

**CITY OF MANDEVILLE,
LOUISIANA**

Annual Financial Statements

For the Year Ended
August 31, 2018



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Independent Auditor's Report

The Honorable Donald J. Villere, Mayor
and Members of the City Council
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, 2018, 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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 City'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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of August 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for the year ended August 31, 2018. The adoption of GASB Statement No. 75 restated the governmental activities net position and adjusted the disclosures and required supplementary information. Our opinion is not modified with respect to these matters.

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 5 through 15, budgetary comparison information on pages 66 through 70, the schedule of changes in net OPEB liability and related ratios on page 71, the schedule of proportionate share of the net pension liability on page 72, and the schedule of contributions to defined benefit pension plans on page 73 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 opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying financial information listed in the table of contents as other supplementary information (schedules 9 through 12) 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 9 and 10), schedule of compensation paid to City Council members (schedule 11), and schedule of compensation, benefits, and other payments to the Mayor (Schedule 12) 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2019 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.



A Professional Accounting Corporation

Covington, LA
February 18, 2019

**REQUIRED SUPPLEMENTARY INFORMATION (PART I)
MANAGEMENT'S DISCUSSION AND ANALYSIS**

CITY OF MANDEVILLE, LOUISIANA

Management's Discussion and Analysis

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, 2018. This management's 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 within the MD&A should be considered as 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 supplementary 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 \$124,363,392. This is comprised of \$72,990,441 in governmental activities and \$51,372,951 in business-type activities.
- The City's total net position increased by \$6,199,726. This is comprised of a \$4,522,501 increase from governmental activities and a \$1,677,225 increase from business-type activities.
- The unrestricted portion of total net position totaled \$14,623,988. This is comprised of \$7,179,122 in governmental activities and \$7,444,866 in business-type activities. Unrestricted net position is available for use at the City's discretion.
- Approximately 64.5% 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 0.86% (\$1,069,334) of the City's net position is restricted for debt service.
- Approximately 22.6% (\$28,111,997) of the City's net position is restricted by tax levies.
- The City's outstanding debt decreased by \$495,000 due to normal debt service requirement.

CITY OF MANDEVILLE, LOUISIANA

Management's Discussion and Analysis

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 17 and 18) 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 20. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

Overview of the Financial Statements

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

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

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 statements. 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 "Non-Major Governmental Funds."

- *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. This fund is considered to be a major fund of the City.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 30 of this report.

CITY OF MANDEVILLE, LOUISIANA

Management's Discussion and Analysis

Required Supplementary Information

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary 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 66.
- B. Analysis of Significant Budget Variances in the General Fund
 - 1. Revenues: The General Fund actual revenues were under budget due to a reduction in franchise taxes, licenses and permits, and charges for services (garbage collection fees).
 - 2. Expenditures: The City's expenditures for administration, public safety, public works, cemetery, and capital outlay were under budget for this current fiscal year. This is attributed to capital outlay projects not starting as expected. Major capital outlay projects that were delayed are the Lakefront Wetlands Restoration and Shoreline Protection projects. 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 Changes in Net OPEB liability and Related Ratios
- D. Schedule of Proportionate Share of the Net Pension Liability
- E. Schedule of Contributions to Defined Benefit Pension Plans

Other Supplementary Information

- A. Combining Statements of the Non-Major Governmental Funds (Bond Reserve and Bond Sinking Funds) begin on page 75.
- B. Schedule of Compensation Paid to City Council Members
- C. Schedule of Compensation, Benefits, and Other Payments to the Mayor

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 of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$124,363,392 (total net position), of which \$14,623,988 is unrestricted net position.

CITY OF MANDEVILLE, LOUISIANA

Management's Discussion and Analysis

The largest portion of the City's net position reflects 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 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 City as a whole, as well as for its separate governmental and business-type activities.

Condensed Statements of Net Position August 31, 2018 and 2017

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2016
Assets						
Current Assets and Other Assets	\$ 52,578,641	\$ 49,943,550	\$ 9,567,391	\$ 10,073,503	\$ 62,146,032	\$ 60,017,053
Capital Assets	36,832,030	35,260,468	43,928,085	41,334,320	80,760,115	76,594,788
Total Assets	89,410,671	85,204,018	53,495,476	51,407,823	142,906,147	136,611,841
Deferred Outflows of Resources	1,835,378	2,140,268	174,329	211,055	2,009,707	2,351,323
Liabilities						
Long-Term Liabilities	15,615,350	15,617,622	899,142	959,073	16,514,492	16,576,695
Other Liabilities	1,589,525	1,667,432	1,334,546	909,295	2,924,071	2,576,727
Total Liabilities	17,204,875	17,285,054	2,233,688	1,868,368	19,438,563	19,153,422
Deferred Inflows of Resources	1,050,733	299,767	63,166	54,784	1,113,899	354,551
Net Position						
Net Investment in Capital Assets	36,317,030	34,250,468	43,928,085	41,334,320	80,245,115	75,584,788
Restricted	29,494,289	28,990,774	-	-	29,494,289	28,990,774
Unrestricted	7,179,122	6,518,223	7,444,866	8,361,406	14,623,988	14,879,629
Total Net Position	\$ 72,990,441	\$ 69,759,465	\$ 51,372,951	\$ 49,695,726	\$ 124,363,392	\$ 119,455,191

The City's net position increased by \$4,908,201, during the current fiscal year. Of this amount, \$6,199,726 is due to operations and a decrease of \$1,291,525 due to the implementation of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This is further described in Note 1 to the financial statements.

CITY OF MANDEVILLE, LOUISIANA

Management's Discussion and Analysis

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, and fees and fines fund most of these governmental activities. Governmental activities increased the City's net position by \$4,522,501.

**Condensed Statements of Activities
For the Years Ended August 31, 2018 and 2017**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program Revenues						
Charges for Services	\$ 788,926	\$ 808,350	\$ 3,567,905	\$ 3,621,234	\$ 4,356,831	\$ 4,429,584
Operating Grants and Contributions	324,101	280,685	-	58,550	324,101	339,235
General Revenues						
Ad Valorem (Property) Taxes	1,983,583	1,939,246	-	-	1,983,583	1,939,246
Franchise Taxes	1,025,780	1,021,071	-	-	1,025,780	1,021,071
Sales and Use Taxes	15,945,122	15,618,609	-	-	15,945,122	15,618,609
Licenses and Permits	1,493,730	1,563,758	-	-	1,493,730	1,563,758
Fines and Forfeitures	489,813	413,802	-	-	489,813	413,802
Interest and Investment Earnings	458,263	314,075	84,552	52,336	542,815	366,411
Other Revenues	711,269	845,306	-	-	711,269	845,306
Total Revenues	23,220,587	22,804,902	3,652,457	3,732,120	26,873,044	26,537,022
Expenses						
General Government	5,373,196	5,631,412	-	-	5,373,196	5,631,412
Public Safety	6,944,133	7,267,211	-	-	6,944,133	7,267,211
Public Works	4,184,902	4,246,799	-	-	4,184,902	4,246,799
Cemetery	18,274	19,635	-	-	18,274	19,635
Interest on Long-Term Debt	26,581	45,380	-	-	26,581	45,380
Water	-	-	1,856,589	2,091,666	1,856,589	2,091,666
Sewer	-	-	2,269,643	2,502,441	2,269,643	2,502,441
Total Expenses	16,547,086	17,210,437	4,126,232	4,594,107	20,673,318	21,804,544
Change in Net Position Before Transfers	6,673,501	5,594,465	(473,775)	(861,987)	6,199,726	4,732,478
Transfers	(2,151,000)	(3,030,332)	2,151,000	3,030,332	-	-
Change in Net Position	4,522,501	2,564,133	1,677,225	2,168,345	6,199,726	4,732,478
Net Position, Beginning of Year (As Previously Reported)	69,759,465	67,195,332	49,695,726	47,527,381	119,455,191	114,722,713
Cumulative Effect of a Change in Accounting Principle	(1,291,525)	-	-	-	(1,291,525)	-
Net Position, Beginning of Year (As Restated)	68,467,940	67,195,332	49,695,726	47,527,381	118,163,666	114,722,713
Net Position, End of Year	\$ 72,990,441	\$ 69,759,465	\$ 51,372,951	\$ 49,695,726	\$ 124,363,392	\$ 119,455,191

CITY OF MANDEVILLE, LOUISIANA

Management's Discussion and Analysis

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

- Sales and use taxes increased by \$326,513, or 2.1%, due to an increase in sales revenues from local retailers indicating confidence in the local economy.
- Fines and forfeitures increased by \$76,011, or 18.4%, due to the City contracting with AMS to collect current delinquent fines and old outstanding tickets during the year.
- Interest and investments earnings increased by \$144,188, or 45.9%, due to a higher return on investments.

Business-Type Activities

Business-type activities increased the City's net position by \$1,677,225, or 27.1% of the total increase in the government's net position. Key elements of this increase are as follows:

- Total expenses decreased in fiscal year 2018 in the amount of \$467,875, or 10.2%, mainly due to the decrease in depreciation expense.
- Intergovernmental transfers out decreased in fiscal year 2018 in the amount of \$879,332, or 29.0%, due to less water and sewer projects during fiscal year 2018 compared to 2017.

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, 2018, the City's governmental funds reported a combined ending fund balance of \$50,944,450, an increase of \$2,708,757 when compared to the prior year. Unassigned fund balance as of August 31, 2018, was \$21,265,845. The restricted fund balance in the amount of \$29,494,289 is primarily reserved to pay debt service and for public works projects. Nonspendable fund balance was \$184,316.

General Fund

The General Fund is the chief operating fund of the City. At August 31, 2018, the fund balance of the General Fund was \$21,763,119. The fund balance of the City's General Fund increased by \$2,235,730, for the year ended August 31, 2018.

CITY OF MANDEVILLE, LOUISIANA

Management's Discussion and Analysis

**General Fund - Changes in Fund Balance
For the Years Ended August 31, 2018 and 2017**

	2018	2017
Revenue		
Ad Valorem (Property) Taxes	\$ 1,938,757	\$ 1,892,969
Franchise Taxes	1,025,780	1,021,071
Intergovernmental Grants	324,101	280,685
Licenses and Permits	1,493,730	1,563,758
Fines and Forfeitures	489,813	413,802
Charges for Services	788,926	808,350
Interest Income	160,983	119,887
Other Revenues	483,592	616,963
Total Revenues	6,705,682	6,717,485
Expenditures		
General Government	4,698,469	4,981,378
Public Safety	6,356,034	6,633,693
Public Works	1,473,582	1,711,046
Cemetery	18,274	19,635
Capital Outlay	878,298	986,748
Total Expenditures	13,424,657	14,332,500
Excess (Deficiency) of Revenues Over Expenditures	(6,718,975)	(7,615,015)
Other Financing Sources		
Transfers In	8,954,705	9,270,608
Total Other Financing Sources	8,954,705	9,270,608
Net Change in Fund Balance	2,235,730	1,655,593
Fund Balance, Beginning of the Year	19,527,389	17,871,796
Fund Balance, End of the Year	\$ 21,763,119	\$ 19,527,389

CITY OF MANDEVILLE, LOUISIANA

Management's Discussion and Analysis

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 Street Construction Fund.

