adjustment cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement and may only be granted if sufficient funds are available from investment income in excess of normal requirements. State law allows the System to grant an additional cost of living increase to all retirees and beneficiaries who are age sixty-five and above equal to 2% of the benefit being received on October 1, 1977, or the original benefit, if retirement commenced after that date.

The Board of Trustees is authorized to provide annual cost-of-living adjustments computed on the amount of the current regular retirement, disability, beneficiary or survivor's benefit, not to exceed 3% in any given year. The Board is authorized to provide an additional 2% COLA, computed on the member's original benefit, to all regular retirees, disability, survivors and beneficiaries who are 65 years of age or older on the cut-off date which determines eligibility.

No regular retiree, survivor or beneficiary shall be eligible to receive a cost-of-living adjustment until benefits have been received at least one full fiscal year and the payment of such COLA, when authorized, shall not be effective until the lapse of at least one-half of the fiscal year.

Members who elect early retirement are not eligible for a cost of living adjustment until they reach regular retirement age.

**CITY OF MANDEVILLE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**AUGUST 31, 2015**

**(12) Pension and Retirement Plans (continued)**

The following schedule list the methods used by each of the retirement systems in determining the long term rate of return on pension plan investments:

<u>MERS</u>	<u>MPERS</u>
The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.80% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rates of return is 8.30% for the year ended June 30, 2015.	The forecasted long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. The resulting forecasted long term rate of return is 8.28% for the year ended June 30, 2015.

The following table provides a summary of the best estimates of arithmetic/geometric real rates of return for each major asset class included in each of the Retirement Systems target asset allocations as of June 30, 2015:

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
	<u>MERS</u>	<u>MPERS</u>	<u>MERS</u>	<u>MPERS</u>
Public equity	50.0%	-	2.95%	-
Equity	-	52.0%	-	3.47%
Public fixed income	15.0%	-	0.89%	-
Fixed Income	-	20.0%	-	0.46%
Alternatives	35.0%	23.0%	2.06%	1.15%
Other	-	5.0%	-	0.20%
Total	<u>100.0%</u>	<u>100.0%</u>	5.90%	5.28%
Inflation			<u>2.40%</u>	<u>3.00%</u>
Expected Arithmetic Nominal Return			<u>8.30%</u>	<u>8.28%</u>

***Discount Rate***

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate used to measure the total pension liability for MERS and MPERS was 7.50% for the year ended June 30, 2015.

**CITY OF MANDEVILLE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**AUGUST 31, 2015**

**(12) Pension and Retirement Plans (continued)**

**Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following table presents the City's proportionate share of the Net Pension Liability (NPL) using the discount rate of each Retirement System as well as what the City's proportionate share of the NPL would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate used by each of the Retirement Systems:

	<u>1.0% Decrease</u>	<u>Current Discount Rate</u>	<u>1.0% Increase</u>
MERS			
Rates	6.50%	7.50%	8.50%
City's share of NPL	\$ 6,900,118	\$ 5,196,106	\$ 3,829,464
MPERS			
Rates	6.50%	7.50%	8.50%
City's share of NPL	\$ 8,814,569	\$ 6,339,636	\$ 4,265,684

**(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.

CITY OF MANDEVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

(13) Post-Employment Benefits (continued)

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, 2015, the City's portion of health care funding cost for retired employees totaled \$242,769. 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.

The actuarially computed ARC year ended August 31, 2015 is as follows:

	<u>Medical/Dental</u>
Normal Cost	\$ 201,231
30-year UAL Amortization Amount	<u>302,254</u>
Annual Required Contribution (ARC)	<u>\$ 503,485</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, 2015:

	<u>Medical/Dental</u>
Beginning Net OPEB Obligation	\$ 1,837,757
Annual Required Contribution (ARC)	503,486
Interest on Net OPEB Obligation	73,510
ARC Adjustment	<u>(106,278)</u>
OPEB Cost	470,718
Contributions	-
Current year retiree premium	<u>(242,769)</u>
Change in Net OPEB Obligation	<u>227,949</u>
Ending Net OPEB Obligation	<u>\$ 2,065,706</u>

