
CITY OF MANDEVILLE,
LOUISIANA

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED
AUGUST 31, 2022

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of August 31, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of a Certain Matter: Change in Accounting Principle

As described in Note 1r to the financial statements, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, Leases. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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.

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

Auditors' Responsibility for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11, budgetary comparison information on pages 57 through 60, the schedule of changes in total OPEB liability and related ratios on page 61, the schedule of proportionate share of the net pension liability on page 62, the schedule of employer contributions to each retirement system on page 63, and the notes to required supplementary information on page 64 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Supplementary 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 combining and individual non-major governmental fund financial statements, schedule of compensation paid to City Council members, and the schedule of compensation, benefits, other payments to the Mayor and the Justice System Funding Schedule – Collecting / Disbursing are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 other supplementary 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 28, 2023, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Postlethwaite & Netterville

Baton Rouge, LA
February 28, 2023

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

CITY OF MANDEVILLE, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2022

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, 2022. 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. The MD&A is intended to provide readers with a broad overview of the City's 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 \$139,690,571. This is comprised of \$83,021,938 in governmental activities and \$56,668,633 in business-type activities.
- The City's total net position decreased by \$572,661. This is comprised of a \$4,051,867 decrease from governmental activities and a \$3,479,206 increase from business-type activities.
- The unrestricted portion of total net position totaled \$13,712,270. This is comprised of \$5,176,851 in governmental activities and \$8,535,419 in business-type activities. Unrestricted net position is available for use at the City's discretion.
- Approximately 62.5% of the City's total net position is comprised of its net 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 27.7% (\$38,630,143) of the City's net position is restricted by tax levies and DMV office operations and maintenance.
- The City received one-half of the federal Coronavirus State and Local Fiscal Recovery Funds (SLFRF) of \$2,306,954 from the United States Treasury. The City received its remaining allocation during in September 2022 of approximately the same amount. Since the City did not incur eligible expenditures on the SLRF allocation during 2022, the amount received is recorded as unearned revenue in the proprietary fund. The City expects to spend these funds during 2023 and subsequent years for eligible uses and projects.
- The City implemented GASB Statement No. 87, Leases for the year ended August 31, 2022. GASB 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an asset. The City recognized right-to-use leased asset and liability in the current year.

CITY OF MANDEVILLE, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2022

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 12 and 13) 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 14. 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.

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.

CITY OF MANDEVILLE, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2022

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.

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 and each major special revenue fund. A budgetary comparison statement has been provided for the General Fund and each major special revenue fund to demonstrate compliance with this budget.
- B. Schedule of Changes in Total Other Post Employment Benefit Liability and Related Ratios
- C. Schedule of Proportionate Share of the Net Pension Liability
- D. Schedule of Employer Contributions to Each Retirement System

CITY OF MANDEVILLE, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2022

Other Supplementary Information

- A. Combining Statements of the Non-Major Governmental Funds
- B. Schedule of Compensation Paid to City Council Members
- C. Schedule of Compensation, Benefits, and Other Payments to the Mayor
- D. Justice System Funding Schedule – Collecting / Disbursing

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: 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 \$139,690,571 (total net position), of which \$13,712,270 is unrestricted net position.

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. 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. Since the City had no outstanding capital related debt, the investment in capital assets equals the capital assets balance at year end.

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.

| | Summary Schedules of Net Position | | | | | |
|----------------------------------|-----------------------------------|---------------|-----------------------------|---------------|-----------------------------|----------------|
| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Current and other assets | \$ 60,933,516 | \$ 64,614,631 | \$ 13,662,239 | \$ 10,755,638 | \$ 74,595,755 | \$ 75,370,269 |
| Capital assets | 39,416,653 | 37,311,480 | 48,133,214 | 46,939,087 | 87,549,867 | 84,250,567 |
| Total assets | 100,350,169 | 101,926,111 | 61,795,453 | 57,694,725 | 162,145,622 | 159,620,836 |
| Deferred outflows of resources | 6,138,936 | 2,396,129 | 560,476 | 243,600 | 6,699,412 | 2,639,729 |
| Long-term liabilities | 19,080,066 | 11,143,624 | 1,952,161 | 1,432,682 | 21,032,227 | 12,576,306 |
| Other liabilities | 3,323,543 | 2,222,352 | 3,611,061 | 2,935,522 | 6,934,604 | 5,157,874 |
| Total liabilities | 22,403,609 | 13,365,976 | 5,563,222 | 4,368,204 | 27,966,831 | 17,734,180 |
| Deferred inflows of resources | 1,063,558 | 3,882,459 | 124,074 | 380,694 | 1,187,632 | 4,263,153 |
| Net position | | | | | | |
| Net investment in capital assets | 39,214,944 | 37,311,480 | 48,133,214 | 46,939,087 | 87,348,158 | 84,250,567 |
| Restricted | 38,630,143 | 39,349,684 | - | - | 38,630,143 | 39,349,684 |
| Unrestricted | 5,176,851 | 10,412,641 | 8,535,419 | 6,250,340 | 13,712,270 | 16,662,981 |
| Total net position | \$ 83,021,938 | \$ 87,073,805 | \$ 56,668,633 | \$ 53,189,427 | \$ 139,690,571 | \$ 140,263,232 |

The City's net position decreased by \$572,661 during the current fiscal year.

CITY OF MANDEVILLE, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2022

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 decreased the City's net position by \$4,051,867.

Summary Schedules of Changes in Net Position

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|--------------------------------------|-------------------------|---------------|--------------------------|---------------|--------------------------|----------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 1,553,365 | \$ 1,398,276 | \$ 3,406,160 | \$ 3,288,203 | \$ 4,959,525 | \$ 4,686,479 |
| Grants and contributions | 7,319,040 | 483,162 | 29,309 | 31,907 | 7,348,349 | 515,069 |
| General revenues: | | | | | | |
| Property taxes | 2,046,246 | 1,986,800 | - | - | 2,046,246 | 1,986,800 |
| Franchise taxes | 1,144,393 | 895,967 | - | - | 1,144,393 | 895,967 |
| Sales taxes | 20,508,238 | 18,246,438 | - | - | 20,508,238 | 18,246,438 |
| Licenses and permits | 1,691,763 | 1,496,594 | - | - | 1,691,763 | 1,496,594 |
| Fines and forfeits | 360,416 | 550,514 | - | - | 360,416 | 550,514 |
| Interest income | (825,447) | 115,442 | (78,351) | 16,881 | (903,798) | 132,323 |
| Other | 196,213 | 298,971 | 95,450 | 92,688 | 291,663 | 391,659 |
| Gain (loss) on sale of assets | (227,107) | 15,228 | - | - | (227,107) | 15,228 |
| Transfers | (4,909,740) | (1,690,557) | 4,909,740 | 1,690,557 | - | - |
| Total revenues | 28,857,380 | 23,796,835 | 8,362,308 | 5,120,236 | 37,219,688 | 28,917,071 |
| Expenses: | | | | | | |
| General government | 17,114,396 | 6,090,250 | - | - | 17,114,396 | 6,090,250 |
| Public safety | 10,565,534 | 7,317,283 | - | - | 10,565,534 | 7,317,283 |
| Public works | 5,169,965 | 4,612,853 | - | - | 5,169,965 | 4,612,853 |
| Cemetery | 45,928 | 31,264 | - | - | 45,928 | 31,264 |
| Interest expense | 13,424 | - | - | - | 13,424 | - |
| Water | - | - | 2,122,512 | 1,983,303 | 2,122,512 | 1,983,303 |
| Sewer | - | - | 2,760,590 | 2,642,728 | 2,760,590 | 2,642,728 |
| Total expenses | 32,909,247 | 18,051,650 | 4,883,102 | 4,626,031 | 37,792,349 | 22,677,681 |
| Change in net position | (4,051,867) | 5,745,185 | 3,479,206 | 494,205 | (572,661) | 6,239,390 |
| Net position, beginning, as restated | 87,073,805 | 81,328,620 | 53,189,427 | 52,695,222 | 140,263,232 | 134,023,842 |
| Net position, ending | \$ 83,021,938 | \$ 87,073,805 | \$ 56,668,633 | \$ 53,189,427 | \$ 139,690,571 | \$ 140,263,232 |

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

- Sales and use taxes increased by \$2,261,800, or 12.4%, due to an increase in sales revenues from local retailers because of the recovery from Hurricane Ida, inflationary price increases and new sales tax collections from remote sellers and businesses.
- Grants and contributions increased by \$6,835,878, or 1414.8%, due to the accrual for reimbursements from the federal disaster assistance grant.
- Interest and investment earnings decreased by \$940,889, or 815.0%, due to a lower return on investments and unrealized losses due to market value fluctuations caused by increases in interest rates.
- Expenses increased by \$14,857,597, or 82.3%, due to an increase in disaster and other grant expenses of \$9,984,326, an increase in salary and benefit expenses of \$3,248,124, of which \$2,294,120 is related to increases associated with the net pension liability and other post-employment benefits liability, and increases in other operating expenses including maintenance, utilities, supplies, depreciation/amortization, and debt service of \$1,625,147.

CITY OF MANDEVILLE, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2022

Business-Type Activities

Business-type activities increased the City's net position by \$3,479,206, or 7.0%. Key elements of this increase are as follows:

- Charges for services increased in fiscal year 2022 in the amount of \$117,957, or 3.6%.
- Interest and investment earnings decreased by \$95,232, or 564.1%, due to a lower return on investments and market value fluctuations.
- Intergovernmental transfers increased in fiscal year 2022 in the amount of \$3,219,183, or 190.4%, due to more water and sewer projects activity during fiscal year 2022 compared to 2021.
- Expenses increased by \$257,071 or 5.6%.

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. 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, 2022, the City's governmental funds reported a combined ending fund balance of \$57,569,659 a decrease of \$4,822,620 when compared to the prior year. Unassigned fund balance as of August 31, 2022 was \$18,939,516. The restricted fund balance in the amount of \$38,630,143 is primarily reserved to pay for public works projects that is restricted by voter proposition.

General Fund

The General Fund is the chief operating fund of the City. At August 31, 2022, the fund balance of the General Fund was \$19,087,249. The fund balance of the City's General Fund decreased by \$4,127,648 for the year ended August 31, 2022.