Special Sales Tax Fund

The Special Sales Tax Fund has a total fund balance of \$11,373,676, 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 \$28,171. 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 \$3,656,558, 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 \$1,521,829.

Tax Collector Fund

The Tax Collector Fund has a total fund balance of \$123,276, all of which is restricted. The net increase in fund balance during the current year in the Tax Collector Fund was \$24,377.

Street Construction Fund

The Street Construction Fund has a total fund balance of \$13,081,763, all of which is restricted for capital improvements. The net decrease in fund balance during the current year in the Street Construction Fund was \$530,157.

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 \$7,444,866. The total increase in net position was \$1,677,225. 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 decreased by \$2,894,341. The decrease is primarily due to a reduction in capital outlay expenditures.

CITY OF MANDEVILLE, LOUISIANA

Management's Discussion and Analysis

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, 2018, amounts to \$80,760,115 (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 and public works at a cost of \$344,677.
- Construction in progress of the general government was \$2,896,902 and consisted primarily of drainage and street projects.
- Road construction and replacement totaled \$941,430.
- Improvements to buildings and structures totaled \$535,583.
- Improvements to drainage totaled \$1,198,693.
- Various water and sewer line additions and improvements were constructed by the Water and Sewer Fund at a cost of \$23,317.
- Equipment and vehicles were acquired for the Water and Sewer Funds at a cost of \$380,905.
- Various wastewater treatment plant additions and improvements were constructed by the Water and Sewer Fund at a cost of \$2,765,724. Additional information on the City's capital assets can be found in Note 8 of this report.

Long-Term Debt

At August 31, 2018, the City had total bonded debt outstanding of \$515,000 in sales tax bonds payable from a pledge of the City's 1% Sales Tax.

Total retirement of long-term debt amounted to \$495,000, during the year ended August 31, 2018. Additional information on the City's long-term debt can be found in Note 9 of this report.

Economic Factors and Next Year's Budget and Rate

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, 2011 to August 31, 2018, the City has increased its net capital assets from \$57,310,387 to \$80,760,115, representing 56.5% of the City's year-end total assets and increased restricted fund balances to \$29,494,289. Unrestricted funds decreased over the same period, with a balance of \$14,623,988, or 10.2% of total assets as of August 31, 2018.

CITY OF MANDEVILLE, LOUISIANA

Management's Discussion and Analysis

The following factors were considered in preparing the City's budget for the 2019 fiscal year:

The economic outlook is cautiously optimistic. The overall sales tax revenues have continued to increase 1.3% on an annual basis, which has been average over the past nine years. There are signs of improvement as well as signs of struggles in many areas, as the oil industry trims costs in the market area. Although continued shopping opportunities outside of city limits affect our retail base, positive indicators from construction permits and new incoming franchises show our economy to be stable and secure.

Sales tax projected for fiscal year 2019 is expected to exceed \$15.5 million, less collection costs of \$179,000. The City's sales tax constitutes 70% of the total budget, providing restricted and unrestricted revenue sources.

Property tax is expected to decrease based on reduced millage rates approved in coming years, representing 8.17% of the revenue for fiscal year 2019. Currently the state law requires an agency to protect the maximum millage rate between re-assessment periods. The agency has to raise its rate to the maximum millage rate before the next re-assessment. The assessors and municipalities throughout the state have proposed new laws that would change this requirement, eliminating the requirement to assess the maximum millage between re-assessment periods.

Financial revenue projections may be based upon assumptions, regarding changes in social, economic, and demographic events and conditions that are inherently subject to uncertainties. Therefore, readers are cautioned that actual future financial results of the City of Mandeville may be significantly different from the financial revenue projections that are presented.

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 City'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

**BASIC FINANCIAL STATEMENTS
GOVERNMENT-WIDE FINANCIAL STATEMENTS**

CITY OF MANDEVILLE, LOUISIANA
Statement of Net Position
August 31, 2018

Statement A

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 29,835,763	\$ 5,744,284	\$ 35,580,047
Investments	20,401,622	3,689,899	24,091,521
Receivables			
Property Taxes	39,971	-	39,971
Sales and Use Taxes	1,410,991	-	1,410,991
Water and Sewer, Net	-	393,874	393,874
Grants	110,408	-	110,408
Other	193,259	-	193,259
Internal Balances	402,311	(402,311)	-
Prepaid Expenses	184,316	-	184,316
Inventory	-	141,645	141,645
Capital Assets, Net	36,832,030	43,928,085	80,760,115
Total Assets	89,410,671	53,495,476	142,906,147
Deferred Outflows of Resources			
Deferred Amounts Related to Net Pension Liability	1,835,378	174,329	2,009,707
Liabilities			
Accounts Payable and Accrued Liabilities	1,569,025	1,020,382	2,589,407
Deposits	20,500	314,164	334,664
Non-Current Liabilities			
Due Within One Year	790,000	45,000	835,000
Due in More than One Year	14,825,350	854,142	15,679,492
Total Liabilities	17,204,875	2,233,688	19,438,563
Deferred Inflows of Resources			
Deferred Amounts Related to Net Pension Liability	784,447	63,166	847,613
Deferred Amounts Related to OPEB Obligation	266,286	-	266,286
Total Deferred Inflows of Resources	1,050,733	63,166	1,113,899
Net Position			
Net Investment in Capital Assets	36,317,030	43,928,085	80,245,115
Restricted for:			
Public Works and Related Bonded Debt	29,494,289	-	29,494,289
Unrestricted	7,179,122	7,444,866	14,623,988
Total Net Position	\$ 72,990,441	\$ 51,372,951	\$ 124,363,392

The accompanying notes are an integral part of these financial statements.

CITY OF MANDEVILLE, LOUISIANA
Statement of Activities
For the Year Ended August 31, 2018

Statement B

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
General Government	\$ 5,373,196	\$ 787,553	\$ 324,101	\$ (4,261,542)	\$ -	\$ (4,261,542)
Public Safety	6,944,133	-	-	(6,944,133)	-	(6,944,133)
Public Works	4,184,902	-	-	(4,184,902)	-	(4,184,902)
Cemetery	18,274	1,373	-	(16,901)	-	(16,901)
Interest on Long-Term Debt	26,581	-	-	(26,581)	-	(26,581)
Total Governmental Activities	16,547,086	788,926	324,101	(15,434,059)	-	(15,434,059)
Business-Type Activities						
Water	1,856,589	1,355,118	-	-	(501,471)	(501,471)
Sewer	2,269,643	2,212,787	-	-	(56,856)	(56,856)
Total Business-Type Activities	4,126,232	3,567,905	-	-	(558,327)	(558,327)
Total	\$ 20,673,318	\$ 4,356,831	\$ 324,101	(15,434,059)	(558,327)	(15,992,386)
General Revenues						
Ad Valorem (Property) Taxes				1,983,583	-	1,983,583
Franchise Taxes				1,025,780	-	1,025,780
Sales and Use Taxes				15,945,122	-	15,945,122
Licenses and Permits				1,493,730	-	1,493,730
Fines, Forfeitures, and Other				489,813	-	489,813
Interest and Investment Earnings				458,263	84,552	542,815
Other General Revenues				711,269	-	711,269
Transfers In (Out)				(2,151,000)	2,151,000	-
Total General Revenues and Transfers				19,956,560	2,235,552	22,192,112
Change in Net Position				4,522,501	1,677,225	6,199,726
Net Position, Beginning of Year (As Previously Reported)				69,759,465	49,695,726	119,455,191
Cumulative Effect of a Change in Accounting Principle				(1,291,525)	-	(1,291,525)
Net Position, Beginning of Year (As Restated)				68,467,940	49,695,726	118,163,666
Net Position, End of Year				\$ 72,990,441	\$ 51,372,951	\$ 124,363,392

The accompanying notes are an integral part of these financial statements.

**BASIC FINANCIAL STATEMENTS
FUND FINANCIAL STATEMENTS
GOVERNMENTAL FUNDS**

CITY OF MANDEVILLE, LOUISIANA
Balance Sheet
Governmental Funds
August 31, 2018

Statement C

	Special Revenue Funds					Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
	General Fund	Sales Tax Fund	Special Sales Tax Fund	District No. 3 Sales Tax Fund	Tax Collector Fund	Street Construction Fund		
Assets								
Cash and Cash Equivalents	\$ 12,387,878	\$ 1,370,536	\$ 1,087,980	\$ 3,314,283	\$ 294,343	\$ 11,336,754	\$ 43,989	\$ 29,835,763
Investments	7,068,000	93,778	9,799,821	-	382,619	2,155,335	902,069	20,401,622
Receivables, Net								
Property Taxes	-	-	-	-	39,971	-	-	39,971
Sales and Use Taxes	-	1,410,991	-	-	-	-	-	1,410,991
Grants	110,408	-	-	-	-	-	-	110,408
Other Receivables	193,259	-	-	-	-	-	-	193,259
Prepaid Expenses	184,316	-	-	-	-	-	-	184,316
Interfund Receivables	2,659,284	-	485,875	445,931	-	485,875	-	4,076,965
Total Assets	\$ 22,603,145	\$ 2,875,305	\$ 11,373,676	\$ 3,760,214	\$ 716,933	\$ 13,977,964	\$ 946,058	\$ 56,253,295
Liabilities								
Accounts Payable and Accrued Liabilities	\$ 811,526	\$ -	\$ -	\$ 103,656	\$ -	\$ 650,538	\$ -	\$ 1,565,720
Deposits	20,500	-	-	-	-	-	-	20,500
Interfund Payables	-	2,875,305	-	-	553,686	245,663	-	3,674,654
Total Liabilities	832,026	2,875,305	-	103,656	553,686	896,201	-	5,260,874
Deferred Inflows of Resources								
Unavailable Revenues	8,000	-	-	-	39,971	-	-	47,971
Fund Balances								
Nonspendable Amounts:								
Not in Spendable Form	184,316	-	-	-	-	-	-	184,316
Restricted	312,958	-	11,373,676	3,656,558	123,276	13,081,763	946,058	29,494,289
Unassigned	21,265,845	-	-	-	-	-	-	21,265,845
Total Fund Balances	21,763,119	-	11,373,676	3,656,558	123,276	13,081,763	946,058	50,944,450
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 22,603,145	\$ 2,875,305	\$ 11,373,676	\$ 3,760,214	\$ 716,933	\$ 13,977,964	\$ 946,058	\$ 56,253,295

The accompanying notes are an integral part of these financial statements.