**CITY OF MANDEVILLE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**AUGUST 31, 2015**

**(13) Post-Employment Benefits (continued)**

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

<b><u>Fiscal Year Ended</u></b>	<b><u>Annual OPEB Cost</u></b>	<b><u>Percentage of Annual Cost Contributed</u></b>	<b><u>Net OPEB Obligation</u></b>
August 31, 2015	\$ 470,718	51.6%	\$ 2,065,706
August 31, 2014	\$ 455,466	49.4%	\$ 1,837,757
August 31, 2013	\$ 500,858	35.7%	\$ 1,607,077

**Funded Status and Funding Progress**

In the fiscal year ending August 31, 2015, 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, 2014, the most recent actuarial valuation, the Actuarial Accrued Liability (AAL) was \$5,435,607 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, 2015, the entire Actuarial Accrued Liability of \$5,435,607 (medical/dental) was unfunded.

	<b><u>Medical/Dental</u></b>
Actuarial Accrued Liability (AAL)	\$ 5,435,607
Actuarial Value of Plan Assets (AVP)	-
Unfunded Actuarial Accrued Liability (UAAL)	<b><u>\$ 5,435,607</u></b>
Funded Ratio (AVP/AAL)	0%
Covered Payroll (active plan members)	\$ 4,720,368
UAAL as a percentage of Covered Payroll	115.2%

**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.

**CITY OF MANDEVILLE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**AUGUST 31, 2015**

**(13) Post-Employment Benefits (continued)**

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.

**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:

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

CITY OF MANDEVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

**(13) Post-Employment Benefits (continued)**

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.

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](http://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.

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.

CITY OF MANDEVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

**(13) Post-Employment Benefits (continued)**

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.

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.

**(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.

**CITY OF MANDEVILLE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**AUGUST 31, 2015**

**(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 \$2,894,653 of 1% sales and use tax revenues into the Special Sales Tax Fund during 2015. Of this amount \$524,904 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 \$435,000 and \$83,121, respectively, was paid on the bonds during 2015. As of August 31, 2015 the outstanding bond principal and interest was \$1,935,000 and \$153,134, 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.

**(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.

**CITY OF MANDEVILLE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**AUGUST 31, 2015**

**(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, 2015 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 GOSEEP are working on the final closeout of the grant project worksheets from Hurricane Katrina. Expenditures of \$139,341 were de-obligated by the State and are included in accounts payable in the general fund at August 31, 2015.

**(19) Legal Settlement Proceeds**

During the year ended August 31, 2015, the City accepted payment of \$1,586,617 as full and final settlement of all claims against BP and others resulting from the Deepwater Horizon Oil Spill which occurred in April 2010.