Sales Tax Fund

The Sales Tax Fund has a total fund balance of \$66,306. The fund balance of the Sales Tax Fund increased by \$332 for the year ended August 31, 2022. 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 \$7,669,891, 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 \$3,915,417. The City Administration is continuing the 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.

CITY OF MANDEVILLE, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2022

District No. 3 Sales Tax Fund

The District No. 3 Sales Tax Fund has a total fund balance of \$7,524,502, 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 \$976,899.

Street Construction Fund

The Street Construction Fund has a total fund balance of \$22,727,374, all of which is restricted for capital improvements. The net increase in fund balance during the current year in the Street Construction Fund was \$2,271,852.

Proprietary Fund

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

Net position of the Proprietary Fund at the end of the year amounted to \$56,668,633 of which \$8,535,419 was unrestricted. The total increase in net position was \$3,459,206.

General Fund Budgetary Highlights

During the year, appropriations between the original and final amended budget increased by \$6,118,304. The increase is primarily due to an increase in general government expenditures.

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, 2022, was \$87,549,867 (net of accumulated depreciation and amortization). 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, vehicles, and buildings placed in service at a cost of \$626,404.
- Construction in progress of the general government was \$1,369,735 and consisted primarily of drainage and street projects.
- Road construction and replacement and harbor totaled \$1,232,668.
- Improvements to trace and trailhead totaled \$291,276.
- Equipment and vehicles were acquired for the Water and Sewer Fund at a cost of \$195,096.
- Various sewer line, water well, lines and tower additions and improvements were constructed at a cost of \$2,705,571. Additional information on the City's capital assets can be found in Note 5 of this report.

Long-Term Bond Debt

At August 31, 2022, the City did not have any long-term bonded debt. The City recorded a lease liability as of August 31, 2022, due to the implementation of GASB 87 of \$201,709.

CITY OF MANDEVILLE, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2022

Economic Factors and Next Year's Budget and Rate

Over the past four years, the City has completed many capital projects, including streets, drainage, bridges, infrastructure improvements, sewer and water, and system upgrades. Since August 31, 2010 to August 31, 2022, the City has increased its net capital assets from \$62.5 million to \$87.3 million. The restricted fund balances are currently at \$38.6 million, and the General Fund balance is \$19.1 million.

The following factors were considered in preparing the City's budget for the 2022 fiscal year:

- Sales tax projected for the year ended August 31, 2023, is expected to be \$19.6 million. The City's sales tax constitutes approximately 68.9% of the total budget, providing restricted and unrestricted revenue sources.
- Property tax is expected to increase by 1.0% with the City assessing 8.86 mills. The state law requires an agency to protect the maximum millage rate between re-assessment periods. The agency is required 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 necessity of assessing 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:

Kathleen Sides, 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, 2022

| | Primary Government | | |
|---|------------------------------------|-------------------------------------|-----------------------|
| | Governmental Activities | Business-type Activities | Total |
| <u>ASSETS:</u> | | | |
| Cash and cash equivalents | \$ 32,430,522 | \$ 8,308,368 | \$ 40,738,890 |
| Investments | 20,557,757 | 3,760,101 | 24,317,858 |
| Accounts receivable (net) | 8,655,974 | 367,597 | 9,023,571 |
| Internal balances | (710,737) | 710,737 | - |
| Inventory | - | 515,436 | 515,436 |
| Capital assets, net | 39,416,653 | 48,133,214 | 87,549,867 |
| TOTAL ASSETS | 100,350,169 | 61,795,453 | 162,145,622 |
| <u>DEFERRED OUTFLOWS OF RESOURCES:</u> | | | |
| Deferred amounts related to net pension liability | 5,002,281 | 419,991 | 5,422,272 |
| Deferred amounts related to post employment liability | 1,136,655 | 140,485 | 1,277,140 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 6,138,936 | 560,476 | 6,699,412 |
| <u>LIABILITIES:</u> | | | |
| Accounts payable | 3,323,543 | 982,784 | 4,306,327 |
| Customer deposits | - | 321,323 | 321,323 |
| Unearned revenue | - | 2,306,954 | 2,306,954 |
| Long-term liabilities: | | | |
| Due within one year | 368,656 | 28,654 | 397,310 |
| Due beyond one year | 184,119 | - | 184,119 |
| Total other post-employment benefit (OPEB) liability | | | |
| Due within one year | 306,160 | 37,840 | 344,000 |
| Due beyond one year | 3,200,392 | 395,554 | 3,595,946 |
| Net pension liability | 15,020,739 | 1,490,113 | 16,510,852 |
| TOTAL LIABILITIES | 22,403,609 | 5,563,222 | 27,966,831 |
| <u>DEFERRED INFLOWS OF RESOURCES:</u> | | | |
| Deferred amounts related to net pension liability | 295,354 | 29,127 | 324,481 |
| Deferred amounts related to total OPEB liability | 768,204 | 94,947 | 863,151 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 1,063,558 | 124,074 | 1,187,632 |
| <u>NET POSITION:</u> | | | |
| Net investment in capital assets | 39,214,944 | 48,133,214 | 87,348,158 |
| Restricted for: | | | |
| DMV Operations | 147,730 | - | 147,730 |
| Debt service | 433,494 | - | 433,494 |
| Capital projects | 22,727,374 | - | 22,727,374 |
| Special programs | 15,321,545 | - | 15,321,545 |
| Unrestricted | 5,176,851 | 8,535,419 | 13,712,270 |
| TOTAL NET POSITION | \$ 83,021,938 | \$ 56,668,633 | \$ 139,690,571 |

The accompanying notes are an integral part of this statement.

CITY OF MANDEVILLE, LOUISIANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2022

| | Primary Government | | | | | |
|---|----------------------|-------------------------|-----------------------------|--|-----------------------------|------------------------|
| | Expenses | Program Revenues | | Net (Expense) Revenue and Changes in Net Position | | |
| | | Charges for Services | Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Function/Programs | | | | | | |
| Primary Government | | | | | | |
| Governmental: | | | | | | |
| General government | \$ 17,114,396 | \$ 1,061,819 | \$ 6,501,343 | \$ (9,551,234) | \$ - | \$ (9,551,234) |
| Public safety | 10,565,534 | 449,076 | 460,479 | (9,655,979) | - | (9,655,979) |
| Public works | 5,169,965 | - | 357,218 | (4,812,747) | - | (4,812,747) |
| Cemetery | 45,928 | 42,470 | - | (3,458) | - | (3,458) |
| Interest expense | 13,424 | - | - | (13,424) | - | (13,424) |
| Total governmental activities | <u>32,909,247</u> | <u>1,553,365</u> | <u>7,319,040</u> | <u>(24,036,842)</u> | <u>-</u> | <u>(24,036,842)</u> |
| Business-type: | | | | | | |
| Water | 2,122,512 | 1,230,615 | 17,450 | - | (874,447) | (874,447) |
| Sewer | 2,760,590 | 2,175,545 | 11,859 | - | (573,186) | (573,186) |
| Total business-type activities | <u>4,883,102</u> | <u>3,406,160</u> | <u>29,309</u> | <u>-</u> | <u>(1,447,633)</u> | <u>(1,447,633)</u> |
| Total primary government | <u>\$ 37,792,349</u> | <u>\$ 4,959,525</u> | <u>\$ 7,348,349</u> | <u>(24,036,842)</u> | <u>(1,447,633)</u> | <u>\$ (25,484,475)</u> |
| General revenues: | | | | | | |
| Property taxes | | | | 2,046,246 | - | 2,046,246 |
| Franchise taxes | | | | 1,144,393 | - | 1,144,393 |
| Sales taxes | | | | 20,508,238 | - | 20,508,238 |
| Licenses and permits | | | | 1,691,763 | - | 1,691,763 |
| Fines and forfeits | | | | 360,416 | - | 360,416 |
| Interest income (loss) and fair value changes | | | | (825,447) | (78,351) | (903,798) |
| Other | | | | 196,213 | 95,450 | 291,663 |
| Net loss on impairment of capital assets | | | | (227,107) | - | (227,107) |
| Transfers (net) | | | | (4,909,740) | 4,909,740 | - |
| Total general revenues | | | | <u>19,984,975</u> | <u>4,926,839</u> | <u>24,911,814</u> |
| Change in net position | | | | (4,051,867) | 3,479,206 | (572,661) |
| Net position, | | | | | | |
| August 31, 2021 | | | | <u>87,073,805</u> | <u>53,189,427</u> | <u>140,263,232</u> |
| Net position, August 31, 2022 | | | | <u>\$ 83,021,938</u> | <u>\$ 56,668,633</u> | <u>\$ 139,690,571</u> |

The accompanying notes are an integral part of this statement.

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

CITY OF MANDEVILLE, LOUISIANA
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2022

| | <u>Special Revenue Funds</u> | | | | <u>Capital Projects Fund</u> | <u>Other Non- Major Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|------------------------------|-----------------------|-----------------------------------|--|---|--|---|
| | <u>General</u> | <u>Sales Tax Fund</u> | <u>Special Sales Tax Fund</u> | <u>District No. 3 Sales Tax Fund</u> | <u>Street Construction Fund</u> | | |
| <u>ASSETS</u> | | | | | | | |
| Cash and cash equivalents | \$ 7,215,303 | \$ 1,901,323 | \$ 3,104,613 | \$ 9,067,749 | \$ 11,042,457 | \$ 99,077 | \$ 32,430,522 |
| Investments | 7,922,695 | 97,625 | 9,597,035 | - | 2,130,285 | 810,117 | 20,557,757 |
| Accounts receivable, net | 6,616,726 | 1,716,665 | - | - | 279,158 | 43,425 | 8,655,974 |
| Due from other funds | 7,245,091 | - | 590,441 | 503,707 | 10,454,446 | - | 18,793,685 |
| TOTAL ASSETS | \$ 28,999,815 | \$ 3,715,613 | \$ 13,292,089 | \$ 9,571,456 | \$ 23,906,346 | \$ 952,619 | \$ 80,437,938 |
| <u>LIABILITIES</u> | | | | | | | |
| Accounts payable | \$ 2,117,918 | \$ 26,653 | \$ - | \$ - | \$ 1,178,972 | \$ - | \$ 3,323,543 |
| Due to other funds | 7,754,337 | 3,622,654 | 5,622,198 | 2,046,954 | - | 458,279 | 19,504,422 |
| TOTAL LIABILITIES | 9,872,255 | 3,649,307 | 5,622,198 | 2,046,954 | 1,178,972 | 458,279 | 22,827,965 |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | | | | | | |
| Unavailable revenue - property taxes | 40,314 | - | - | - | - | - | 40,314 |
| <u>FUND BALANCES</u> | | | | | | | |
| <u>Restricted for:</u> | | | | | | | |
| DMV Operations | 147,730 | - | - | - | - | - | 147,730 |
| Debt service | - | - | - | - | - | 433,494 | 433,494 |
| Capital projects | - | - | - | - | 22,727,374 | - | 22,727,374 |
| Special programs | - | 66,306 | 7,669,891 | 7,524,502 | - | 60,846 | 15,321,545 |
| Unassigned | 18,939,516 | - | - | - | - | - | 18,939,516 |
| TOTAL FUND BALANCES | 19,087,246 | 66,306 | 7,669,891 | 7,524,502 | 22,727,374 | 494,340 | 57,569,659 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 28,999,815 | \$ 3,715,613 | \$ 13,292,089 | \$ 9,571,456 | \$ 23,906,346 | \$ 952,619 | \$ 80,437,938 |

The accompanying notes are an integral part of this statement.