CITY OF MANDEVILLE, LOUISIANA
Reconciliation of the Governmental Fund Balances to the
Government-Wide Statement of Net Position
August 31, 2018

Statement D

Total Fund Balances - Governmental Funds		\$ 50,944,450
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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	\$ 95,715,740		
Accumulated Depreciation	<u>(58,883,710)</u>		36,832,030

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		47,971
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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.		(3,305)
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Net Pension Liability Balances in Accordance with GASB 68:

Deferred Outflows of Resources - Related to Net Pension Liability	1,835,378		
Net Pension Liability	(11,284,632)		
Deferred Inflows of Resources - Related to Net Pension Liability	<u>(784,447)</u>		(10,233,701)

Other Postemployment Benefit Obligation Balances in Accordance with GASB 75:

Net Other Postemployment Benefit Obligation	(3,491,008)		
Deferred Inflows of Resources - Related to Other Postemployment Benefit Obligation	<u>(266,286)</u>		(3,757,294)

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	(515,000)		
Compensated Absences	<u>(324,710)</u>		(839,710)

Net Position - Governmental Activities		<u>\$ 72,990,441</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF MANDEVILLE, LOUISIANA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended August 31, 2018

Statement E

	General Fund	Special Revenue Funds			Tax Collector Fund	Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
		Sales Tax Fund	Special Sales Tax Fund	District No. 3 Sales Tax Fund		Street Construction Fund		
Revenues								
Taxes								
Ad Valorem (Property) Taxes	\$ 1,938,757	\$ -	\$ -	\$ -	\$ 44,826	\$ -	\$ -	\$ 1,983,583
Franchise Taxes	1,025,780	-	-	-	-	-	-	1,025,780
Sales and Use Taxes	-	15,945,122	-	-	-	-	-	15,945,122
Intergovernmental Grants	324,101	-	-	-	-	-	-	324,101
Licenses and Permits	1,493,730	-	-	-	-	-	-	1,493,730
Fines and Forfeitures	489,813	-	-	-	-	-	-	489,813
Charges for Services	788,926	-	-	-	-	-	-	788,926
Interest Income	160,983	12,991	88,768	34,870	8,084	142,662	9,905	458,263
Other Revenues	483,592	-	-	-	-	-	-	483,592
Total Revenues	6,705,682	15,958,113	88,768	34,870	52,910	142,662	9,905	22,992,910
Expenditures								
General Government	4,698,469	181,465	-	-	28,533	1,545	-	4,910,012
Public Safety	6,356,034	-	-	-	-	-	-	6,356,034
Public Works	1,473,582	-	-	-	-	-	-	1,473,582
Cemetery	18,274	-	-	-	-	-	-	18,274
Debt Service								
Principal	-	-	-	-	-	-	495,000	495,000
Interest and Other Charges	-	-	-	-	-	-	29,756	29,756
Capital Outlay	878,298	-	-	-	-	3,972,197	-	4,850,495
Total Expenditures	13,424,657	181,465	-	-	28,533	3,973,742	524,756	18,133,153
Excess (Deficiency) of Revenues Over Expenditures	(6,718,975)	15,776,648	88,768	34,870	24,377	(3,831,080)	(514,851)	4,859,757
Other Financing Sources (Uses)								
Transfers In	8,954,705	-	2,747,191	2,040,691	-	3,300,923	200,000	17,243,510
Transfers Out	-	(15,776,648)	(2,864,130)	(553,732)	-	-	(200,000)	(19,394,510)
Total Other Financing Sources (Uses)	8,954,705	(15,776,648)	(116,939)	1,486,959	-	3,300,923	-	(2,151,000)
Net Change in Fund Balances	2,235,730	-	(28,171)	1,521,829	24,377	(530,157)	(514,851)	2,708,757
Fund Balances, Beginning of Year	19,527,389	-	11,401,847	2,134,729	98,899	13,611,920	1,460,909	48,235,693
Fund Balances, End of Year	\$ 21,763,119	\$ -	\$ 11,373,676	\$ 3,656,558	\$ 123,276	\$ 13,081,763	\$ 946,058	\$ 50,944,450

The accompanying notes are an integral part of these financial statements.

CITY OF MANDEVILLE, LOUISIANA
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Government-Wide Statement of Activities
For the Year Ended August 31, 2018

Statement F

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

Net Change in Fund Balances - Total Governmental Funds	\$ 2,708,757
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 through depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	1,571,562
The issuance of long-term debt (e.g., bonds, leases) provides 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 and related items:	
Bond Principal Payments	495,000
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.	1,066
Change in Accrual Basis Recognition of Interest Expenditures	3,175
The change in the net other postemployment 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.	(178,469)
Change in Net Pension Liability and Deferred Inflows and Outflows in Accordance with GASB 68	(313,421)
Contributions Made to the Retirement Plans by Other Governments	226,611
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.	<u>8,220</u>
Change in Net Position of Governmental Activities	<u><u>\$ 4,522,501</u></u>

The accompanying notes are an integral part of these financial statements.

**BASIC FINANCIAL STATEMENTS
FUND FINANCIAL STATEMENTS
PROPRIETARY FUND**

CITY OF MANDEVILLE, LOUISIANA
Statement of Net Position
Proprietary Fund
August 31, 2018

Statement G

Assets	
Current Assets	
Cash and Cash Equivalents	\$ 5,744,284
Investments	3,689,899
Accounts Receivable (Net of Allowance for Uncollectibles)	393,874
Inventory	<u>141,645</u>
Total Current Assets	<u>9,969,702</u>
Property, Plant, and Equipment	
Property, Plant, and Equipment, at Cost	67,015,281
Less: Accumulated Depreciation	<u>(23,087,196)</u>
Property, Plant, and Equipment, Net	<u>43,928,085</u>
Total Assets	<u>53,897,787</u>
Deferred Outflows of Resources	
Deferred Amounts Related to Net Pension Liability	<u>174,329</u>
Total Deferred Outflows of Resources	<u>174,329</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 54,072,116</u>
Liabilities	
Current Liabilities	
Accounts Payable and Accrued Liabilities	\$ 1,020,382
Interfund Payable	402,311
Customer Deposits	314,164
Accrued Compensated Absences, Current	<u>45,000</u>
Total Current Liabilities	<u>1,781,857</u>
Accrued Compensated Absences, Non-Current	7,412
Net Pension Liability	<u>846,730</u>
Total Liabilities	<u>2,635,999</u>
Deferred Inflows of Resources	
Deferred Amounts Related to Net Pension Liability	<u>63,166</u>
Total Deferred Inflows of Resources	<u>63,166</u>
Net Position	
Net Investment in Capital Assets	43,928,085
Unrestricted	<u>7,444,866</u>
Total Net Position	<u>51,372,951</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 54,072,116</u>

The accompanying notes are an integral part of these financial statements.

CITY OF MANDEVILLE, LOUISIANA
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended August 31, 2018

Statement H

Operating Revenues	
Charges for Services	
Water Fees	\$ 1,145,208
Sewer Fees	2,162,232
Tapping Fees	
Water	16,190
Sewer	9,900
Water Service Charges	25,630
Delinquent Fees	73,055
Miscellaneous	51,910
Sewer Impact Fees	39,780
Water Impact Fees	44,000
	<u>3,567,905</u>
Total Operating Revenues	<u>3,567,905</u>
Operating Expenses	
Water Department Expenses	1,856,589
Sewer Department Expenses	2,269,643
	<u>4,126,232</u>
Total Operating Expenses	<u>4,126,232</u>
Operating Loss	<u>(558,327)</u>
Non-Operating Revenues (Expenses)	
Interest Income	84,552
	<u>84,552</u>
Total Non-Operating Revenues (Expenses)	<u>84,552</u>
Change in Net Position Before Transfers	(473,775)
Operating Transfers	<u>2,151,000</u>
Change in Net Position	1,677,225
Net Position, Beginning of Year	<u>49,695,726</u>
Net Position, End of Year	<u><u>\$ 51,372,951</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF MANDEVILLE, LOUISIANA
Statement of Cash Flows
Proprietary Fund
For the Year Ended August 31, 2018

Statement I

Cash Flows from Operating Activities	
Receipts from Customers and Users	\$ 3,566,708
Payments to Suppliers	(1,100,970)
Payments to Employees	<u>(1,132,892)</u>
Net Cash Provided by Operating Activities	<u>1,332,846</u>
Cash Flows from Non-Capital Financing Activities	
Operating Subsidies and Transfers from Other Funds	<u>2,151,000</u>
Net Cash Provided by Non-Capital Financing Activities	<u>2,151,000</u>
Cash Flows from Capital and Related Financing Activities	
Purchase of Capital Assets	<u>(3,876,659)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(3,876,659)</u>
Cash Flows from Investing Activities	
Purchase of Investments	(26,489)
Interest Received	<u>84,552</u>
Net Cash Provided by Investing Activities	<u>58,063</u>
Net Decrease in Cash and Cash Equivalents	(334,750)
Cash and Cash Equivalents, Beginning of Year	<u>6,079,034</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 5,744,284</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF MANDEVILLE, LOUISIANA
Statement of Cash Flows
Proprietary Fund
For the Year Ended August 31, 2018

Statement I (Continued)

Reconciliation of Operating Loss to Net Cash	
Provided by Operating Activities	
Operating Loss	\$ (558,327)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities	
Depreciation	1,282,894
(Increase) Decrease in:	
Accounts Receivable, Net	(10,992)
Inventory	(10,844)
Increase (Decrease) in:	
Accounts Payable and Accrued Liabilities	415,456
Interfund Payable	219,687
Customer Deposits	9,795
Accrued Compensated Absences	(7,277)
Pension Items	(7,546)
	<hr/>
Net Cash Provided by Operating Activities	\$ 1,332,846

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

CITY OF MANDEVILLE, LOUISIANA

Notes to Financial Statements

Note 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 Governmental Accounting Standards Board (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 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 are available.

Note 1. Summary of Significant Accounting Policies (Continued)

(b) Government-Wide 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.

(c) Fund Financial Statements

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

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

Fund financial statements report detailed information about the City. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported as a separate column. The major funds reported are the General Fund, Sales Tax Fund, Special Sales Tax Fund, District No. 3 Sales Tax Fund, Tax Collector Fund, and 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 the Bond Sinking Fund.

(d) Measurement Focus, Basis of Accounting, and Financial Statement Preparation

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.

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

CITY OF MANDEVILLE, LOUISIANA

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

(d) Measurement Focus, Basis of Accounting, and Financial Statement Preparation (Continued)

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 City 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. One percent can be used for any lawful corporate purpose. On November 19, 2011, a special election was held to authorize the rededication of the proceeds of this 1% sales and use tax initially authorized at an election held on August 18, 1959.

One percent of this tax was authorized at elections held on November 4, 1986 and May 1, 1999 and was 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 4, 2014, a special election was held to authorize the rededication of the this 1% sales and use tax to 50% for constructing, acquiring, extending, improving, equipping, repairing, operating and/or maintaining sewers and sewerage disposal works, waterworks improvements, streets, drains and drainage facilities and flood protection (including the payment of salaries and acquiring of all necessary land, equipment and furnishings) and 50% (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.