**REQUIRED SUPPLEMENTARY INFORMATION – OTHER**

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

For the year ended August 31, 2015

	Initial Budget	Final Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
<b>REVENUES</b>				
Ad valorem (property) taxes	\$ 2,683,926	\$ 2,683,926	\$ 2,675,772	\$ (8,154)
Franchise taxes	1,020,679	1,020,679	1,072,876	52,197
Intergovernmental grants	1,044,000	1,044,000	551,126	(492,874)
Licenses and Permits	1,449,957	1,449,957	1,580,108	130,151
Fines and forfeitures	315,289	315,289	358,620	43,331
Charges for services	784,304	784,304	799,513	15,209
Interest income	21,013	21,013	15,952	(5,061)
Other	429,800	494,800	612,107	117,307
Total revenues	<u>7,748,968</u>	<u>7,813,968</u>	<u>7,666,074</u>	<u>(147,894)</u>
<b>EXPENDITURES</b>				
General government	4,990,843	4,990,843	4,566,318	424,525
Public safety	6,014,999	6,049,999	5,791,982	258,017
Public works	2,241,167	2,241,167	1,855,466	385,701
Cemetery	75,000	75,000	24,932	50,068
Capital outlay	2,517,575	2,553,575	633,093	1,920,482
Total expenditures	<u>15,839,584</u>	<u>15,910,584</u>	<u>12,871,791</u>	<u>3,038,793</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<u>(8,090,616)</u>	<u>(8,096,616)</u>	<u>(5,205,717)</u>	<u>2,890,899</u>
<b>OTHER FINANCING SOURCES</b>				
Operating transfers in				
Sales Tax Fund	5,092,623	7,002,357	7,438,306	435,949
Special Sales Tax Fund	1,241,556	1,241,556	1,118,769	(122,787)
Legal settlement proceeds	1,762,436	1,762,436	1,586,617	(175,819)
Total other financing sources	<u>8,096,615</u>	<u>10,006,349</u>	<u>10,143,692</u>	<u>137,343</u>
<b>NET CHANGE IN FUND BALANCE*</b>	<u>\$ 5,999</u>	<u>\$ 1,909,733</u>	<u>4,937,975</u>	<u>\$ 3,028,242</u>
<b>FUND BALANCE:</b>				
<b>BEGINNING OF YEAR</b>			<u>10,515,263</u>	
<b>END OF YEAR</b>			<u>\$ 15,453,238</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 FundBudget Comparison Schedule (GAAP Basis)

For the year ended August 31, 2015

	<u>Initial Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance - Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Sales and use taxes	\$ 14,524,094	\$ 14,524,094	\$ 14,832,281	\$ 308,187
Interest income	5,045	5,045	156	(4,889)
Total revenues	<u>14,529,139</u>	<u>14,529,139</u>	<u>14,832,437</u>	<u>303,298</u>
<b>EXPENDITURES</b>				
General government	<u>167,619</u>	<u>167,619</u>	<u>170,339</u>	<u>(2,720)</u>
Total expenditures	<u>167,619</u>	<u>167,619</u>	<u>170,339</u>	<u>(2,720)</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>14,361,520</u>	<u>14,361,520</u>	<u>14,662,098</u>	<u>300,578</u>
<b>OTHER FINANCING USES</b>				
Operating transfers out				
General Fund	(5,092,623)	(7,002,357)	(7,438,307)	(435,950)
Special Sales Tax Fund	(5,092,623)	(3,182,889)	(2,926,927)	255,962
District No. 3 Sales Tax Fund	(1,621,946)	(1,621,946)	(1,730,554)	(108,608)
Street Construction Fund	<u>(2,546,311)</u>	<u>(2,546,311)</u>	<u>(2,566,310)</u>	<u>(19,999)</u>
Total other financing uses	<u>(14,353,503)</u>	<u>(14,353,503)</u>	<u>(14,662,098)</u>	<u>(308,595)</u>
<b>NET CHANGE IN FUND BALANCE*</b>	<u>\$ 8,017</u>	<u>\$ 8,017</u>	-	<u>\$ (8,017)</u>
<b>FUND BALANCE:</b>				
<b>BEGINNING OF YEAR</b>			-	
<b>END OF YEAR</b>			<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, 2015

	Initial Budget	Final Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
<b>REVENUES</b>				
Interest income	\$ 60,581	\$ 60,581	\$ 26,983	\$ (33,598)
Total revenues	60,581	60,581	26,983	(33,598)
<b>EXPENDITURES</b>				
General government	797	797	-	797
Total expenditures	797	797	-	797
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>59,784</b>	<b>59,784</b>	<b>26,983</b>	<b>(32,801)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in (out)				
Sales Tax Fund	5,092,623	3,182,889	2,884,152	(298,737)
Bond Reserve Fund	-	-	10,501	10,501
Proprietary Fund	(10,849,000)	(10,849,000)	(4,205,240)	6,643,760
Bond Sinking Fund	(517,871)	(517,871)	(482,129)	35,742
General Fund	(1,241,556)	(1,241,556)	(1,118,770)	122,786
Total other financing sources (uses)	(7,515,804)	(9,425,538)	(2,911,486)	6,514,052
<b>NET CHANGE IN FUND BALANCE*</b>	<b>\$ (7,456,020)</b>	<b>\$ (9,365,754)</b>	<b>(2,884,503)</b>	<b>\$ 6,481,251</b>
<b>FUND BALANCE:</b>				
<b>BEGINNING OF YEAR</b>			16,551,137	
<b>END OF YEAR</b>			<b>\$ 13,666,634</b>	