CITY OF MANDEVILLE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AUGUST 31, 2022

| | | |
|--|----|--------------------------|
| Fund balances August 31, 2022 - governmental funds | \$ | 57,569,659 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds: | | |
| Cost of capital assets at August 31, 2022 | | 112,555,143 |
| Less: accumulated depreciation and amortization as of August 31, 2022 | | <u>(73,138,490)</u> |
| | | 39,416,653 |
| Property tax revenues were collected more than sixty days after year-end and, therefore, are not available soon enough to pay for current period expenditures | | 40,314 |
| Deferred outflows and inflows of resources are not available to pay current period expenditures and, therefore, are not reported in the governmental funds: | | |
| Deferred outflows of resources - related to net pension liability | | 5,002,281 |
| Deferred outflows of resources - related to other postemployment benefit liability | | <u>1,136,655</u> |
| | | 6,138,936 |
| Deferred inflows of resources - related to net pension liability | | (295,354) |
| Deferred inflows of resources - related to other postemployment benefit liability | | <u>(768,204)</u> |
| | | (1,063,558) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental fund liabilities: | | |
| Lease liability | | (201,709) |
| Net pension liability payable | | (15,020,739) |
| Compensated absences | | (351,066) |
| Total other postemployment benefit (OPEB) liability | | <u>(3,506,552)</u> |
| Total net position at August 31, 2022 - governmental activities | \$ | <u><u>83,021,938</u></u> |

The accompanying notes are an integral part of this statement.

CITY OF MANDEVILLE, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2022

| | <u>Special Revenue Funds</u> | | | | <u>Capital Projects Fund</u> | <u>Other Non- Major Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|------------------------------|-----------------------|-----------------------------------|--|---|--|---|
| | <u>General</u> | <u>Sales Tax Fund</u> | <u>Special Sales Tax Fund</u> | <u>District No. 3 Sales Tax Fund</u> | <u>Street Construction Fund</u> | | |
| Revenues: | | | | | | | |
| Ad valorem taxes | \$ 2,001,046 | \$ - | \$ - | \$ - | \$ - | \$ 4,886 | \$ 2,005,932 |
| Franchise taxes | 1,144,393 | - | - | - | - | - | 1,144,393 |
| Sales taxes | - | 20,508,238 | - | - | - | - | 20,508,238 |
| Licenses and permits | 1,691,763 | - | - | - | - | - | 1,691,763 |
| Fines and forfeits | 360,416 | - | - | - | - | - | 360,416 |
| Intergovernmental | 6,731,589 | - | - | - | 279,158 | - | 7,010,747 |
| Charges for services | 934,085 | - | - | - | - | - | 934,085 |
| Interest | (299,202) | 432 | (417,621) | 376 | (105,871) | (3,561) | (825,447) |
| Miscellaneous | 815,493 | - | - | - | - | - | 815,493 |
| Total revenues | <u>13,379,583</u> | <u>20,508,670</u> | <u>(417,621)</u> | <u>376</u> | <u>173,287</u> | <u>1,325</u> | <u>33,645,620</u> |
| Expenditures: | | | | | | | |
| Current - | | | | | | | |
| General government | 16,650,245 | 234,723 | 13,981 | - | - | 29,963 | 16,928,912 |
| Public safety | 8,918,593 | - | - | - | - | - | 8,918,593 |
| Public works | 1,890,256 | - | - | - | 15,143 | - | 1,905,399 |
| Cemetery | 45,928 | - | - | - | - | - | 45,928 |
| Capital outlay | 2,329,738 | - | - | - | 3,383,274 | - | 5,713,012 |
| Debt Service - | | | | | | | |
| Principal | 47,877 | - | - | - | - | - | 47,877 |
| Bond interest and fees | 13,424 | - | - | - | - | - | 13,424 |
| Total expenditures | <u>29,896,061</u> | <u>234,723</u> | <u>13,981</u> | <u>-</u> | <u>3,398,417</u> | <u>29,963</u> | <u>33,573,145</u> |
| Excess (deficiency) of revenues over (under) expenditures | (16,516,478) | 20,273,947 | (431,602) | 376 | (3,225,130) | (28,638) | 72,475 |
| Other financing sources (uses): | | | | | | | |
| Proceeds from disposal of capital assets | 14,645 | - | - | - | - | - | 14,645 |
| Transfers to other funds | - | (20,273,615) | (6,933,843) | (2,046,954) | - | - | (29,254,412) |
| Transfers from other funds | 12,374,185 | - | 3,450,028 | 3,023,477 | 5,496,982 | - | 24,344,672 |
| Total other financing sources (uses) | <u>12,388,830</u> | <u>(20,273,615)</u> | <u>(3,483,815)</u> | <u>976,523</u> | <u>5,496,982</u> | <u>-</u> | <u>(4,895,095)</u> |
| Net change in fund balance | (4,127,648) | 332 | (3,915,417) | 976,899 | 2,271,852 | (28,638) | (4,822,620) |
| Fund balance, beginning | 23,214,894 | 65,974 | 11,585,308 | 6,547,603 | 20,455,522 | 522,978 | 62,392,279 |
| Fund balance, ending | <u>\$ 19,087,246</u> | <u>\$ 66,306</u> | <u>\$ 7,669,891</u> | <u>\$ 7,524,502</u> | <u>\$ 22,727,374</u> | <u>\$ 494,340</u> | <u>\$ 57,569,659</u> |

The accompanying notes are an integral part of this statement.

CITY OF MANDEVILLE, LOUISIANA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2022

Net change in fund balances - governmental funds \$ (4,822,620)

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

| | | |
|---|------------------|-----------|
| Capital outlay and other capitalized purchases, adjustments and reclassifications | 5,713,012 | |
| Depreciation and amortization expense | (3,615,673) | |
| Loss on asset disposal and asset impairments | <u>(241,752)</u> | 1,855,587 |

Change in deferral of revenues due to collection beyond 60 days 40,314

Changes in long-term obligations:

| | | |
|---|-----------------|--------------------|
| Change in net pension liability and related deferrals | (1,081,218) | |
| Compensated absences | (69,037) | |
| Principal paid on leases | 47,877 | |
| Change in total other post-employment benefit liability and related deferrals | <u>(22,770)</u> | <u>(1,125,148)</u> |

Change in net position of governmental activities \$ (4,051,867)

The accompanying notes are an integral part of this statement.

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

CITY OF MANDEVILLE, LOUISIANA
STATEMENT OF NET POSITION
PROPRIETARY FUND
AUGUST 31, 2022

ASSETS

Current assets

| | |
|-----------------------------|-------------------|
| Cash and cash equivalents | \$ 8,308,368 |
| Investments | 3,760,101 |
| Accounts receivable (net) | 367,597 |
| Due from other funds | 3,626,660 |
| Inventories | 515,436 |
| Total current assets | 16,578,162 |

Capital assets

| | |
|--------------------------------|-------------------|
| Capital assets, cost | 79,787,595 |
| Less: accumulated depreciation | (31,654,381) |
| Total capital assets | 48,133,214 |

TOTAL ASSETS

64,711,376

DEFERRED OUTFLOWS OF RESOURCES

| | |
|---|----------------|
| Deferred amounts related to net pension liability | 419,991 |
| Deferred amounts related to post employment liability | 140,485 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 560,476 |

LIABILITIES

Current liabilities:

| | |
|--|------------------|
| Accounts payable and accrued liabilities | 982,784 |
| Compensated absences, current | 28,654 |
| Customer deposits | 321,323 |
| Unearned revenues | 2,306,954 |
| Due to other funds | 2,915,923 |
| Total other post employment benefit liability, current | 37,840 |
| Total current liabilities | 6,593,478 |

Long-term liabilities:

| | |
|--|------------------|
| Net pension liability | 1,490,113 |
| Total other postemployment benefit liability | 395,554 |
| Total long-term liabilities | 1,885,667 |

TOTAL LIABILITIES

8,479,145

DEFERRED INFLOWS OF RESOURCES

| | |
|---|----------------|
| Deferred amounts related to net pension liability | 29,127 |
| Deferred amounts related to total OPEB liability | 94,947 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 124,074 |

NET POSITION

| | |
|------------------------------|----------------------|
| Investment in capital assets | 48,133,214 |
| Unrestricted | 8,535,419 |
| TOTAL NET POSITION | \$ 56,668,633 |

The accompanying notes are an integral part of this statement.

CITY OF MANDEVILLE, LOUISIANA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED AUGUST 31, 2022

OPERATING REVENUES:

| | |
|---------------------------------|-------------------------|
| Charges for services | |
| Water fees | \$ 1,168,484 |
| Sewer fees | 2,139,279 |
| Tapping fees | |
| Water | 17,635 |
| Sewer | 10,500 |
| Water service charges | 12,994 |
| Delinquent fees | 9,826 |
| Miscellaneous service revenues | 85,624 |
| Water impact fees | 31,502 |
| Sewer impact fees | 25,766 |
| Total operating revenues | <u>3,501,610</u> |

OPERATING EXPENSES:

| | |
|---------------------------------|-------------------------|
| Water department expenses | 2,122,512 |
| Sewer department expenses | 2,760,590 |
| Total operating expenses | <u>4,883,102</u> |

LOSS FROM OPERATIONS (1,381,492)

NON-OPERATING REVENUES (EXPENSES):

| | |
|---|------------------------|
| Intergovernmental | 3,758 |
| Interest income (loss) | (78,351) |
| Other grants and contributions | 25,551 |
| Total nonoperating revenues (expenses) | <u>(49,042)</u> |

Net loss before transfers (1,430,534)

| | |
|----------------------------|------------------|
| Transfers from other funds | <u>4,909,740</u> |
|----------------------------|------------------|

CHANGE IN NET POSITION 3,479,206

NET POSITION:

| | |
|-----------------------------------|-----------------------------|
| Balance, beginning of year | <u>53,189,427</u> |
| Balance, end of year | <u>\$ 56,668,633</u> |

The accompanying notes are an integral part of this statement.