Note 1. Summary of Significant Accounting Policies (Continued)

(d) Measurement Focus, Basis of Accounting, and Financial Statement Preparation (Continued)

The City first utilizes restricted resources to finance qualifying activities when both restricted and unrestricted net position are available. The remaining 0.5% sales and use tax can be used for the purpose of (i) paying, improving, repairing and maintaining streets (including sidewalks and bike paths) in the City, (ii) repairing and maintaining existing bridges in the City, and (iii) constructing, acquiring and maintaining roadside drainage improvements in the City.

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. One percent became effective with elections held on November 4, 1986, May 1, 1999, and November 4, 2014, 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 and drainage facilities and flood protection (including the payment of salaries and acquiring of all necessary land, equipment, and furnishings).

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 Bond Sinking Fund and the Bond 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 (i) paving, improving, repairing, and maintaining streets (including sidewalks and bike paths) in the City, (ii) repairing and maintaining existing bridges in the City, and (iii) constructing, acquiring, and maintaining roadside drainage improvements in the City. Financing is provided by a pledge of revenue to be derived from the City's collection of a 0.5% 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 (the 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 District No. 3. 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.

CITY OF MANDEVILLE, LOUISIANA

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

(d) Measurement Focus, Basis of Accounting, and Financial Statement Preparation (Continued)

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

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

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

The City has implemented 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 Financial Accounting Standards Board (FASB) pronouncements, although they may continue to be applied as "other accounting literature."

(e) 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).

(f) Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund inventories are recorded as expenditures when consumed rather than when purchased.

(g) Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond the date of this report are recorded as prepaid items/expenses and are accounted for on the consumption method.

CITY OF MANDEVILLE, LOUISIANA

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

(h) *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 cost is 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. 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:

Description	Estimated Useful Lives
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 Sewage Systems	25 Years

(i) *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 City 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 leave 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 governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Note 1. Summary of Significant Accounting Policies (Continued)

(j) Long-Term Obligations

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.

(k) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents the acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The governmental funds report unavailable revenue from two sources which qualify for reporting in this category: property taxes held back from the St. Tammany Parish Sheriff which will be remitted in December 2018 and the long-term receivable of grant funding. In addition, the pension plans and other postemployment benefit obligations of the City have both deferred inflows and outflows.

(l) 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 its 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 does not meet the definition of "restricted" or "net investment in capital assets."

CITY OF MANDEVILLE, LOUISIANA

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

(m) Fund Balance

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

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

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

(n) Revenues

1. Program Revenues - Amounts reported as *program revenues* include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than program revenues.
2. Property Taxes - Property taxes are levied on a calendar year basis. On May 25, 2017, the taxes were levied for the 2017 calendar year. They are due on December 31st of each year, and are considered delinquent on January 1st, which is the lien date. Property on which the taxes have not been paid is adjudicated to the City after being offered for sale to the public.
3. Sales Taxes - Sales taxes are due the month after sale and recognized in the month the liability is incurred.

Note 1. Summary of Significant Accounting Policies (Continued)

(o) 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.

(p) 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 reporting period. Actual results could differ from those estimates.

(q) Adoption of New Accounting Principles

For the year ended August 31, 2018, the following statements were implemented:

Statement No. 75 of the Governmental Accounting Standards Board

Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions - This Statement replaces the requirements of Statement 45 and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Statement 75 requires more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. This Statement is effective for fiscal years beginning after June 15, 2017 and, as a result, was adopted during the year ended August 31, 2018. A cumulative effect of the change in accounting principle in the amount of \$1,291,525 was recorded on September 1, 2017.

Statement No. 85 of the Governmental Accounting Standards Board

Omnibus 2017 - This Statement establishes accounting and financial reporting requirements for blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. This implementation did not significantly impact the financial statements or notes.

Statement No. 86 of the Governmental Accounting Standards Board

Certain Debt Extinguishment Issues - This Statement improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. This implementation did not significantly impact the financial statements or notes.

Note 1. Summary of Significant Accounting Policies (Continued)

(r) Recent Reporting and Disclosure Developments

As of August 31, 2018, the Governmental Accounting Standards Board issued several statements not yet implemented by the City. The statements which might impact the City are as follows:

Statement No. 83 of the Governmental Accounting Standards Board

Certain Asset Retirement Obligations - The objective of this Statement is to establish criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 84 of the Governmental Accounting Standards Board

Fiduciary Activities - The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87 of the Governmental Accounting Standards Board

Leases - The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of a government's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2019.

Statement No. 89 of the Governmental Accounting Standards Board

Accounting for Interest Cost Incurred before the End of a Construction Period - The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Management is currently evaluating the effects of the new GASB pronouncements scheduled for implementation for fiscal year ending August 31, 2019.

CITY OF MANDEVILLE, LOUISIANA

Notes to Financial Statements

Note 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 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 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.

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. 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.

Note 3. Cash and Cash Equivalents

At August 31, 2018, the City had cash and cash equivalents (book balances) totaling \$35,580,047. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank or through letters of credit issued by the Federal Home Loan 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 - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be recovered. The City does not have a deposit policy for custodial credit risk. At August 31, 2018, the City had \$35,094,238 (collected bank balances). These deposits are secured from risk by federal deposit insurance and \$33,549,894 of pledged securities held by the custodial bank's trust department not in the name of the City.

Louisiana Revised Statute (LRS) 39:1229 imposes a requirement on the custodial 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.

CITY OF MANDEVILLE, LOUISIANA

Notes to Financial Statements

Note 4. Investments

The following table provides information on the credit ratings, maturity dates, and fair values associated with the City's investments at August 31, 2018:

Investment	Rating	Maturity Date	Fair Value
Federal Farm Credit Bank	AAA	December 2018	\$ 49,965
Federal National Mortgage Association	AA+	January 2019	199,286
Federal Home Loan Mortgage Corp.	AA+	February 2019	298,392
Federal Farm Credit Bank	AAA	April 2019	896,945
Federal Farm Credit Bank	AAA	June 2019	1,489,570
Federal National Mortgage Association	AAA	June 2019	1,144,783
Federal Home Loan Mortgage Corp.	AA+	July 2019	246,668
Certificate of Deposit	AAA	July 2019	253,818
Federal National Mortgage Association	AAA	July 2019	1,683,383
Federal Agric Mortgage Co.	No rating	July 2019	295,917
Federal Farm Credit Bank	AAA	August 2019	987,291
Federal National Mortgage Association	AAA	August 2019	1,432,814
Federal Home Loan Mortgage Corp.	AAA	August 2019	1,730,205
Federal Home Loan Bank	AAA	September 2019	496,667
Federal Farm Credit Bank	AAA	September 2019	1,042,497
Federal Farm Credit Bank	AAA	September 2019	396,302
Federal Farm Credit Bank	AA+	November 2019	127,888
Federal National Mortgage Association	AAA	December 2019	1,336,534
Federal Home Loan Bank	AAA	December 2019	1,334,720
Federal National Mortgage Association	AAA	January 2020	197,392
Federal Farm Credit Bank	AA+	June 2020	391,080
Federal Home Loan Mortgage Corp.	AAA	June 2020	738,861
Federal Home Loan Mortgage Corp.	AA+	July 2020	389,568
Federal Home Loan Bank	AAA	July 2020	98,285
Federal Agric Mortgage Co.	No rating	July 2021	230,239
Louisiana Asset Management Pool	AAA	N/A	6,602,451
Total			\$ 24,091,521

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, \$10,709,037 have investment maturities of less than one year and \$6,780,033 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.

CITY OF MANDEVILLE, LOUISIANA

Notes to Financial Statements

Note 4. Investments (Continued)

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 owned at August 31, 2018 were not subject to custodial credit risk.

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. Issuers comprising 5% or more of the City's investments at August 31, 2018, were as follows:

Issuer	Percent
Federal Farm Credit Bank	22%
Federal Home Loan Bank	8%
Federal Home Loan Mortgage Corporation	14%
Federal National Mortgage Association	25%
Louisiana Asset Management Pool	27%

Louisiana Asset Management Pool (LAMP): 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 & Poor's 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 LRS 33:2955. LAMP is an investment pool that, to the extent practical, invests in a manner consistent with GASB Statement No. 79.

Note 4. Investments (Continued)

The following facts are relevant for investment pools:

- Credit risk: LAMP is rated AAA by Standard & Poor's.
- Custodial credit risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The City's investment is with the pool, not the securities that make up the pool; therefore, no public disclosure is required.
- Concentration of credit risk: Pooled investments are excluded from the five percent disclosure requirement.
- Interest rate risk: LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 60 days and consists of no securities with a maturity in excess of 397 days or two years (762 days) for U.S. Government floating/variable rate investments. The WAM for LAMP's total investments is 67 days as of August 31, 2018.
- Foreign currency risk: Not applicable.

The investments in LAMP are stated at fair value. 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.

Note 5. Fair Values of Financial Instruments

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs to measure the fair value of the asset and are as follows:

- Level 1 - Investments reflect prices quoted in active markets.
- Level 2 - Investments reflect prices that are based on a similar observable asset, either directly or indirectly, which may include inputs in markets that are not considered to be active.
- Level 3 - Investments reflect prices based upon unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

CITY OF MANDEVILLE, LOUISIANA

Notes to Financial Statements

Note 5. Fair Values of Financial Instruments (Continued)

Debt, equities, and investment derivatives classified in Level 1 of the fair value hierarchy are valued directly from a predetermined primary external pricing vendor. Assets classified in Level 2 are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor. Mortgage and asset-backed securities classified in Level 3, due to lack of an independent pricing source, are valued using an internal fair value as provided by the investment manager.

The following table sets forth by level, within the fair value hierarchy, the City's assets at fair value as of August 31, 2018:

	8/31/2018	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
<i>Debt Securities</i>				
Certificates of Deposit	\$ 253,818	\$ -	\$ 253,818	\$ -
US Agency Obligations	17,235,252	3,073,104	14,162,148	-
Total Investments by Fair Value Level	17,489,070	\$ 3,073,104	\$ 14,415,966	\$ -
Investments Measured at the Net Asset Value (NAV)				
Louisiana Asset Management Pool	6,602,451			
Total Investments Measured at the NAV	6,602,451			
Total Investments	\$ 24,091,521			

Note 6. Ad Valorem (Property) Taxes

Ad valorem (property) taxes for the operations of the City are normally levied each November 1st on the assessed value listed as of the prior January 1st for all real property, merchandise, and movable property located in St. Tammany Parish. Assessed values are established by the St. Tammany Parish Assessor's Office and the State Tax Commission at percentages of actual value as specified by Louisiana law. A re-evaluation of all property is required to be completed no less than every four years. The last re-evaluation was completed in 2016.

The assessed value at January 1, 2018, upon which the 2018 levies were based, was \$193,847,141. The combined 2017 tax rate was \$10.31 per \$1,000 of assessed valuation which is to be used for general operations.