\* 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, LOUISIANA****District No. 3 Sales Tax Fund  
Budget Comparison Schedule (GAAP Basis)**

For the year ended August 31, 2015

	Initial Budget	Final Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
<b>REVENUES</b>				
Interest income	\$ -	\$ -	\$ 1,206	\$ 1,206
Total revenues	-	-	1,206	1,206
<b>EXPENDITURES</b>				
General government	-	-	-	-
Total expenditures	-	-	-	-
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	-	-	1,206	1,206
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in (out)				
Street Construction Fund	(2,886,038)	(2,886,038)	(1,623,075)	1,262,963
Sales Tax Fund	1,621,946	1,621,946	1,730,555	108,609
Total other financing sources (uses)	(1,264,092)	(1,264,092)	107,480	1,371,572
<b>NET CHANGE IN FUND BALANCE*</b>	<u>\$ (1,264,092)</u>	<u>\$ (1,264,092)</u>	108,686	<u>\$ 1,372,778</u>
<b>FUND BALANCE:</b>				
<b>BEGINNING OF YEAR</b>			<u>2,122,439</u>	
<b>END OF YEAR</b>			<u>\$ 2,231,125</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 Progress - Other Post Employment Benefits  
Required Supplementary Information Under GASB Statement No. 45For the year ended August 31, 2015

<u>Fiscal Year</u> <u>Ended</u> <u>August 31</u>	<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability (AAL)</u>	<u>Unfunded</u> <u>AAL</u>	<u>Funded</u> <u>Ratio</u>	<u>Covered</u> <u>Payroll</u>	<u>Unfunded</u> <u>AAL as a</u> <u>Percentage</u> <u>of Payroll</u>
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%
2015	9/1/2014	-	5,435,607	5,435,607	0.0%	4,720,368	115.15%

See accompanying independent auditors' report.

**CITY OF MANDEVILLE, LOUISIANA****Schedule of Proportionate Share of the Net Pension Liability**  
**Required Supplementary Information Under GASB Statement No. 68****For the year ended August 31, 2015**

	<b>2015</b>	
	<b><u>MERS (Plan A)</u></b>	<b><u>MPERS</u></b>
Employer's Proportion of the Net Pension Liability (Asset)	1.4546%	0.8093%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 5,196,106	\$ 6,339,636
Employer's Covered-Employee Payroll	\$ 2,435,767	\$ 2,147,514
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	213.3253%	295.2081%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.1792%	70.7303%

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

(\*) The amounts presented have a measurement date of the previous fiscal year end.

The two Retirement Systems reported in this schedule are as follows:

MERS (Plan A) = Municipal Employees' Retirement System

MPERS = Municipal Police Employees' Retirement System

**CITY OF MANDEVILLE, LOUISIANA****Schedule of Contributions to Defined Benefit Pension Plans  
Required Supplementary Information Under GASB Statement No. 68**

For the year ended August 31, 2015

	2015	
	MERS (Plan A)	MPERS
Contractually Required Contribution <sup>1</sup>	\$ 481,064	\$ 678,542
Contributions in Relation to Contractually Required Contribution <sup>2</sup>	481,064	678,542
Contribution Deficiency (Excess)	\$ -	\$ -
Employer's Covered Employee Payroll <sup>3</sup>	\$ 2,435,767	\$ 2,147,514
Contributions as a % of Covered Employee Payroll	19.7500%	31.5966%

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

**For reference only:**

<sup>1</sup> Employer contribution rate multiplied by employer's covered employee payroll

<sup>2</sup> Actual employer contributions remitted to Retirement Systems

<sup>3</sup> Employer's covered employee payroll amount for the fiscal year ended June 30, 2015