CITY OF MANDEVILLE, LOUISIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED AUGUST 31, 2022

Page 1 of 2

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---|--------------|
| Cash received from customers | \$ 3,516,900 |
| Cash paid to suppliers | (818,560) |
| Cash paid to employees | (1,464,332) |
| Net cash provided by operating activities | 1,234,008 |

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

| | |
|---|-----------|
| Due to other funds (net change in) | (842,178) |
| Grants and contributions | 29,309 |
| Net cash provided by non-capital financing activities | 2,160,768 |

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

| | |
|---|-------------|
| Acquisition of capital assets | (3,414,341) |
| Net cash used in capital financing activities | (3,414,341) |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|---|----------|
| Purchase of Investments | 94,792 |
| Investment income (loss) | (78,351) |
| Net cash provided by investing activities | 16,441 |

Net change in cash and cash equivalents (3,124)

Cash and cash equivalents at beginning of year 8,311,492

Cash and cash equivalents at end of year \$ 8,308,368

(continued)

The accompanying notes are an integral part of this statement.

CITY OF MANDEVILLE, LOUISIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED AUGUST 31, 2022

Page 2 of 2

Reconciliation of net loss from operations to net cash provided by operating activities:

| | |
|---|---------------------|
| Loss from operations | \$ (1,381,492) |
| Adjustments to reconcile net loss from operations to net cash provided by operating activities: | |
| Depreciation expense | 2,220,214 |
| Change in assets, deferred outflows, liabilities and deferred inflows: | |
| Receivables | 29,335 |
| Inventories | (255,571) |
| Deferred outflows related to net pension liability | (355,380) |
| Deferred outflows related to Other Postemployment Benefit (OPEB) liability | 38,504 |
| Accounts payable and accrued liabilities | 673,678 |
| Customer deposits | 1,861 |
| Compensated absences | (574) |
| Net pension liability | 653,884 |
| Deferred inflows related to net pension liability | (274,294) |
| Total OPEB liability | (133,831) |
| Deferred inflows related to OPEB | 17,674 |
| Net cash provided by operating activities | <u>\$ 1,234,008</u> |

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

CITY OF MANDEVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022

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 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.

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 revenues are reported as general revenues.

CITY OF MANDEVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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, and Street Construction Fund. Non-major funds are aggregated and presented in a single column. The City has three non-major funds: Tax Collector Fund, 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.

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, except for reimbursement grants where the revenue is recognized when the eligibility requirements are met. 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, with the exception of reimbursement grants which are recognized when the eligibility requirements of the grant are met. 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.

CITY OF MANDEVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 and 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 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.

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).

CITY OF MANDEVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 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 August 15, 2021 (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% 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.

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 Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements that are relevant to governments and do not conflict with or contradict GASB pronouncements. This eliminates the option for business-type activities to follow new FASB pronouncements, although they may continue to be applied as "other accounting literature."

(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.

Investments in certificates of deposit are stated at cost. All other investments are reported at fair value (quoted market price or the best available estimate).

CITY OF MANDEVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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. There were no prepaid items/expenses as of August 31, 2022.

(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. 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 (in years) |
|---|--|
| Building and building improvements | 10 - 50 |
| Furniture and fixtures | 5 - 10 |
| Vehicles | 5 - 10 |
| Equipment | 5 - 25 |
| Trace and trailhead | 10 - 99 |
| Water, sewer systems, infrastructure, drainage, and harbor | 10 - 50 |

CITY OF MANDEVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) *Compensated Absences*

The City's policy is 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.

(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 assets 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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

(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
AUGUST 31, 2022

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 by voter proposition.
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 authority. 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. 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-assessment of all property is required to be completed no less than every four years. The last re-assessment was completed in 2020.
3. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing or/and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are user fees for water and sewer services. Operating expenses for the proprietary fund include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CITY OF MANDEVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Revenues (continued)

The assessed value at January 1, 2021, upon which the 2022 levies were based, was \$227,515,864. Property (Ad-valorem) Taxes - Property taxes are levied on a calendar year basis. On April 11, 2021, the taxes were levied for the 2021 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. The following is a summary of the authorized and levied property taxes:

| Fund Type | Purpose | Authorized Mills | Levied Mills | Expiration Date |
|-----------|---|---------------------|-----------------|-----------------|
| General | General purpose | 7.00 | 6.48 | Indefinite |
| General | Police department additional funding for operations, maintenance, salaries and | 5.08 | 0.94 | 2032 |
| General | Police department additional funding for operations, maintenance, salaries and benefits | 3.38 | 1.44 | 2032 |
| | Total | <u>15.46</u> | <u>8.86</u> | |

4. Sales Taxes - Sales taxes are due the month after sale and recognized in the month the liability is incurred. The following table is a summary of authorized sales taxes:

| Purpose | Percent | Expiration Date |
|--|-------------|--------------------|
| 1959 Sales Tax - Any lawful governmental purpose | 1.00 | Perpetual |
| 1986 Sales Tax for the following purposes: 50% for any lawful governmental purpose 50% constructing, improving, maintaining or operating sewer or water systems, streets, and drainage or flood protection | 1.00 | 12/31/2029 |
| 2001 Sales Tax dedicated to (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 | 0.5 | 7/1/2031 |
| Total | <u>2.50</u> | |

(o) Accounts Receivable

Accounts receivables are reported net of an allowance for uncollectable balances. The more significant accounts receivable is recorded for amounts due from other governments for sales taxes, and for customers' accounts in the business-type activities and the utility fund. Customer Utility accounts are estimated to be uncollectable upon coming ninety days past due. Amounts due from governments are estimated to be uncollectable based upon the facts and circumstances of the grant agreement or funding source.

CITY OF MANDEVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) 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.

(q) 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.

(r) Current Year Adoption of New Accounting Standard

The City adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Under this Statement, lease contracts, as defined, are financing of the right to use an underlying asset. A lessor is required to recognize a lease receivable and a deferred inflow of resources, and a lessee recognizes a lease liability and intangible right-to-use asset, thereby enhancing the relevance and consistency of information about governments' leasing activities. Lease receivables as well as lease liabilities are measured at the present value of lease payments over the term of each respective contract. Options to renew the lease are included in the lease term if reasonably certain to be exercised.

While GASB 87 resulted in the recording of assets and liabilities that were not previously recognized, changes to the accounting for lease payments and collections, there were no effects to beginning net position or fund balance as a result of this statement's implementation. Beginning with the implementation in the current fiscal year, lease payments are accounted for as repayment of debt principal and interest, and lease collections are accounted for as collection of receivables.

(s) Leases – Lessee

The City is a lessee for noncancellable lease agreements for vehicle and equipment used for transportation and administrative functions. In accordance with GASB Statement No. 87, *Leases*, the City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the financial statements for those lease contracts with an initial individual value that is material to the financial statements and whose terms call for a lease period greater than one year. The lease liability is measured at the commencement of the lease at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of the lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. Key estimates and judgements related to leases include (1) the discount rate used to present value the expected lease payments, (2) lease term, and (3) lease payments.

CITY OF MANDEVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Leases – Lessee (continued)

- The City uses the interest rate charged by the lessor as the discount rate, if provided. When the interest rate charged by the lessor is not provided, the City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease terms include the noncancellable period of the lease and optional renewal periods. Lease payments included in the measurement of the lease liability are composed of fixed payments through the noncancellable term of the lease and renewal periods that management considers reasonably certain to be exercised.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with capital assets and lease liabilities are reported with long-term debt on the statement of net positions. The City did not recognize any lessor leases as they were deemed immaterial to the financial statements.

(s) Recent Reporting and Disclosure Developments

As of August 31, 2022, the Governmental Accounting Standards Board issued several statements not yet implemented by the City. The statements which might impact the City are as follows:

The GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of GASB 89 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. In May 2021, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, postponing the effective date of Statement No. 89 to reporting periods beginning after December 15, 2021.

The GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. The Statement is effective for fiscal years beginning after June 15, 2022.

The GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The requirements of this Statement related to the accounting and financial reporting for Internal Revenue Code Section 457 plans are effective for periods beginning after June 15, 2022.

The GASB issued Statement No. 99, *Omnibus 2022*. The requirements of this Statement related to the enhancement in comparability in accounting and financial reporting are effective for periods beginning after June 15, 2022.

CITY OF MANDEVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Recent Reporting and Disclosure Developments (continued)

The GASB issued Statement No. 100, *Accounting Changes and Error Correction – an amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The Statement is effective for fiscal years beginning after June 15, 2023.

The GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The statement is effective for fiscal year beginning after December 15, 2023.

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. The City's had excess of actual expenditures and other uses over budgeted appropriations in the Sales Tax Fund that exceeded the 5% threshold.

CITY OF MANDEVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022

2. CASH AND CASH EQUIVALENTS

At August 31, 2022, the City had cash and cash equivalents (book balances) totaling \$40,738,890. 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, 2022, the City had \$41,571,922 in deposits (bank balances). These deposits are secured from risk by federal deposit insurance and \$40,427,875 of pledged securities held by the custodial bank's trust department in the City's name.

Louisiana Revised Statute (R.S.) 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.

3. INVESTMENTS

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.