CITY OF MANDEVILLE, LOUISIANA

Notes to Financial Statements

Note 7. Receivables

As of August 31, 2018, receivables, net of allowances, consisted of the following:

	General Fund	Sales Tax Fund	Tax Collector Fund	Proprietary Fund	Total
Water and Sewer, Net	\$ -	\$ -	\$ -	\$ 393,874	\$ 393,874
Property Taxes	-	-	39,971	-	39,971
Sales and Use Taxes	-	1,410,991	-	-	1,410,991
Franchise	175,465	-	-	-	175,465
Grants	110,408	-	-	-	110,408
Other	17,794	-	-	-	17,794
Total	\$ 303,667	\$ 1,410,991	\$ 39,971	\$ 393,874	\$ 2,148,503

Total allowance for doubtful accounts amounted to \$248,337 for the business-type activities at August 31, 2018.

Note 8. Capital Assets

The following is a summary of the changes in capital assets for governmental activities for the year ended August 31, 2018:

Governmental Activities	Balance August 31, 2017	Increases	Decreases	Balance August 31, 2018
Capital Assets Not Depreciated				
Land	\$ 4,173,988	\$ -	\$ -	\$ 4,173,988
Construction in Process	1,229,977	2,866,543	(1,199,618)	2,896,902
Total Capital Assets Not Depreciated	5,403,965	2,866,543	(1,199,618)	7,070,890
Capital Assets Being Depreciated				
Infrastructure - Streets	62,403,939	941,430	-	63,345,369
Trace and Trailhead	3,915,869	-	-	3,915,869
Drainage	7,139,739	1,198,693	-	8,338,432
Vehicles	2,698,206	257,672	-	2,955,878
Equipment	2,747,986	87,005	-	2,834,991
Buildings	5,361,247	535,583	-	5,896,830
Office Equipment and Furniture	108,103	-	-	108,103
Harbor	1,086,815	162,560	-	1,249,375
Total Capital Assets Being Depreciated	85,461,904	3,182,943	-	88,644,847
Less Accumulated Depreciation for:				
Infrastructure - Streets	(42,691,428)	(1,968,506)	-	(44,659,934)
Trace and Trailhead	(1,519,918)	(87,472)	-	(1,607,390)
Drainage	(3,043,093)	(292,294)	-	(3,335,387)
Vehicles	(2,346,418)	(250,857)	-	(2,597,275)
Equipment	(2,345,771)	(292,836)	-	(2,638,607)
Buildings	(3,289,569)	(323,623)	-	(3,613,192)
Office Equipment and Furniture	(108,104)	-	-	(108,104)
Harbor	(261,100)	(62,718)	-	(323,818)
Total Accumulated Depreciation	(55,605,401)	(3,278,306)	-	(58,883,707)
Total Capital Assets Being Depreciated, Net	29,856,503	(95,363)	-	29,761,140
Total Capital Assets, Net	\$ 35,260,468	\$ 2,771,180	\$ (1,199,618)	\$ 36,832,030

CITY OF MANDEVILLE, LOUISIANA

Notes to Financial Statements

Note 8. Capital Assets (Continued)

Depreciation was charged to governmental functions as follows:

Public Works - Street Construction and Maintenance	\$ 2,708,307
Public Safety - Police	310,246
General Government - City Hall	<u>259,753</u>
Total	<u>\$ 3,278,306</u>

The following is a summary of changes in capital assets for business-type activities for the year ended August 31, 2018:

Business-Type Activities	Balance August 31, 2017	Increases	Decreases	Balance August 31, 2018
Capital Assets Not Depreciated				
Land	\$ 1,745,392	\$ -	\$ -	\$ 1,745,392
Construction in Process	3,877,720	2,719,947	(2,013,233)	4,584,434
Total Capital Assets Not Depreciated	5,623,112	2,719,947	(2,013,233)	6,329,826
Capital Assets Being Depreciated				
Buildings	1,314,487	-	-	1,314,487
Water Wells, Lines, and Tower	23,790,302	23,317	-	23,813,619
Sewer Lines	18,512,360	-	-	18,512,360
Equipment and Vehicles	2,726,306	380,905	-	3,107,211
Wastewater Treatment Plant	11,172,054	2,765,724	-	13,937,778
Total Capital Assets Being Depreciated	57,515,509	3,169,946	-	60,685,455
Less Accumulated Depreciation for:				
Buildings	(380,329)	(27,384)	-	(407,713)
Water Wells, Lines, and Tower	(6,350,100)	(363,829)	-	(6,713,929)
Sewer Lines	(9,873,646)	(443,565)	-	(10,317,211)
Equipment and Vehicles	(2,665,507)	15,020	-	(2,650,487)
Wastewater Treatment Plant	(2,534,719)	(463,137)	-	(2,997,856)
Total Accumulated Depreciation	(21,804,301)	(1,282,895)	-	(23,087,196)
Total Capital Assets Being Depreciated, Net	35,711,208	1,887,051	-	37,598,259
Total Capital Assets, Net	<u>\$ 41,334,320</u>	<u>\$ 4,606,998</u>	<u>\$ (2,013,233)</u>	<u>\$ 43,928,085</u>

Depreciation expense for business-type activities was \$1,282,895, for year ended August 31, 2018.

CITY OF MANDEVILLE, LOUISIANA

Notes to Financial Statements

Note 8. Capital Assets (Continued)

Capital Commitments

The City has active capital projects as of August 31, 2018, as follows:

Project	Total Contract	Remaining Commitment
Drainage and Roadway Maintenance	\$ 7,084,889	\$ 1,507,957
Sewer and Water Maintenance Contract	2,000,000	1,471,067
Waste Water UV System	367,500	18,375
Water Meter Replacement	1,780,833	1,044,076
Causeway and Central Lift Stations	1,652,546	1,652,546

Note 9. Long-Term Debt

Bonds Payable

Bonds payable outstanding at August 31, 2018, 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 semi-annually through January 1, 2019 at a rate of 3.85%.	<u>\$ 515,000</u>
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The annual requirements to amortize all debt outstanding as of August 31, 2018 including interest are as follows:

Year Ending August 31,	Principal	Interest	Total
2019	\$ 515,000	\$ 9,914	\$ 524,914

The City was in compliance with its debt covenants at August 31, 2018.

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% of the assessed valuation. The statutory debt limit and the amount available for general obligation borrowing as of August 31, 2018, is \$16,200,000.

CITY OF MANDEVILLE, LOUISIANA

Notes to Financial Statements

Note 9. Long-Term Debt (Continued)

Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended August 31, 2018, is as follows:

	September 1, 2017 (as Restated)	Additions	Reductions	August 31, 2018	Due Within One Year
Governmental Activities					
Bonds Payable					
Sales Tax Refunding Bonds	\$ 1,010,000	\$ -	\$ (495,000)	\$ 515,000	\$ 515,000
Compensated Absences	332,930	254,071	(262,291)	324,710	275,000
Net Pension Liability	11,987,392	-	(702,760)	11,284,632	-
Postemployment Benefit Obligation	3,578,825	-	(87,817)	3,491,008	-
Total	\$ 16,909,147	\$ 254,071	\$ (1,547,868)	\$ 15,615,350	\$ 790,000
Business-Type Activities					
Compensated Absences	\$ 59,689	\$ 37,549	\$ (44,826)	\$ 52,412	\$ 45,000
Net Pension Liability	899,384	-	(52,654)	846,730	-
Total	\$ 959,073	\$ 37,549	\$ (97,480)	\$ 899,142	\$ 45,000

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 postemployment benefit obligation liability are expected to be funded by the General Fund and the Proprietary Fund (Water and Sewer).

Note 10. Pension and Retirement Plans

The City of Mandeville 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 30th. These reports may be obtained by writing, calling, or downloading the reports as follows:

MERS
 7937 Office Park Boulevard
 Baton Rouge, LA 70809
 (225) 925-4810
 www.mersla.com

MPERS
 7722 Office Park Boulevard, Suite 200
 Baton Rouge, LA 70809
 (225) 929-7411
 www.lampers.org

Note 10. Pension and Retirement Plans (Continued)

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, 2018, there were 86 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.

Any member 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 benefits require five (5) years creditable service at death of member.
5. Any age with twenty (20) years of creditable service, exclusive of military service with an actuarially reduced early benefit.

Eligibility for retirement for 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 sick 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.

Note 10. Pension and Retirement Plans (Continued)

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

Generally, the monthly amount of the retirement allowance for any member 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.

Upon death of any member 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 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 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.

The 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, the member 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.

Note 10. Pension and Retirement Plans (Continued)

Municipal Police Employees' Retirement System of Louisiana (MPERS)

The Municipal Police Employees' Retirement System of Louisiana (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 of 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 per month, whichever is greater.

Membership Commencing January 1, 2013: Member eligibility for regular retirement, early retirement, disability, and survivor benefits is 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.

Note 10. Pension and Retirement Plans (Continued)

Municipal Police Employees' Retirement System of Louisiana (MPERS) (Continued)

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 a deceased member had less than ten years of service, the 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 benefits based on the additional service.

For those eligible to enter the 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 the 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.

CITY OF MANDEVILLE, LOUISIANA

Notes to Financial Statements

Note 10. Pension and Retirement Plans (Continued)

Municipal Police Employees' Retirement System of Louisiana (MPERS) (Continued)

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 the 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 the DROP.

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, 2018 for the City and covered employees were as follows:

	City	Employees
Municipal Employees' Retirement System Plan A		
Members Hired Prior to 01/01/2013	24.75%	9.50%
Members Hired After 01/01/2013	24.75%	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	30.75%	10.00%
Non-Hazardous Duty Employees Hired After 01/01/2013	30.75%	8.00%
Employees Receiving Compensation Below Poverty Guidelines of U.S. Department of Health	33.25%	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:

	2018	2017	2016
Municipal Employees' Retirement System Plan A	\$ 577,513	\$ 555,146	\$ 504,710
Municipal Police Employees' Retirement System	734,143	778,464	711,127

CITY OF MANDEVILLE, LOUISIANA

Notes to Financial Statements

Note 10. Pension and Retirement Plans (Continued)

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 based on the June 30, 2018 measurement date. The City uses this measurement to record its Net Pension Liability and associated amounts as of June 30, 2018 in accordance with GASB Statement 68. The schedule also includes the proportionate share allocation rate used at June 30, 2018 along with the change compared to the June 30, 2017 rate. The City's proportion of the Net Pension Liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

	Net Pension Liability at June 30, 2018	Rate at June 30, 2018	Increase (Decrease) on June 30, 2017 Rate
Municipal Employees' Retirement System Plan A	\$ 5,292,060	1.2781%	(0.0656%)
Municipal Police Employees' Retirement System	<u>6,839,302</u>	0.8090%	(0.0232%)
	<u>\$ 12,131,362</u>		

The following schedule lists each pension plan's recognized pension expense of the City for the year ended June 30, 2018:

	Total
Municipal Employees' Retirement System Plan A	\$ 32,557
Municipal Police Employees' Retirement System	<u>286,073</u>
Total	<u>\$ 318,630</u>

At June 30, 2018, 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	\$ -	\$ (506,827)
Changes of Assumptions	606,253	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	1,138,835	-
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	-	(340,786)
Employer Contributions Subsequent to the Measurement Date	<u>264,619</u>	<u>-</u>
Total	<u>\$ 2,009,707</u>	<u>\$ (847,613)</u>