**SUPPLEMENTARY INFORMATION**

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

August 31, 2015

	<u>Debt Service Fund</u>		<u>Total Non-Major Governmental Funds</u>
	<u>Bond Reserve Fund</u>	<u>Bond Sinking Fund</u>	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 623	\$ 1,097,285	\$ 1,097,908
Investments	985,251	87,234	1,072,485
Total assets	<u>\$ 985,874</u>	<u>\$ 1,184,519</u>	<u>\$ 2,170,393</u>
<b>FUND BALANCES</b>			
Restricted for debt service	<u>\$ 985,874</u>	<u>\$ 1,184,519</u>	<u>\$ 2,170,393</u>
Total fund balances	<u>\$ 985,874</u>	<u>\$ 1,184,519</u>	<u>\$ 2,170,393</u>

See accompanying independent auditors' report.

CITY OF MANDEVILLE, LOUISIANAStatement of Revenues, Expenditures, and Changes in  
Fund Balances - Non-Major Governmental Fund Types

For the year ended August 31, 2015

	Debt Service Fund		Total Non-Major Governmental Funds
	Bond Reserve Fund	Bond Sinking Fund	
<b>REVENUES</b>			
Interest income	\$ 10,197	\$ 472	\$ 10,669
Total revenues	10,197	472	10,669
<b>EXPENDITURES</b>			
Debt service			
Principal	-	435,000	435,000
Interest and fiscal charges	-	83,121	83,121
Total expenditures	-	518,121	518,121
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	10,197	(517,649)	(507,452)
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	-	524,904	524,904
Operating transfers out	(10,502)	-	(10,502)
Total other financing sources (uses)	(10,502)	524,904	514,402
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	(305)	7,255	6,950
<b>FUND BALANCES - BEGINNING OF YEAR</b>	986,179	1,177,264	2,163,443
<b>FUND BALANCES - END OF YEAR</b>	\$ 985,874	\$ 1,184,519	\$ 2,170,393

See accompanying independent auditors' report.

CITY OF MANDEVILLE, LOUISIANASchedule of Compensation Paid to City Council MembersYear ended August 31, 2015

<u>Council Member</u>	<u>Period Active During Year</u>	<u>Compensation</u>
Carla Buchholz	9/1/2014 - 8/31/2015	\$ 12,000
Ernest Burguieres	9/1/2014 - 8/31/2015	12,000
Rick Danielson	9/1/2014 - 8/31/2015	12,000
David Ellis	9/1/2014 - 8/31/2015	12,000
Clay Madden	9/1/2014 - 8/31/2015	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, 2015Agency Head: Donald J. Villere, Mayor

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 108,959
Benefits-insurance	15,128
Benefits-retirement	31,871
Benefits-Life and dental insurance	476
Car allowance	9,000
Reimbursements	158
Registration fees	300
Conference travel	771
Cell phone	862

See accompanying independent auditors' report.

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**CITY OF MANDEVILLE, LOUISIANA**  
**SINGLE AUDIT REPORT**  
**AUGUST 31, 2015**

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**CITY OF MANDEVILLE, LOUISIANA**

**SINGLE AUDIT REPORT**

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**AUGUST 31, 2015**

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**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, 2015, 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 29, 2016.

**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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items 2015-1 and 2015-2.

### The City's Response to Findings

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

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 29, 2016

**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, 2015. 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, 2015.

## **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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated February 29, 2016, 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 29, 2016

CITY OF MANDEVILLE, LOUISIANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED AUGUST 31, 2015

<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>
<b>U.S. Department of Transportation</b>			
Pass-through program from:			
Louisiana Highway Safety Commission			
Highway Safety Cluster			
State and Community Highway Safety	20.600	Sect402 - 2873	21,070
National Priority Safety Programs	20.616	Sect410 - 2880	30,000
Total - Highway Safety Cluster			<u>51,070</u>
 Total - U.S. Department of Transportation			<u>51,070</u>
 <b>U.S. Department of Homeland Security</b>			
Pass-through programs from:			
Louisiana Office of Homeland Security and Emergency Preparedness			
Disaster Grants - Public Assistance	97.036		<u>489,899</u>
Pass-through programs from:			
Governor's Office of Homeland Security and Emergency Preparedness			
Hazard Mitigation Grant Program	97.039		<u>26,454</u>
 Total - U.S. Department of Homeland Security			<u>516,353</u>
 Total Expenditures of Federal Awards included in this report			<u>\$ 567,423</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, 2015**

**(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, 2015. 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, 2015.