The following table provides information on the credit ratings, and fair values associated with the City's investments at August 31, 2022:

| | Standard and Poors: | | | | | | | Moody's: | | Total |
|----------------------------|---------------------|-------------------|-------------------|---------------------|---------------------|----------------------|---------------------|------------------|-------------------|----------------------|
| | A | A- | A+ | AA | AA- | AA+ | AAAm | BBB | Aa2 | |
| Federal Farm Credit Bank | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 3,663,956 | \$ - | \$ - | \$ - | \$ 3,663,956 |
| Federal Home Loan Bank | - | - | - | - | - | 6,148,243 | - | - | - | 6,148,243 |
| Federal Home Loan Mortgage | - | - | - | - | - | 433,446 | - | - | - | 433,446 |
| Federal National Mortgage | - | - | - | - | - | 2,387,451 | - | - | - | 2,387,451 |
| State Government | - | - | 600,115 | 223,538 | 1,341,226 | - | - | - | 520,733 | 2,685,612 |
| Local Government | 250,918 | 346,880 | 213,862 | 1,373,263 | 398,936 | 240,715 | - | 60,050 | - | 2,884,624 |
| LAMP | - | - | - | - | - | - | 6,114,526 | - | - | 6,114,526 |
| Total | \$ 250,918 | \$ 346,880 | \$ 813,977 | \$ 1,596,801 | \$ 1,740,162 | \$ 12,873,811 | \$ 6,114,526 | \$ 60,050 | \$ 520,733 | \$ 24,317,858 |

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, 2022 were not subject to custodial credit risk.

CITY OF MANDEVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022

3. INVESTMENTS (continued)

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. The following table shows the City's investments by maturities:

| | Fair Value | Less Than 1 | | | Greater Than 10 |
|---------------------------------|----------------------|---------------------|----------------------|------------------|-------------------|
| | | Year | 1-5 Years | 6-10 Years | Years |
| Federal Farm Credit Bank | \$ 3,663,956 | \$ 49,908 | \$ 3,614,048 | \$ - | \$ - |
| Federal Home Loan Bank | 6,148,243 | 517,963 | 5,630,280 | - | - |
| Federal Home Loan Mortgage | 433,446 | 49,694 | 383,752 | - | - |
| Federal National Mortgage | 2,387,451 | 1,657,946 | 729,505 | - | - |
| State Government | 2,685,612 | 455,237 | 2,199,402 | 15,313 | 15,660 |
| Local Government | 2,884,624 | 383,559 | 2,146,483 | - | 354,582 |
| Louisiana Asset Management Pool | 6,114,526 | 6,114,526 | - | - | - |
| Total | \$ 24,317,858 | \$ 9,228,833 | \$ 14,703,470 | \$ 15,313 | \$ 370,242 |

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, 2022 were as follows:

| Issuer | Percent |
|---------------------------------|----------------|
| Federal Farm Credit Bank | 15% |
| Federal Home Loan Bank | 25% |
| Federal Home Loan Mortgage | 2% |
| Federal National Mortgage | 10% |
| State Government | 11% |
| Local Government | 12% |
| Louisiana Asset Management Pool | 25% |

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 Securities and Exchange Commission (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 Investor Services, Inc.; and LAMP.

CITY OF MANDEVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022

3. INVESTMENTS (continued)

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with R.S. 33:2955. LAMP is an investment pool that, to the extent practical, invests in a manner consistent with GASB Statement No. 79.

The following facts are relevant for investment pools:

- *Credit Risk:* LAMP is rated AAAM 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 46 days as of August 31, 2022.
- *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.

Investment Fair Values Disclosures

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.

CITY OF MANDEVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022

3. INVESTMENTS (continued)

Investment Fair Values Disclosures (continued)

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.

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.

The following table sets forth by level, within the fair value hierarchy, the City's assets at fair value as of August 31, 2022:

| | August 31, 2022 | Fair Value Measurements Using | |
|--|------------------------|--|--|
| | | Quoted Prices in Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) |
| Fixed Income Assets | | | |
| Federal Farm Credit Bank | \$ 3,663,956 | \$ - | \$ 3,663,956 |
| Federal Home Loan Bank | 6,148,243 | - | 6,148,243 |
| Federal Home Loan Mortgage | 433,446 | - | 433,446 |
| Federal National Mortgage Association | 2,387,451 | - | 2,387,451 |
| State Government | 2,685,612 | - | 2,685,612 |
| Local Government | 2,884,624 | - | 2,884,624 |
| Total Investments at fair value | 18,203,332 | \$ - | \$ 18,203,332 |
| Reported at Net Asset Value (NAV) | | | |
| Louisiana Asset Management Pool | 6,114,526 | | |
| Total Investments at NAV | 6,114,526 | | |
| Total Investments | \$ 24,317,858 | | |

CITY OF MANDEVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022

4. RECEIVABLES

As of August 31, 2022, receivables, net of allowances, consisted of the following:

| | Sales Taxes | Franchise Taxes | Grants | Other | Customer Utility Accounts | Total |
|----------------------------------|--------------------|------------------|---------------------|-------------------|---------------------------|--------------------|
| Governmental Activities: | | | | | | |
| General Fund | \$ - | \$ 267,717 | \$ 6,274,669 | \$ 74,340 | \$ - | \$ 6,616,726 |
| Sales Tax Fund | 1,716,665 | - | - | - | - | 1,716,665 |
| Tax Collector Fund | - | - | - | 43,425 | - | 43,425 |
| Street Construction Fund | - | - | 279,158 | - | - | 279,158 |
| | <u>1,716,665</u> | <u>267,717</u> | <u>6,553,827</u> | <u>117,765</u> | <u>-</u> | <u>8,655,974</u> |
| Business-Type Activities: | | | | | | |
| Proprietary Fund | - | - | - | - | 678,216 | 678,216 |
| Allowance for uncollectible | - | - | - | - | (310,619) | (310,619) |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>367,597</u> | <u>367,597</u> |
| Total | <u>\$1,716,665</u> | <u>\$267,717</u> | <u>\$ 6,553,827</u> | <u>\$ 117,765</u> | <u>\$ 367,597</u> | <u>\$9,023,571</u> |

5. CAPITAL ASSETS

The following is a summary of the changes in capital assets for governmental activities for the year ended August 31, 2022:

| | Balance 08/31/2021 | Additions | Deletions and transfers | Balance 08/31/2022 |
|---|-----------------------|---------------------|----------------------------|-----------------------|
| <u>Cost</u> | | | | |
| <u>Not being depreciated</u> | | | | |
| Land | \$ 5,375,777 | \$ 1,031,114 | \$ - | \$ 6,406,891 |
| Construction in progress | 5,259,046 | 1,369,735 | (2,099,569) | 4,529,212 |
| | <u>10,634,823</u> | <u>2,400,849</u> | <u>(2,099,569)</u> | <u>10,936,103</u> |
| <u>Being depreciated</u> | | | | |
| Infrastructure - Streets | 67,415,986 | 4,494,052 | - | 71,910,038 |
| Trace and Trailhead | 4,047,854 | 291,276 | - | 4,339,130 |
| Drainage | 10,160,075 | - | - | 10,160,075 |
| Vehicles | 3,780,914 | 145,499 | - | 3,926,413 |
| Equipment | 3,449,719 | 165,334 | - | 3,615,053 |
| Buildings | 6,048,038 | 315,571 | (402,919) | 5,960,690 |
| Office Equipment and Furniture | 163,982 | - | - | 163,982 |
| Harbor | 1,294,073 | - | - | 1,294,073 |
| Right of use leased assets: | | | | |
| Buildings | 249,586 | - | - | 249,586 |
| | <u>96,610,227</u> | <u>5,411,732</u> | <u>(402,919)</u> | <u>101,619,040</u> |
| <u>Less: accumulated depreciation and amortization</u> | | | | |
| Infrastructure - Streets | (52,444,984) | (2,323,466) | - | (54,768,450) |
| Trace and Trailhead | (1,744,459) | (82,365) | - | (1,826,824) |
| Drainage | (4,615,679) | (496,691) | - | (5,112,370) |
| Vehicles | (3,180,675) | (225,448) | - | (3,406,123) |
| Equipment | (2,905,530) | (106,114) | - | (3,011,644) |
| Buildings | (4,149,967) | (251,265) | 161,167 | (4,240,065) |
| Office Equipment and Furniture | (141,314) | (11,176) | - | (152,490) |
| Harbor | (501,376) | (65,665) | - | (567,041) |
| Right of use leased assets: | | | | |
| Buildings | - | (53,483) | - | (53,483) |
| | <u>(69,683,984)</u> | <u>(3,615,673)</u> | <u>161,167</u> | <u>(73,138,490)</u> |
| Net capital assets being depreciated | <u>26,926,243</u> | <u>1,796,059</u> | <u>(241,752)</u> | <u>28,480,550</u> |
| Total capital assets, net | <u>\$ 37,561,066</u> | <u>\$ 4,196,908</u> | <u>\$ (2,341,321)</u> | <u>\$ 39,416,653</u> |

CITY OF MANDEVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022

5. CAPITAL ASSETS (continued)

Depreciation was charged to governmental activities functions as follows:

| | | |
|--------------------|----|--------------|
| General government | \$ | 176,101 |
| Public safety | | 180,562 |
| Public works | | 3,259,010 |
| | | \$ 3,615,673 |

The following is a summary of the changes in capital assets for business-type activities for the year ended August 31, 2022:

| | Balance 08/31/2021 | Additions | Deletions and transfers | Balance 08/31/2022 |
|--|-----------------------|--------------|----------------------------|-----------------------|
| <u>Cost</u> | | | | |
| <u>Not being depreciated</u> | | | | |
| Land | \$ 1,745,392 | \$ - | \$ - | \$ 1,745,392 |
| Construction in progress | 2,706,904 | 1,232,668 | (718,994) | 3,220,578 |
| | 4,452,296 | 1,232,668 | (718,994) | 4,965,970 |
| <u>Being depreciated</u> | | | | |
| Buildings | 1,314,487 | - | - | 1,314,487 |
| Water Wells, Lines, and Tower | 32,242,775 | 2,502,635 | - | 34,745,410 |
| Sewer Lines | 19,704,641 | 202,936 | - | 19,907,577 |
| Equipment and Vehicles | 3,466,202 | 195,096 | - | 3,661,298 |
| Wastewater Treatment Plant | 15,192,853 | - | - | 15,192,853 |
| | 71,920,958 | 2,900,667 | - | 74,821,625 |
| <u>Less: accumulated depreciation</u> | | | | |
| Buildings | (487,218) | (25,940) | - | (513,158) |
| Water Wells, Lines, and Tower | (9,051,237) | (971,876) | - | (10,023,113) |
| Sewer Lines | (11,717,521) | (459,608) | - | (12,177,129) |
| Equipment and Vehicles | (2,975,981) | (103,977) | - | (3,079,958) |
| Wastewater Treatment Plant | (5,202,210) | (658,813) | - | (5,861,023) |
| | (29,434,167) | (2,220,214) | - | (31,654,381) |
| Net capital assets being depreciated | 42,486,791 | 680,453 | - | 43,167,244 |
| Total capital assets, net | \$ 46,939,087 | \$ 1,913,121 | \$ (718,994) | \$ 48,133,214 |