CITY OF MANDEVILLE, LOUISIANA

Notes to Financial Statements

Note 10. Pension and Retirement Plans (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

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	\$ 1,089,555	\$ (394,787)
Municipal Police Employees' Retirement System	920,152	(452,826)
Total	\$ 2,009,707	\$ (847,613)
	Deferred Outflows of Resources	Deferred Inflows of Resources
Governmental Activities	\$ 1,835,378	\$ (784,447)
Business-Type Activities	174,329	(63,166)
Total	\$ 2,009,707	\$ (847,613)

The City reported a total of \$264,619 as deferred outflows of resources related to pension contributions made subsequent to the measurement period of June 30, 2018 which will be recognized as a reduction in Net Pension Liability in the year ended June 30, 2018. The following schedule lists the pension contributions made subsequent to the measurement period for each pension plan:

	Subsequent Contributions
Municipal Employees' Retirement System Plan A	\$ 119,272
Municipal Police Employees' Retirement System	145,347
Total	\$ 264,619

CITY OF MANDEVILLE, LOUISIANA

Notes to Financial Statements

Note 10. Pension and Retirement Plans (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

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

Year Ending August 31.	MERS	MPERS	Total
2019	\$ 308,331	\$ 394,813	\$ 703,144
2020	172,459	146,342	318,801
2021	71,528	(231,089)	(159,561)
2022	23,178	11,913	35,091
Total	\$ 575,496	\$ 321,979	\$ 897,475

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, 2018, are as follows:

	MERS	MPERS								
Valuation Date	June 30, 2018	June 30, 2018								
Actuarial Cost Method	Entry Age Normal Cost	Entry Age Normal Cost								
Actuarial Assumptions:										
Expected Remaining										
Service Lives	3 Years	4 Years								
Investment Rate of Return	7.275% Net of Investment Expenses	7.20% Net of Investment Expenses								
Inflation Rate	2.60%	2.60%								
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, 2009 through June 30, 2014. 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	5.00%	<table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;">Years of Service</th> <th style="text-align: center;">Salary Growth Rate</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1 - 2</td> <td style="text-align: center;">9.75%</td> </tr> <tr> <td style="text-align: center;">3 - 23</td> <td style="text-align: center;">4.75%</td> </tr> <tr> <td style="text-align: center;">Above 23</td> <td style="text-align: center;">4.25%</td> </tr> </tbody> </table>	Years of Service	Salary Growth Rate	1 - 2	9.75%	3 - 23	4.75%	Above 23	4.25%
Years of Service	Salary Growth Rate									
1 - 2	9.75%									
3 - 23	4.75%									
Above 23	4.25%									

CITY OF MANDEVILLE, LOUISIANA

Notes to Financial Statements

Note 10. Pension and Retirement Plans (Continued)

Actuarial Assumptions (Continued)

	MERS	MPERS
Cost-of-Living Adjustments	<p>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 2.0% 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 65 and above equal to 2.0% of the benefit being received on October 1, 1977, or the original benefit, if retirement commenced after that date.</p>	<p>The Board of Trustees is authorized to provide annual cost-of-living adjustments (COLA) computed on the amount of the current regular retirement, disability, beneficiary, or survivor 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.</p> <p>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.</p> <p>Members who elect early retirement are not eligible for a cost-of-living adjustment until they reach regular retirement age.</p>

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

	MERS	MPERS
Long-Term Expected Rate of Return	<p>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 2.7% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.0% for the year ended June 30, 2018.</p>	<p>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 8.03% for the year ended June 30, 2018.</p>

CITY OF MANDEVILLE, LOUISIANA

Notes to Financial Statements

Note 10. Pension and Retirement Plans (Continued)

Actuarial Assumptions (Continued)

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, 2018:

Asset Class	Target Allocation		Long-Term Expected Rate of Return	
	MERS	MPERS	MERS	MPERS
Public Equity	50.00%	0.00%	2.20%	0.00%
Equity	0.00%	52.00%	0.00%	3.58%
Public Fixed Income	35.00%	0.00%	1.50%	0.00%
Fixed Income	0.00%	22.00%	0.00%	0.46%
Alternatives	15.00%	20.00%	0.60%	1.07%
Other	0.00%	6.00%	0.00%	0.17%
Total	100.00%	100.00%	4.30%	5.28%
Inflation			2.70%	2.75%
Expected Arithmetic Nominal Return			7.00%	8.03%

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 7.275% and 7.20%, respectively, for the year ended June 30, 2018.

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:

	1.0% Decrease	Current Discount Rate	1.0% Increase
MERS			
Rates	6.275%	7.275%	8.275%
City's Share of NPL	\$ 6,798,133	\$ 5,292,060	\$ 4,006,573
MPERS			
Rates	6.20%	7.20%	8.20%
City's Share of NPL	\$ 9,611,112	\$ 6,839,302	\$ 4,513,859

CITY OF MANDEVILLE, LOUISIANA

Notes to Financial Statements

Note 11. Postemployment Benefits

General Information about the OPEB Plan

Plan Description - The City provides certain continuing health care and life insurance benefits for its retired employees. The City's OPEB Plan (the OPEB Plan) is a single-employer, defined benefit OPEB plan administered by the City. The authority to establish and/or amend the obligation of the employer, employees, and retirees rests with the City. No assets are accumulated in a trust that meets the criteria in Governmental Accounting Standards Board Codification Section P52 *Postemployment Benefits Other Than Pensions—Reporting For Benefits Not Provided Through Trusts That Meet Specified Criteria—Defined Benefit*.

Benefits Provided - 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 (DROP entry) provisions are as follows: 25 years of service at any age; or, age 60 and 10 years of service; second, the Municipal Police Employees' Retirement System of Louisiana, whose retirement eligibility (DROP 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.

Employees Covered by Benefit Terms - At August 31, 2018, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	35
Inactive Employees Entitled to but Not Yet Receiving Benefit Payments	-
Active Employees	<u>99</u>
	<u>134</u>

Total OPEB Liability

The City's total OPEB liability of \$3,491,008 was measured as of August 31, 2018 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs - The total OPEB liability in the August 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary Increases	3.0%, including inflation
Prior Discount Rate	3.52%
Discount Rate	3.88%, net of OPEB plan investment expense, including inflation
Healthcare Cost Trend Rates	Flat 5.5% annually

CITY OF MANDEVILLE, LOUISIANA

Notes to Financial Statements

Note 11. Postemployment Benefits

Total OPEB Liability (Continued)

The discount rate was based on the average of the Bond Buyers' 20 Year General Obligation municipal bond index as of August 31, 2018, the end of the applicable measurement period.

Mortality rates were based on the RP-2000 Table without projection with 50%/50% unisex blend.

The actuarial assumptions used in the August 31, 2018 valuation were based on the results of ongoing evaluations of the assumptions from September 1, 2009 to August 31, 2018.

Balance at August 31, 2017	\$ 3,578,825
Changes for the Year	
Service Cost	54,152
Interest	140,960
Differences Between Expected and Actual Experience	(190,087)
Changes in Assumptions	(92,842)
Benefit Payments and Net Transfers	-
Net changes	<u>(87,817)</u>
Balance at August 31, 2018	<u>\$ 3,491,008</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower (2.88%) or one percentage-point higher (4.88%) than the current discount rate:

	1.0% Decrease (2.88%)	Current Discount Rate (3.88%)	1.0% Increase (4.88%)
Total OPEB Liability	<u>\$ 3,753,037</u>	<u>\$ 3,491,008</u>	<u>\$ 3,255,076</u>

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates - The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower (4.5%) or one percentage-point higher (6.5%) than the current healthcare trend rates:

	1.0% Decrease (4.5%)	Current Trend (5.5%)	1.0% Increase (6.5%)
Total OPEB Liability	<u>\$ 3,227,832</u>	<u>\$ 3,491,008</u>	<u>\$ 3,792,026</u>

CITY OF MANDEVILLE, LOUISIANA

Notes to Financial Statements

Note 11. Postemployment Benefits (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources⁸⁷ Related to OPEB

For the year ended August 31, 2018, the City recognized OPEB expense of \$178,469. At August 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 178,905
Changes in Assumptions	-	87,381
Total	\$ -	\$ 266,286

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

Year Ending August 31,	Amount
2019	\$ (16,643)
2020	(16,643)
2021	(16,643)
2022	(16,643)
2023	(16,643)
Thereafter	(183,071)

Note 12. 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

Note 13. Fund Balances

Fund balances for the City's governmental funds consisted of the following as of August 31, 2018:

Non-Spendable Fund Balance - The non-spendable fund balance in the General Fund is made up of prepaid expenses totaling \$184,316 that are not in spendable form.

Restricted Fund Balance - The restricted fund balance in the General Fund is made up of \$312,958 for DMV operations and police forfeitures. The restricted fund balance in the Special Sales Tax Fund is made up of \$11,373,676 for public works projects and related debt service as detailed in the 1.0% sales tax proposition. The restricted fund balance in the District No. 3 Sales Tax Fund is made up of \$3,656,558 for public improvements to St. Tammany Parish District No. 3 funded by proceeds of the 2.0% St. Tammany Parish sales and use tax. The Capital Projects Fund totals \$13,081,763 in restricted fund balance and is made up of the 1/2 cent special sales tax and funding from the 1.0% sales tax dedicated for capital improvements. The Tax Collector Fund totals \$123,276 in restricted fund balance for debt service restricted by dedicated millage. The Bond Reserve Fund and Bond Sinking Fund total \$946,058 restricted for debt service by bond ordinance.

Note 14. Interfund Balances

Interfund Receivables/Payables

The primary purpose of interfund receivables and payables is to loan monies from the General Fund to individual funds to cover current expenditures. The balances are expected to be repaid within one year. Individual fund balances due from/to other funds at August 31, 2018, were as follows:

	Due from Other Funds	Due to Other Funds
Governmental Funds		
Major Funds		
General Fund	\$ 2,659,284	\$ -
Sales Tax Fund	-	2,875,305
Special Sales Tax Fund	485,875	-
District No. 3 Sales Tax Fund	445,931	-
Tax Collector Fund	-	553,686
Street Construction Fund	485,875	245,663
Total Governmental Funds	4,076,965	3,674,654
Proprietary Fund	-	402,311
Total All Funds	\$ 4,076,965	\$ 4,076,965

CITY OF MANDEVILLE, LOUISIANA

Notes to Financial Statements

Note 14. Interfund Balances (Continued)

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, 2018, were as follows:

	Transfers In	Transfers Out
Governmental Funds		
Major Funds		
General Fund	\$ 8,954,705	\$ -
Sales Tax Fund	-	15,776,648
Special Sales Tax Fund	2,747,191	2,864,130
District No. 3 Sales Tax Fund	2,040,691	553,732
Street Construction Fund	3,300,923	-
Non-Major Funds	200,000	200,000
Total Governmental Funds	17,243,510	19,394,510
Proprietary Fund	2,151,000	-
Total All Funds	\$ 19,394,510	\$ 19,394,510

Note 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 1.0% sales and use tax revenues.