**(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, 2015

(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: none reported

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

CITY OF MANDEVILLE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED AUGUST 31, 2015

(B) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

2015-1 BUDGET ACT

Condition: The Special Sales Tax Fund has actual revenues and other sources of \$2,921,636 and budgeted revenues and other sources of \$3,243,470 during the year end August 31, 2015.

Criteria: LSA-RS 39:1311 provides that the adopted budget shall form the framework from which the administrative officers shall monitor revenues and expenditures. The budget shall be amended and approved by the Council when total revenues and other sources are less than total budgeted revenues and other sources by five percent or more and when total expenditures and other uses are more than total budgeted expenses and other uses by five percent or more.

Effect: The City is not in compliance with the requirements as described in Louisiana R.S. 39:1311 as the actual amounts are 9.9% less than the budgeted amounts.

Cause: The actual revenues and other sources for the year ended August 31, 2015 failed to meet the budgeted revenues and other sources by the state requirement of 5%.

Recommendation: We recommend that the Council monitor total revenues other sources and total expenditures and other uses of the Special Sales Tax Fund and amend the budget when actual revenues and other sources and expenditures and other uses are not within the state requirement of 5%.

Management response: We concur with this comment. We will monitor the budget to actual financials so that we can amend the budgets as necessary to comply with the state requirements regarding the 5% variance.

CITY OF MANDEVILLE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED AUGUST 31, 2015

(B) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

2015-2 LOUISIANA COMPLIANCE QUESTIONNAIRE

Condition: The City did not provide a copy to the auditor of the completed and signed Louisiana Compliance Questionnaire approved by the Council by resolution.

Criteria: The Louisiana Audit Guide Section 327.08 provides that the Louisiana Compliance Questionnaire is a required part of an audit of a governmental agency.

Effect: The City is not in compliance with the requirements relating to the completion of the Louisiana Compliance Questionnaire and providing the Louisiana Compliance Questionnaire to the auditor. .

Cause: At the Council meeting on February 25, 2016, the City Council did not approve the resolution to authorize the Administration to sign and submit the Louisiana Compliance Questionnaire to the auditor. The Council deferred voting on the Louisiana Compliance Questionnaire in order to seek legal opinion on the applicability of the documented meeting minutes for the Planning and Zoning Committee to the questions and the compliance requirements on the Louisiana Compliance Questionnaire. (Specifically question number 39 relating to minutes for all meetings of the governing authority) Meeting minutes for the full Council meetings are documented and approved Council meeting minutes are available on the City's web-site.

Recommendation: We recommend that the Council and the City complete the Louisiana Compliance Questionnaire and submit to the auditor in a timely manner.

Management response: We concur with this comment. The City Administration and Council will work to resolve and approve the Louisiana Compliance Questionnaire at the next Council meeting.

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

**CITY OF MANDEVILLE, LOUISIANA**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**YEAR ENDED AUGUST 31, 2015**

**None.**

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, 2015, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 29, 2016. 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 29, 2016, contains our Independent Auditor's report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. This letter does not affect our report dated February 29, 2016, 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:

2015-1 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 began 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 begun the loading of the previous fixed assets and we expected to complete this project this fiscal year. The utilization of Construction in Progress was not available on the previous version of the software. The City upgraded to the software version which will allow the utilization of construction tracking.

## 2015-2 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 \$31,000 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

### 2014-1 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 2015-1.

### 2014-2 Accounts Payable

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

Status: Not Resolved. See repeat comment 2015-2.

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 29, 2016