Depreciation was charged to business-type activities functions as follows:

| | | |
|-------|----|--------------|
| Water | \$ | 906,183 |
| Sewer | | 1,314,031 |
| | | \$ 2,220,214 |

CITY OF MANDEVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022

5. CAPITAL ASSETS (continued)

Capital Commitments

The City has active capital projects as of August 31, 2022, as follows:

| <u>Project</u> | <u>Total Contract</u> | <u>Remaining Commitment</u> |
|--|-----------------------|---------------------------------|
| Highway 22 Drainage | \$ 7,810,000 | \$ 7,569,504 |
| Roadway Maintenance | 4,200,000 | 3,583,946 |
| Golden Glen Water Line | 3,433,351 | 3,276,790 |
| Lakefront Wetlands | 3,000,000 | 2,826,779 |
| Harbor Field Upgrades | 1,220,000 | 1,178,900 |
| Shoreline Protection and Flood Control | 1,001,015 | 882,867 |
| Monroe Street & East Approach Intersection | 1,000,000 | 618,344 |
| Highway 190 Project | 852,200 | 641,554 |
| East Mandeville By-Pass Road | 750,000 | 735,727 |
| Neighborhood Deck Replacement | 500,000 | 486,564 |
| E Causeway Intersection | 500,000 | 498,193 |
| Seawall Repair | 500,000 | 497,654 |
| West Approach Pedestrian Path Phase 2 | 450,000 | 411,873 |
| Old Golden Shores Neighborhood Drainage | 400,000 | 400,000 |
| Harbor Gazebo Improvements | 388,500 | 388,500 |
| Fontainebleau State Park Force Main Construction | 350,000 | 350,000 |
| Ravine aux Coquille Bank Stabilization | 300,000 | 300,000 |
| Sidewalk Repairs | 300,000 | 294,250 |
| Buildings & Grounds Repairs | 200,000 | 200,000 |
| Public Works Building | 200,000 | 197,583 |
| Fence at WWTP | 175,000 | 175,000 |
| Harbor Break Water Repairs | 100,000 | 60,473 |
| Montgomery Street Drainage Improvements | 75,000 | 75,000 |
| Dew Drop/Lang House Parking | 30,000 | 30,000 |
| Subterranean: | | |
| Lift Station Upgrades | 6,000,500 | 5,842,716 |
| Treatment Plant Sludge Removal | 1,645,500 | 1,564,479 |
| WWTP Pipeline Extension | 1,618,721 | 1,573,818 |
| Sewer System Repair | 1,098,909 | 558,158 |
| Water System Repair | 738,819 | 339,561 |
| SCADA Panel Upgrades | 497,955 | 493,957 |
| Odor Control Collection System and Treatment | 429,858 | 407,914 |
| Sanitary Sewer Evaluation Study (SSES) | 200,000 | 167,480 |
| Submersible Pump Placement at Lift Stations | 60,000 | 49,774 |

6. LONG-TERM LIABILITIES

Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended August 31, 2022 is as follows:

| <u>Governmental Activities</u> | <u>Beginning Balance - Restated</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Amounts Due within One Year</u> |
|--------------------------------|---|------------------|--------------------|-----------------------|--|
| Lease liability | \$ 249,586 | \$ - | \$ (47,877) | \$ 201,709 | \$ 50,775 |
| Compensated Absences | 282,029 | 69,037 | - | 351,066 | 317,881 |
| | <u>\$ 531,615</u> | <u>\$ 69,037</u> | <u>\$ (47,877)</u> | <u>\$ 552,775</u> | <u>\$ 368,656</u> |

CITY OF MANDEVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022

6. LONG-TERM LIABILITIES (continued)

The City leases a facility to provide Louisiana Department of Motor Vehicle (DMV) services during the fiscal year for a term of five years, which began in fiscal year 2021. Lease expenditures were \$47,877 for August 31, 2022. In accordance with GASB 87, the present value of future lease payments is included in lease liability. Future principal and interest payments related to the City's building lease at August 31, 2022 are as follows:

| Year Ended | Total | Total | Total |
|-------------------|------------------|-----------------|-----------------|
| August 31 | Principal | Interest | Payments |
| 2023 | 50,775 | 10,527 | 61,302 |
| 2024 | 53,848 | 7,453 | 61,301 |
| 2025 | 57,107 | 4,194 | 61,301 |
| 2026 | 39,979 | 888 | 40,867 |
| | <u>201,709</u> | <u>23,062</u> | <u>224,771</u> |

| Business-type Activities | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due within One Year |
|---------------------------------|----------------------|-------------|-----------------|------------------|-----------------------------------|
| Compensated Absences | \$ 29,228 | \$ - | \$ (574) | \$ 28,654 | \$ 28,654 |
| | <u>\$ 29,228</u> | <u>\$ -</u> | <u>\$ (574)</u> | <u>\$ 28,654</u> | <u>\$ 28,654</u> |

Compensated absences liability, net pension liability, and the total other postemployment benefit liability are expected to be funded by the General Fund and the Proprietary Fund.

7. 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:

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

CITY OF MANDEVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022

7. PENSION AND RETIREMENT PLANS (continued)

Plan Descriptions

Municipal Employees' Retirement System of Louisiana (MERS)

MERS is the administrator of a cost-sharing, multiple-employer defined benefit pension plan. MERS was originally established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana. MERS 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 MERS. For the year ended June 30, 2022, there were 88 contributing municipalities in Plan A and 70 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 MERS 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 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.

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.

CITY OF MANDEVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022

7. PENSION AND RETIREMENT PLANS (continued)

Plan Descriptions (continued)

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

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 MERS 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 MERS.

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.

Municipal Police Employees' Retirement System of Louisiana (MPERS)

MPERS is the administrator of a cost-sharing, multiple-employer defined benefit pension plan. Membership in MPERS 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. MPERS 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 MPERS 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 R.S. 11:2211-11:2233.

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

CITY OF MANDEVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022

7. PENSION AND RETIREMENT PLANS (continued)

Plan Descriptions (continued)

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

Membership Prior to January 1, 2013: A member is eligible for regular retirement after he has been a member of MPERS 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 MPERS 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 MPERS and has 25 years of creditable service at any age or has 12 years of creditable service at age 55.

Under the Non-Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of MPERS 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 MPERS 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 10 years of service, the beneficiary will receive a refund of employee contributions only.

CITY OF MANDEVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022

7. PENSION AND RETIREMENT PLANS (continued)

Plan Descriptions (continued)

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

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 MPERS 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 36 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 MPERS 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 MPERS '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 MPERS 's investment portfolio return or a money market investment return. This could result in a negative earnings rate being applied to the account.

If the member elects a money market investment return, the funds are transferred to a government money market account.

Initial Benefit Option Plan: In 1999, the State Legislature authorized MPERS 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 the 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, 2022 for the City and covered employees were as follows:

CITY OF MANDEVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022

7. PENSION AND RETIREMENT PLANS (continued)

Plan Descriptions (continued)

Funding Policy (continued)

| | <u>City</u> | <u>Employees</u> |
|---|-------------|------------------|
| Municipal Employees' Retirement System Plan A | 29.50% | 10.00% |
| Municipal Police Employees' Retirement System | | |
| All employees hired prior to 01/01/2013 and all | | |
| Hazardous Duty employees hired after 01/01/2013 | 31.25% | 10.00% |
| Non-Hazardous Duty (hired after 01/01/2013) | 31.25% | 8.00% |
| Employees receiving compensation below poverty | | |
| guidelines of US Department of Health | 34.00% | 7.50% |

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

| | <u>2022</u> | <u>2021</u> | <u>2020</u> |
|---|-------------|-------------|-------------|
| Municipal Employees' Retirement System Plan A | \$ 832,135 | \$ 673,600 | \$ 655,025 |
| Municipal Police Employees' Retirement System | 955,870 | 858,947 | 846,611 |

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, 2022, measurement date. The City uses this measurement to record its net pension liability and associated amounts as of August 31, 2022, in accordance with GASB Statement No. 68. The schedule also includes the proportionate share allocation rate used at June 30, 2022 along with the change compared to the June 30, 2021 rate. The City's proportion of the net pension liability was based on the City's contributions effort to the plans as compared to the total of all participating employer's contribution effort.

| | <u>Net Pension</u> | <u>Proportionate</u> | <u>Increase</u> |
|---|--------------------------|----------------------|----------------------|
| | <u>Liability at June</u> | <u>Rate at June</u> | <u>(Decrease) to</u> |
| | <u>30, 2022</u> | <u>30, 2022</u> | <u>June 30, 2021</u> |
| | | | <u>Rate</u> |
| Multiple Employer Cost Sharing Plans: | | | |
| Municipal Employees' Retirement System Plan A | 5,518,938 | 1.3288% | 0.1725% |
| Municipal Police Employees' Retirement System | 10,991,914 | 1.0753% | 0.1964% |
| Total - Multiple Employer Cost Sharing Plans: | <u>\$ 16,510,852</u> | | |

CITY OF MANDEVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022

7. PENSION AND RETIREMENT PLANS (continued)

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

The following schedule lists each pension plan's recognized pension expense of the City for the year ended August 31, 2022:

| | Total |
|---|--------------|
| Municipal Employees' Retirement System Plan A | \$ 863,294 |
| Municipal Police Employees' Retirement System | 2,363,983 |
| | \$ 3,227,277 |

The City recognized revenue that was allocated by each pension plan that represent payments from non-employer contributing entities that the Sheriff withholds from ad-valorem taxes from each taxing district and allocated to each pension plan. For the year ended August 31, 2022, the City recorded allocated non-employer contributions from MERS of \$94,632 and MPERS of \$239,212.