The voters of the City passed the 1.0% 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, 2029, which coincides with the maturity of the Series 2007 bonds.

The City transferred \$2,747,191 of the 1.0% sales and use tax revenues into the Special Sales Tax Fund during 2018. Principal and interest of \$495,000 and \$29,756, respectively, was paid on the bonds during 2018. As of August 31, 2018, the outstanding bond principal and interest was \$515,000 and \$9,914, respectively.

CITY OF MANDEVILLE, LOUISIANA

Notes to Financial Statements

Note 16. Mausoleum Endowed Care Trust Fund

The City entered into an agreement with 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.

Note 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 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.

Note 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, 2018 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. 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 City.

Note 19. Excess Expenditures Over Appropriations

During the year ended August 31, 2018, the Sales Tax Fund's actual expenditures of \$181,465 exceeded the budgeted expenditures of \$178,721, resulting in an unfavorable variance of \$2,744.

REQUIRED SUPPLEMENTARY INFORMATION (PART II)

CITY OF MANDEVILLE, LOUISIANA
Budgetary Comparison Schedule
General Fund
For the Year Ended August 31, 2018

Required Supplementary Information
Schedule 1

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
Revenues				
Taxes				
Ad Valorem (Property) Taxes	\$ 1,917,470	\$ 1,917,470	\$ 1,938,757	\$ 21,287
Franchise Taxes	1,181,563	1,181,563	1,025,780	(155,783)
Intergovernmental Grants	400,000	315,000	324,101	9,101
Licenses and Permits	1,544,883	1,544,883	1,493,730	(51,153)
Fines and Forfeitures	351,781	351,781	489,813	138,032
Charges for Services	823,760	823,760	788,926	(34,834)
Interest Income	92,026	92,026	160,983	68,957
Other Revenues	572,607	572,607	483,592	(89,015)
Total Revenues	6,884,090	6,799,090	6,705,682	(93,408)
Expenditures				
General Government	6,014,638	5,884,453	4,698,469	1,185,984
Public Safety	6,848,806	6,980,386	6,356,034	624,352
Public Works	2,325,519	2,353,203	1,473,582	879,621
Cemetery	79,199	79,199	18,274	60,925
Capital Outlay	5,069,000	2,145,580	878,298	1,267,282
Total Expenditures	20,337,162	17,442,821	13,424,657	4,018,164
Excess (Deficiency) of Revenues Over Expenditures	(13,453,072)	(10,643,731)	(6,718,975)	3,924,756
Other Financing Sources				
Transfers In	12,387,086	9,387,086	8,954,705	(432,381)
Total Other Financing Sources	12,387,086	9,387,086	8,954,705	(432,381)
Net Change in Fund Balance	\$ (1,065,986)	\$ (1,256,645)	2,235,730	\$ 3,492,375
Fund Balance, Beginning of Year			19,527,389	
Fund Balance, End of Year			\$ 21,763,119	

See independent auditor's report.

CITY OF MANDEVILLE, LOUISIANA
Budgetary Comparison Schedule
Sales Tax Fund
For the Year Ended August 31, 2018

Required Supplementary Information
Schedule 2

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
Revenues				
Taxes				
Sales and Use Taxes	\$ 15,706,718	\$ 15,706,718	\$ 15,945,122	\$ 238,404
Interest Income	561	561	12,991	12,430
Total Revenues	<u>15,707,279</u>	<u>15,707,279</u>	<u>15,958,113</u>	<u>250,834</u>
Expenditures				
General Government	178,721	178,721	181,465	(2,744)
Total Expenditures	<u>178,721</u>	<u>178,721</u>	<u>181,465</u>	<u>(2,744)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>15,528,558</u>	<u>15,528,558</u>	<u>15,776,648</u>	<u>248,090</u>
Other Financing Uses				
Transfers Out	(15,528,557)	(15,528,557)	(15,776,648)	(248,091)
Total Other Financing Uses	<u>(15,528,557)</u>	<u>(15,528,557)</u>	<u>(15,776,648)</u>	<u>(248,091)</u>
Net Change in Fund Balance	<u>\$ 1</u>	<u>\$ 1</u>	<u>-</u>	<u>\$ (1)</u>
Fund Balance, Beginning of Year			<u>-</u>	
Fund Balance, End of Year			<u>\$ -</u>	

See independent auditor's report.

CITY OF MANDEVILLE, LOUISIANA
Budgetary Comparison Schedule
Special Sales Tax Fund
For the Year Ended August 31, 2018

Required Supplementary Information
Schedule 3

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
Revenues				
Interest Income	\$ 65,239	\$ 65,239	\$ 88,768	\$ 23,529
Other Revenues	9	9	-	(9)
Total Revenues	<u>65,248</u>	<u>65,248</u>	<u>88,768</u>	<u>23,520</u>
Expenditures				
General Government	858	858	-	858
Total Expenditures	<u>858</u>	<u>858</u>	<u>-</u>	<u>858</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>64,390</u>	<u>64,390</u>	<u>88,768</u>	<u>24,378</u>
Other Financing Sources (Uses)				
Transfers In	2,765,695	2,765,695	2,747,191	(18,504)
Transfers Out	(11,206,446)	(11,206,446)	(2,864,130)	8,342,316
Total Other Financing Sources (Uses)	<u>(8,440,751)</u>	<u>(8,440,751)</u>	<u>(116,939)</u>	<u>8,323,812</u>
Net Change in Fund Balance	<u>\$ (8,376,361)</u>	<u>\$ (8,376,361)</u>	<u>(28,171)</u>	<u>\$ 8,348,190</u>
Fund Balance, Beginning of Year			<u>11,401,847</u>	
Fund Balance, End of Year			<u>\$ 11,373,676</u>	

See independent auditor's report.

CITY OF MANDEVILLE, LOUISIANA
Budgetary Comparison Schedule
District No. 3 Sales Tax Fund
For the Year Ended August 31, 2018

Required Supplementary Information
Schedule 4

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
Revenues				
Interest Income	\$ -	\$ -	\$ 34,870	\$ 34,870
Other Revenues	-	-	-	-
Total Revenues	-	-	34,870	34,870
Expenditures				
General Government	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues Over Expenditures	-	-	34,870	34,870
Other Financing Sources (Uses)				
Transfers In	1,700,081	1,700,081	2,040,691	340,610
Transfers Out	(5,264,038)	(5,264,038)	(553,732)	4,710,306
Total Other Financing Sources (Uses)	(3,563,957)	(3,563,957)	1,486,959	5,050,916
Net Change in Fund Balance	\$ (3,563,957)	\$ (3,563,957)	1,521,829	\$ 5,085,786
Fund Balance, Beginning of Year			2,134,729	
Fund Balance, End of Year			\$ 3,656,558	

See independent auditor's report.

CITY OF MANDEVILLE, LOUISIANA
Budgetary Comparison Schedule
Tax Collector Fund
For the Year Ended August 31, 2018

Required Supplementary Information
Schedule 5

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
Revenues				
Taxes				
Ad Valorem (Property) Taxes	\$ 44,428	\$ 44,428	\$ 44,826	\$ 398
Interest Income	16,557	16,557	8,084	(8,473)
Total Revenues	60,985	60,985	52,910	(8,075)
Expenditures				
General Government	24,532	24,532	28,533	(4,001)
Total Expenditures	24,532	24,532	28,533	(4,001)
Net Change in Fund Balance	\$ 36,453	\$ 36,453	24,377	\$ (12,076)
Fund Balance, Beginning of Year			98,899	
Fund Balance, End of Year			\$ 123,276	

See independent auditor's report.

CITY OF MANDEVILLE, LOUISIANA
Schedule of Changes in Net OPEB Liability
and Related Ratios
For the Year Ended August 31, 2018

Required Supplementary Information
Schedule 6

Total OPEB Liability	
Service Cost	\$ 54,152
Interest	140,960
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	(190,087)
Changes of Assumptions	(92,842)
Benefit Payments	-
	<hr/>
Net Change in Total OPEB Liability	(87,817)
Total OPEB Liability, Beginning	<hr/> 3,578,825
Total OPEB Liability, Ending	<hr/> \$ 3,491,008 <hr/>
Covered-Employee Payroll	\$ 4,672,765
Net OPEB Liability as a Percentage of Covered-Employee Payroll	74.71%

Notes to Schedule:

Benefit Changes . There were no changes of benefit terms for the year ended August 31, 2018.

Changes in Assumptions . There were no changes of assumptions for the year ended August 31, 2018.

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

See independent auditor's report.

**CITY OF MANDEVILLE, LOUISIANA
Schedule of Proportionate Share
of the Net Pension Liability
For the Year Ended August 31, 2018**

**Required Supplementary Information
Schedule 7**

	2018		2017		2016		2015	
	MERS (Plan A)	MPERS						
Employer's Proportion of the Net Pension Liability (Asset)	1.2781%	0.8090%	1.3437%	0.8322%	1.3991%	0.8251%	1.4546%	0.8093%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 5,292,060	\$ 6,839,302	\$ 5,621,152	\$ 7,265,624	\$ 5,734,387	\$ 7,986,268	\$ 5,196,106	\$ 6,339,636
Covered Payroll	\$ 2,333,376	\$ 2,387,446	\$ 2,445,590	\$ 2,453,263	\$ 2,555,492	\$ 2,798,773	\$ 2,435,767	\$ 2,147,514
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	226.7984%	286.4694%	229.8485%	296.1616%	224.3946%	285.3489%	213.3252%	295.2081%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.94%	71.89%	62.49%	70.08%	62.11%	66.04%	66.18%	70.73%

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

The two retirement systems reported in this schedule are as follows:

MERS (Plan A) = Municipal Employees' Retirement System

MPERS = Municipal Police Employees' Retirement System

See independent auditor's report.

CITY OF MANDEVILLE, LOUISIANA
Schedule of Contributions to Defined
Benefit Pension Plans
For the Year Ended August 31, 2018

Required Supplementary Information
Schedule 8

	2018		2017		2016		2015	
	MERS (Plan A)	MPERS						
Contractually Required Contribution (1)	\$ 577,513	\$ 734,143	\$ 555,146	\$ 778,464	\$ 504,710	\$ 711,127	\$ 481,064	\$ 678,542
Contributions in Relation to Contractually Required Contribution (2)	577,513	734,143	555,146	778,464	504,710	711,127	481,064	678,542
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll (3)	\$ 2,333,376	\$ 2,387,446	\$ 2,445,590	\$ 2,453,263	\$ 2,555,492	\$ 2,798,773	\$ 2,435,767	\$ 2,147,514
Contributions as a Percentage of Covered Payroll	24.75%	30.75%	22.70%	31.73%	19.75%	25.41%	19.75%	31.60%

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

The two retirement systems reported in this schedule are as follows:

MERS (Plan A) = Municipal Employees' Retirement System

MPERS = Municipal Police Employees' Retirement System

(1) Employer contribution rate multiplied by employer's covered-employee payroll

(2) Actual employer contributions remitted to retirement systems

(3) Employer's covered payroll amount for the prior fiscal year ended

See independent auditor's report.