At August 31, 2022, 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 | \$ 60,730 | \$ (110,721) |
| Changes of assumptions | 432,626 | (81,757) |
| Net difference between projected and actual earnings on pension plan investments | 2,880,731 | - |
| Changes in proportion and differences between Employer contributions and proportionate share of contributions (cost sharing plans only) | 1,722,531 | (132,003) |
| Employer contributions subsequent to the measurement date | 325,654 | - |
| Total | \$ 5,422,272 | \$ (324,481) |

CITY OF MANDEVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022

7. 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 are presented below:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Municipal Employees' Retirement System Plan A | \$ 1,555,523 | \$ (107,879) |
| Municipal Police Employees' Retirement System | 3,866,749 | (216,602) |
| | <u>\$ 5,422,272</u> | <u>\$ (324,481)</u> |

The City reported a total of \$325,654 as deferred outflows of resources related to pension contributions made subsequent to the measurement date which will be recognized as a reduction in net pension liability in the year ending August 31, 2023. The following schedule lists the pension contributions made subsequent to the measurement period for each pension plan:

| | <u>Subsequent Contributions</u> |
|---|-------------------------------------|
| Municipal Employees' Retirement System Plan A | \$ 175,304 |
| Municipal Police Employees' Retirement System | 150,350 |
| | <u>\$ 325,654</u> |

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

| <u>Year</u> | <u>MERS</u> | <u>MPERS</u> | <u>Total</u> |
|-------------|---------------------|---------------------|---------------------|
| 2023 | \$ 369,238 | \$ 1,019,370 | \$ 1,388,608 |
| 2024 | 374,831 | 966,237 | 1,341,068 |
| 2025 | 87,878 | 484,830 | 572,708 |
| 2026 | 440,393 | 1,029,360 | 1,469,753 |
| | <u>\$ 1,272,340</u> | <u>\$ 3,499,797</u> | <u>\$ 4,772,137</u> |

CITY OF MANDEVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022

7. PENSION AND RETIREMENT PLANS (continued)

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, 2022 follows:

| | MERS | MPERS |
|-----------------------------------|---|--|
| Valuation Date | June 30, 2022 | June 30, 2022 |
| 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 | 6.85% net of investment expenses | 6.75% net of investment expenses |
| Inflation Rate | 2.500% | 2.500% |
| Mortality | PubG-2010(B) Healthy Retiree Table set equal to 120% for males and females, each adjusted using their respective male and female MP2018 scales. PubG-2010(B) Employee Table set equal to 120% for males and females, each adjusted using their respective male and female MP2018 scales. PubNS-2010(B) Disabled Retiree Table set equal to 120% for males and females with the full generational MP2018 scale. | For annuitants and beneficiaries, the Pub-2010 Public Retirement Plan Mortality Table for Safety Below-Median Healthy Retirees multiplied by 115% for males and 125% for females, each with full generational projection using the MP2019 scale was used. For disabled lives, the Pub-2010 Public Retirement Plans Mortality Table for Safety Disable Retirees multiplied by 105% for males and 115% for females, each with full generational projection using the MP2019 scale was used. For employees, the Pub-2010 Public Retirement Plans Mortality Table for Safety Below-Median Employees multiplied by 115% for males and 125% for females, each with full generational projection using the MP2019 scale was used. |
| Salary Increases | Years of Service | Years of Service |
| | 1 - 4 - 6.4%-Plan A and 7.4%-Plan B 4 & Over - 4.5%-Plan A and 4.9%-Plan B | 1 - 2 - 12.30% Above 2 - 4.70% |
| Cost of Living Adjustments | The System is authorized under state law to grant a cost of living increase to members who have been retired for at least one year. The adjustment cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement and may only be granted if sufficient funds are available from investment income in excess of normal requirements. State law allows the System to grant additional cost of living increases to all retirees and beneficiaries who are age sixty-five and above equal to 2% of the benefit being received on October 1, 1977, or the original benefit, if retirement commenced after that date. | None, since they are not deemed to be automatic. |

CITY OF MANDEVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022

7. PENSION AND RETIREMENT PLANS (continued)

Actuarial Assumptions (Continued)

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

| MERS | MPERS |
|--|--|
| <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 and an adjustment for the effect of balancing or diversification.</p> | <p>The discount rate used to measure the total pension liability was 6.750%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System'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 resulting forecasted long-term rate of return is 8.06% for the year ended June 30, 2022.</p> |

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, 2022:

| Asset Class | MERS | | MPERS | | Long-Term Expected Real Rate of Return |
|------------------------------------|---------|---------|-------|-------|--|
| | MERS | MPERS | MERS | MPERS | |
| Public equity | 53.00% | - | 2.31% | - | |
| Equity | - | 55.50% | - | 3.60% | |
| Public fixed income | 38.00% | - | 1.65% | - | |
| Fixed Income | - | 30.50% | - | 0.85% | |
| Alternatives | 9.00% | 14.00% | 0.39% | 0.95% | |
| Total | 100.00% | 100.00% | 4.35% | 5.40% | |
| Inflation | | | 2.50% | 2.66% | |
| Expected Arithmetic Nominal Return | | | 6.85% | 8.06% | |

CITY OF MANDEVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022

7. PENSION AND RETIREMENT PLANS (continued)

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 6.85% and 6.75%, respectively, for the year ended June 30, 2022.

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

The following table presents the City's proportionate share of the net pension liability (NPL) using the discount rate of each retirement system as well as what the City's proportionate share of the NPL would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate used by each of the retirement systems:

| | <u>1.0% Decrease</u> | | <u>Current Discount Rate</u> | | <u>1.0% Increase</u> |
|---------------------------------|----------------------|----|------------------------------|----|----------------------|
| MERS | | | | | |
| Rates | 5.850% | | 6.850% | | 7.850% |
| City of Mandeville Share of NPL | \$ 7,341,264 | \$ | 5,518,938 | \$ | 3,979,129 |
| MPERS | | | | | |
| Rates | 5.750% | | 6.750% | | 7.750% |
| City of Mandeville of NPL | \$ 15,386,575 | \$ | 10,991,914 | \$ | 7,320,918 |

Balance Payable to Each Retirement System

The following table presents the balances due to each retirement system at August 31, 2022:

| | |
|-------|-------------------|
| MERS | \$ 96,234 |
| MPERS | <u>307,760</u> |
| | <u>\$ 403,994</u> |

The payable balance includes \$210,783 due to MPERS that represents actuarial projected delinquent contributions due to MPERS that resulted from the City previously not including contributions on incentive pay paid to police staff. The actuarial projected contribution was determined as of August 31, 2022.

CITY OF MANDEVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022

8. POSTEMPLOYMENT BENEFITS

General Information about the Other Postemployment Benefit (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, 2022, the following employees were covered by the benefit terms:

| | |
|--|------------|
| Inactive Employees or Beneficiaries Currently Receiving Benefit Payments | 23 |
| Inactive Employees Entitled to but Not Yet Receiving Benefit Payments | - |
| Active Employees | 98 |
| Total | 121 |

Total OPEB Liability

The City's total OPEB liability of \$3,939,946 was measured as of August 31, 2022 and was determined by an actuarial valuation as of September 1, 2020.

Actuarial Assumptions and Other Inputs: The total OPEB liability in the August 31, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|-----------------------------|--|
| Inflation | 3.0% |
| Salary Increases | 3.0%, including inflation |
| Prior Discount Rate | 2.14% |
| Discount Rate | 3.70 %, net of OPEB plan investment expense, including inflation |
| Healthcare Cost Trend Rates | 5.50% annually for ten years, then 4.5% |
| Mortality | SOA RP-2014 Table. |

The discount rate was based on the average of the Bond Buyers' 20 Year General Obligation municipal bond index as of August 31, 2022, the end of the applicable measurement period.

CITY OF MANDEVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022

8. POSTEMPLOYMENT BENEFITS (continued)

Total OPEB Liability (continued)

The actuarial assumptions used in the August 31, 2022 valuation were based on the results of ongoing evaluations of the assumptions from September 1, 2009 to August 31, 2020:

| | |
|--|---------------------|
| Balance at August 31, 2021 | \$ 4,363,270 |
| Changes for the Year | |
| Service Cost | 70,288 |
| Interest | 94,126 |
| Differences between Expected and Actual Experience | 130,589 |
| Changes in Assumptions | (374,224) |
| Benefit Payments and Net Transfers | (344,103) |
| Net Changes | (423,324) |
| Balance at August 31, 2022 | \$ 3,939,946 |

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 (2.70%) or one percentage point higher (4.70%) than the current discount rate:

| | 1.0% Decrease | Current Discount Rate | 1.0% Increase |
|----------------------|----------------------|------------------------------|----------------------|
| | 2.70% | 3.70% | 4.70% |
| Total OPEB Liability | \$ 4,174,427 | \$ 3,939,946 | \$ 3,724,693 |
| | \$ 4,174,427 | \$ 3,939,946 | \$ 3,724,693 |

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 or one percentage point higher than the current healthcare cost trend rates:

| | 1.0% Decrease | Current Trend 5.5% for 10 Years reducing to 4.5% | 1.0% Increase |
|----------------------|----------------------|---|----------------------|
| Total OPEB Liability | \$ 3,715,127 | \$ 3,939,946 | \$ 4,189,556 |
| | \$ 3,715,127 | \$ 3,939,946 | \$ 4,189,556 |

CITY OF MANDEVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022

8. POSTEMPLOYMENT BENEFITS (continued)

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

For the year ended August 31, 2022, the City recognized OPEB expense of \$298,221. At August 31, 2022, 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 | \$ 795,580 | \$ (317,624) |
| Changes in Assumptions | 481,560 | (545,527) |
| Total | \$ 1,277,140 | \$ (863,151) |

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 |
|-----------------------------------|-------------------|
| 2023 | \$ 124,807 |
| 2024 | 124,807 |
| 2025 | 124,807 |
| 2026 | 124,807 |
| 2027 | 58,008 |
| 2028 - 2032 | (109,961) |
| 2033 - 2034 | (33,286) |
| | \$ 413,989 |

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 from employees to the plan administrator who performs investing functions. Plan assets are held in trust for the exclusive benefit of the participants and their beneficiaries, and the City does not control how the funds are invested. The assets will not be diverted to any other purpose. Accordingly, the plan's financial information is not included in the City's financial statements.