OTHER SUPPLEMENTARY INFORMATION

CITY OF MANDEVILLE, LOUISIANA
 Combining Balance Sheet
 Non-Major Governmental Funds
 August 31, 2018

Other Supplementary Information
 Schedule 9

	Debt Service Funds		Total Non-Major Governmental Funds
	Bond Reserve Fund	Bond Sinking Fund	
Assets			
Cash and Cash Equivalents	\$ 632	\$ 43,357	\$ 43,989
Investments	812,508	89,561	902,069
Total Assets	\$ 813,140	\$ 132,918	\$ 946,058
Fund Balance			
Restricted for Debt Service	\$ 813,140	\$ 132,918	\$ 946,058
Total Fund Balance	\$ 813,140	\$ 132,918	\$ 946,058

CITY OF MANDEVILLE, LOUISIANA
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended August 31, 2018

Other Supplementary Information
Schedule 10

	Debt Service Funds		Total Non-Major Governmental Funds
	Bond Reserve Fund	Bond Sinking Fund	
Revenues			
Interest Income	\$ 7,590	\$ 2,315	\$ 9,905
Total Revenues	7,590	2,315	9,905
Expenditures			
Debt Service			
Principal	-	495,000	495,000
Interest and Other Charges	-	29,756	29,756
Total Expenditures	-	524,756	524,756
Excess (Deficiency) of Revenues Over Expenditures	7,590	(522,441)	(514,851)
Other Financing Sources			
Operating Transfers In	-	200,000	200,000
Operating Transfers Out	(200,000)	-	(200,000)
Total Other Financing Sources	(200,000)	200,000	-
Net Change in Fund Balance	(192,410)	(322,441)	(514,851)
Fund Balance, Beginning of Year	1,005,550	455,359	1,460,909
Fund Balance, End of Year	\$ 813,140	\$ 132,918	\$ 946,058

CITY OF MANDEVILLE, LOUISIANA
Schedule of Compensation Paid to
City Council Members
For the Year Ended August 31, 2018

Other Supplementary Information
Schedule 11

Council Member	Period Active During Year	Compensation
David Ellis	9/1/2017 - 8/31/2018	\$ 12,000
Clay Madden	9/1/2017 - 8/31/2018	12,600
John A. Keller	9/1/2017 - 8/31/2018	12,600
Laure Sica	9/1/2017 - 8/31/2018	12,600
Michael T. Pulaski	9/1/2017 - 8/31/2018	12,600
		<u>\$ 62,400</u>

CITY OF MANDEVILLE, LOUISIANA
Schedule of Compensation, Benefits, and Other
Payments to the Mayor
For the Year Ended August 31, 2018

Other Supplementary Information
Schedule 12

Agency Head
Donald J. Villere, Mayor

Purpose	Amount
Salary	\$116,802
Benefits - Insurance	\$17,960
Benefits - Retirement	\$50,580
Benefits - Other	\$0
Car Allowance	\$9,346
Vehicle Provided by Government	\$0
Per Diem	\$0
Reimbursements	\$679
Travel	\$0
Registration Fees	\$0
Conference Travel	\$0
Continuing Professional Education Fees	\$0
Housing	\$0
Unvouchered Expenses	\$0
Special Meals	\$0
Other - Cell Phone	\$1,080

OTHER REPORTS

**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**

Independent Auditor's Report

The Honorable Donald J. Villere, Mayor
and the Members of the City Council
City of Mandeville, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, 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, 2018, and the related notes to the financial statements, which collectively comprise the City of Mandeville, Louisiana's basic financial statements, and have issued our report thereon dated February 18, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit, 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

This report is intended solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

A handwritten signature in cursive script that reads "LaPorte".

A Professional Accounting Corporation

Covington, LA
February 18, 2019

CITY OF MANDEVILLE, LOUISIANA

**Schedule of Findings and Responses
For the Year Ended August 31, 2018**

A. SUMMARY OF AUDITOR'S RESULTS

Financial Results:

- | | |
|--|---------------|
| 1. Type of auditor's report | Unmodified |
| 2. Internal control over financial reporting | |
| A. Material weaknesses identified? | No |
| B. Significant deficiencies identified not considered to be material weaknesses? | None reported |
| C. Non-compliance material to the financial statements noted? | No |

Federal Awards:

Not applicable.

B. Findings - Financial Statement Audit

None.

AGREED-UPON PROCEDURES REPORT

City of Mandeville, Louisiana

Independent Accountant's Report
on Applying Agreed-Upon Procedures

For the Year Ended August 31, 2018

Honorable Donald J. Villere
and Members of the City Council
3101 E. Causeway Approach
Mandeville, LA 70448

Dear Mayor Villere and Council Members:

We have performed the procedures enumerated below as they are a required part of the engagement. We are required to perform each procedure and report the results, including any exceptions. Management is required to provide a corrective action plan that addresses all exceptions noted. For any procedures that do not apply, we have marked "not applicable."

Management of the City of Mandeville, Louisiana (the City), is responsible for its financial records, establishing internal controls over financial reporting, and compliance with applicable laws and regulations. These procedures were agreed to by management of the City and the Legislative Auditor, State of Louisiana, solely to assist the users in assessing certain controls and in evaluating management's assertions about the City's compliance with certain laws and regulations during the year ended August 31, 2018, in accordance with Act 774 of the 2014 Regular Legislative Session. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and results are as follows:

Credit Card (follow-up)

1. Obtain and inspect the entity's written policies and procedures over credit cards, bank debit cards, fuel cards, and P-cards (cards) and observe that they address the approval required to open a card account.

Results: LaPorte obtained the City's written policy and procedures over credit cards and noted they address the approval required to open a card account.

Collections

1. Obtain and inspect the entity's written policies and procedures over receipts/collections and observe that they address management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

Results: LaPorte obtained the City's written policies and procedures over receipts/collections and noted they address management's actions to determine completeness of all collections.

2. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5).

Results: LaPorte obtained a listing of the City's bank accounts for the fiscal period and management's representation that the listing is complete. LaPorte selected all accounts that had deposits which was four.

3. Randomly select two deposit dates for each of the 5 bank accounts selected (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc. Obtain supporting documentation for each of the 10 deposits and:
 - a) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

Results: For seven of the eight daily deposits tested, all deposits were made within one business day of receipt. The eighth daily deposit tested was made up of eleven total collections. Of the eleven, three daily deposits which amounted to \$255 were not deposited within one day of receipt at the collection location.

Management's Response: For some revenue sources not collected at City Hall, it is difficult to have it received, processed, and deposited within one business day. However, the City will send out communications to ensure all staff know to have collections deposited as expeditiously as possible.

Traffic Tickets (follow-up)

1. Obtain and inspect the entity's written policies and procedures over traffic tickets and observe that they address the timely deposit of fine payments.

Results: LaPorte obtained the city's written policies and procedures over traffic tickets and noted that they do not address the timely deposit of fine payments.

Management's Response: The City of Mandeville is implementing new software and processes which will require the updating of written policies and procedures. Upon completion, we will ensure the item above will be included.

Police Department and Deputy Security Details

1. Obtain and inspect the entity's written policies and procedures over deputy detail and observe that they address (1) required management approval, (2) maximum hours worked per day, (3) qualification requirements for working details, and (4) process for the reimbursement by the officer for departmental equipment used in the performance of the detail.

Results: LaPorte obtained the City's written policies and procedures over deputy detail and noted that items 1, 2, and 3 above were addressed. Item 4 was not applicable.

2. Obtain the detail calendar showing the deputies who have worked details for the period under review and management's representation that the detail calendar is complete.

Results: LaPorte obtained the detail calendar showing the deputies who worked details for the period under review and management's representation that the detail calendar is complete.

3. From the detail calendar, randomly select 10 employees working details, select one detail date worked for each, and review for the following:

- a) Verify the employee is qualified to work details in accordance with the policy.
- b) Obtain timesheets for the employee's shift on the date selected and the detail sign in/sign out sheets and observe that the employee was not working a detail during their regular shift. Observe that on the date of the detail, total hours worked were not in excess of maximum hours, in accordance with the policy.

Results: For all 10 employees tested, all were qualified to work details in accordance with the City's policy and all approved time sheets supported that the detail was not worked during their regular shift. Two of the employees selected did not have a full 8-hour break before or after their regular 12-hour shift, as per the City's policy.

Management's Response: The City is amending its police department and deputy security detail policy and procedures to match that of other local municipalities and sheriff offices which do not stipulate the 8-hour breaks before or after shifts when working details.

Payroll and Personnel Overtime

1. Obtain a listing of public works and police department employees who received overtime pay for at least one pay period during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees from the listing.

Results: LaPorte obtained a list of public works and police department employees who received overtime during the fiscal period and management's representation that the listing is complete.

2. For each of the 5 employees selected above, randomly select one pay period during the fiscal period for which the employee received overtime pay. Obtain attendance records and leave documentation for the pay period, and observe that each employee's supervisor approved the overtime, electronically or in writing, prior to payment.

Results: LaPorte noted supervisor approval prior to payment for all 5 employees tested.

Ethics

1. Obtain and inspect the entity's written policies and procedures over ethics and observe that they address each of the following:
 - a) The prohibitions as defined in Louisiana Revised Statute 42:1111-1121;
 - b) Actions to be taken if an ethics violation takes place;
 - c) System to monitor possible ethics violations; and
 - d) Requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

Results: LaPorte reviewed the City's written policies and procedures over ethics and noted they address all of the above items except d. Employees are required to read and review the City's ethics policy upon hiring but not re-sign on an annual basis.

2. Obtain a listing of employees (and elected officials) and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain ethics documentation from management, and:
 - a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period; and
 - b) Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Results: LaPorte obtained a list of employees (and elected officials) and obtained management's representation that it is complete. All five employees tested had documentation demonstrating they completed the one hour of ethics training during the fiscal period. There was no documentation supporting attribute b as the City does not require employees to attest on an annual basis that they have read the City's ethics policy.

Management's Response: As the Louisiana Legislative Auditor deems this to be a best practice, the City will begin requiring employees to attest through signature verification that they have read the City's ethics policy on an annual basis.

Disaster Recovery/Business Continuity

1. Obtain and inspect the entity's written information technology disaster recovery/business continuity plan and observe that it addresses:
 - a) Identification of critical data and frequency of data backups;
 - b) Storage of backups in a separate physical location isolated from the network;
 - c) Periodic testing/verification that backups can be restored;
 - d) Use of antivirus software on all systems;

- e) Timely application of all available system and software patches/updates;
- f) Identification of personnel, processes, and tools needed to recover operations in the event of a critical event; and
- g) Periodic employee notifications regarding phishing emails and ransomware threats.

Results: The City has processes that include all of the above items; however, none of them are in a formalized disaster recovery/business continuity plan.

Management's Response: The City will formalize our processes in one written plan and ensure all of the above items are addressed.

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

This report is intended solely for the use of management of the City and the Louisiana Legislative Auditor, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.



A Professional Accounting Corporation

Covington, LA
February 19, 2019