CITY OF MANDEVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022

9. FUND BALANCES

Fund balances for the City's governmental funds consisted of the following as of August 31, 2022:

Restricted Fund Balance: The restricted fund balance in the General Fund is made up of \$147,730 for State of Louisiana Department of Motor Vehicles office maintenance and operations within the city limits. The restricted fund balance in the Sales Tax Fund is made up of \$66,306 in sales taxes that have not been transferred to other funds at August 31, 2022. The restricted fund balance in the Special Sales Tax Fund is made up of \$7,669,891 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 \$7,524,502 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 \$22,727,374 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 \$60,846 in restricted fund balance for debt service restricted by dedicated millage. The Bond Reserve Fund and Bond Sinking Fund total \$433,494 restricted for debt service by bond ordinance.

10. 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, 2022 were as follows:

| | Due From Other Funds | Due to Other Funds |
|-----------------------------------|-------------------------|-----------------------|
| <u>Governmental Funds:</u> | | |
| General Fund | \$ 7,245,091 | \$ 7,754,337 |
| Sales Tax Fund | - | 3,622,654 |
| Special Sales Tax Fund | 590,441 | 5,622,198 |
| District No. 3 Sales Tax Fund | 503,707 | 2,046,954 |
| Tax Collector Fund | - | 458,279 |
| Street Construction Fund | 10,454,446 | - |
| <u>Proprietary Funds:</u> | | |
| Utility System | 3,626,660 | 2,915,923 |
| | \$ 22,420,345 | \$ 22,420,345 |

CITY OF MANDEVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022

10. 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, 2022 were as follows:

| | <u>Transfers In</u> | <u>Transfers Out</u> |
|-------------------------------|----------------------|----------------------|
| <u>Governmental Funds:</u> | | |
| General Fund | \$ 12,374,185 | \$ - |
| Sales Tax Fund | - | 20,273,615 |
| Special Sales Tax Fund | 3,450,028 | 6,933,843 |
| District No. 3 Sales Tax Fund | 3,023,477 | 2,046,954 |
| Street Construction Fund | 5,496,982 | - |
| <u>Proprietary Funds:</u> | | |
| Utility System | 4,909,740 | - |
| | <u>\$ 29,254,412</u> | <u>\$ 29,254,412</u> |

11. 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.

12. 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.

CITY OF MANDEVILLE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022

13. 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, 2022 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.

The City received one-half of its allocated portion of the federal Coronavirus State and Local Fiscal Recovery Funds (SLFRF) enacted under the American Rescue Plan Act totaling \$2,306,954. The City received its remaining allocation in September 2022 of approximately the same amount. Since the City did not incur eligible expenditures on the SLRF allocation during 2022, the amount received is recorded as unearned revenue in the Proprietary Fund. The City expects to spend these funds during 2023 and subsequent years on eligible expenditures. These funds are subject to repayment to the United States Treasury if not spent on eligible activities or programs.

14. ON-BEHALF PAYMENTS FOR SALARIES

The State of Louisiana sends a check monthly for \$500 directly to each individual post certified police staff. Police staff received a total of \$221,267 in 2022 and has been included in the fund financial statements in intergovernmental revenue and public safety expenditures.

15. SUBSEQUENT EVENTS

On September 29, 2022, the City received the remaining allocated portion of the federal Coronavirus State and Local Fiscal Recovery Funds (SLFRF) enacted under the American Rescue Plan Act totaling \$2,310,712. The City expects to spend these funds during 2023 and subsequent years on eligible expenditures. These funds are subject to repayment to the United States Treasury if not spent on eligible activities or programs.

REQUIRED SUPPLEMENTARY INFORMATION (PART II)

CITY OF MANDEVILLE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2022

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Budget</u> |
|--|----------------------------|-------------------------|----------------------|---------------------------------|
| Revenues: | | | | |
| Ad valorem taxes | \$ 1,997,837 | \$ 1,997,837 | \$ 2,001,046 | \$ 3,209 |
| Franchise taxes | 935,809 | 935,809 | 1,144,393 | 208,584 |
| Licenses and permits | 1,477,621 | 1,477,621 | 1,691,763 | 214,142 |
| Fines and forfeits | 421,227 | 421,227 | 360,416 | (60,811) |
| Intergovernmental | 200,000 | 200,000 | 6,731,589 | 6,531,589 |
| Charges for services | 920,471 | 920,471 | 934,085 | 13,614 |
| Interest | 40,196 | 40,196 | (299,202) | (339,398) |
| Miscellaneous | 965,378 | 965,378 | 815,493 | (149,885) |
| Total revenues | <u>6,958,539</u> | <u>6,958,539</u> | <u>13,379,583</u> | <u>6,421,044</u> |
| Expenditures: | | | | |
| Current - | | | | |
| General government | 11,828,359 | 17,287,763 | 16,650,245 | 637,518 |
| Public safety | 8,302,671 | 8,717,606 | 8,918,593 | (200,987) |
| Public works | 2,202,318 | 2,373,283 | 1,890,256 | 483,027 |
| Cemetery | 100,000 | 100,000 | 45,928 | 54,072 |
| Capital outlay | 5,577,590 | 5,650,590 | 2,329,738 | 3,320,852 |
| Debt Service - | | | | |
| Principal | - | - | 47,877 | (47,877) |
| Bond interest and fees | - | - | 13,424 | (13,424) |
| Total expenditures | <u>28,010,938</u> | <u>34,129,242</u> | <u>29,896,061</u> | <u>4,233,181</u> |
| Excess (deficiency) of revenues over (under) expenditures | (21,052,399) | (27,170,703) | (16,516,478) | 10,654,225 |
| Other financing sources (uses): | | | | |
| Proceeds from disposal of capital assets | - | 15,000 | 14,645 | (355) |
| Transfers from other funds | 10,567,556 | 10,567,556 | 12,374,185 | 1,806,629 |
| | <u>10,567,556</u> | <u>10,582,556</u> | <u>12,388,830</u> | <u>1,806,274</u> |
| Net change in fund balance | <u>(10,484,843)</u> | <u>(16,588,147)</u> | <u>(4,127,648)</u> | <u>12,460,499</u> |
| Fund balance, beginning | <u>22,862,738</u> | <u>22,862,738</u> | <u>23,214,894</u> | <u>352,156</u> |
| Fund balance, ending | <u>\$ 12,377,895</u> | <u>\$ 6,274,591</u> | <u>\$ 19,087,246</u> | <u>\$ 12,812,655</u> |

See accompanying independent auditors' report.

CITY OF MANDEVILLE
BUDGETARY COMPARISON SCHEDULE
SALES TAX FUND
FOR THE YEAR ENDED AUGUST 31, 2022

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Budget</u> |
|---|----------------------------|-------------------------|---------------------|---------------------------------|
| Revenues: | | | | |
| Sales taxes | \$ 17,274,326 | \$ 17,274,326 | \$ 20,508,238 | \$ 3,233,912 |
| Interest | 1,255 | 1,255 | 432 | (823) |
| Total revenues | <u>17,275,581</u> | <u>17,275,581</u> | <u>20,508,670</u> | <u>3,233,089</u> |
| Expenditures: | | | | |
| Current - | | | | |
| General government | 198,655 | 198,655 | 234,723 | (36,068) |
| Total expenditures | <u>198,655</u> | <u>198,655</u> | <u>234,723</u> | <u>(36,068)</u> |
| Excess of revenues over expenditures | 17,076,926 | 17,076,926 | 20,273,947 | 3,197,021 |
| Other financing sources (uses): | | | | |
| Transfers to other funds | (17,075,671) | (17,075,671) | (20,273,615) | (3,197,944) |
| | <u>(17,075,671)</u> | <u>(17,075,671)</u> | <u>(20,273,615)</u> | <u>(3,197,944)</u> |
| Net change in fund balance | <u>1,255</u> | <u>1,255</u> | <u>332</u> | <u>(923)</u> |
| Fund balance, beginning | <u>82,375</u> | <u>82,375</u> | <u>65,974</u> | <u>(16,401)</u> |
| Fund balance, ending | <u>\$ 83,630</u> | <u>\$ 83,630</u> | <u>\$ 66,306</u> | <u>\$ (17,324)</u> |

See accompanying independent auditors' report.

CITY OF MANDEVILLE
BUDGETARY COMPARISON SCHEDULE
SPECIAL SALES TAX FUND
FOR THE YEAR ENDED AUGUST 31, 2022

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Budget</u> |
|---|----------------------------|-------------------------|---------------------|---------------------------------|
| Revenues: | | | | |
| Interest | \$ 4,434 | \$ 4,434 | \$ (417,621) | \$ (422,055) |
| Total revenues | <u>4,434</u> | <u>4,434</u> | <u>(417,621)</u> | <u>(422,055)</u> |
| Expenditures: | | | | |
| Current - | | | | |
| General government | - | - | 13,981 | (13,981) |
| Total expenditures | <u>-</u> | <u>-</u> | <u>13,981</u> | <u>(13,981)</u> |
| Excess of revenues over expenditures | 4,434 | 4,434 | (431,602) | (436,036) |
| Other financing sources (uses): | | | | |
| Transfers to other funds | (7,286,584) | (7,286,584) | (6,933,843) | 352,741 |
| Transfers from other funds | 2,902,864 | 2,902,864 | 3,450,028 | 547,164 |
| | <u>(4,383,720)</u> | <u>(4,383,720)</u> | <u>(3,483,815)</u> | <u>899,905</u> |
| Net change in fund balance | <u>(4,379,286)</u> | <u>(4,379,286)</u> | <u>(3,915,417)</u> | <u>463,869</u> |
| Fund balance, beginning | <u>14,157,797</u> | <u>14,157,797</u> | <u>11,585,308</u> | <u>(2,572,489)</u> |
| Fund balance, ending | <u>\$ 9,778,511</u> | <u>\$ 9,778,511</u> | <u>\$ 7,669,891</u> | <u>\$ (2,108,620)</u> |

See accompanying independent auditors' report.

CITY OF MANDEVILLE
BUDGETARY COMPARISON SCHEDULE
DISTRICT No. 3 SALES TAX FUND
FOR THE YEAR ENDED AUGUST 31, 2022

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Budget</u> |
|--|----------------------------|-------------------------|---------------------|---------------------------------|
| Revenues: | | | | |
| Interest | \$ 60,000 | \$ 60,000 | \$ 376 | \$ (59,624) |
| Total revenues | <u>60,000</u> | <u>60,000</u> | <u>376</u> | <u>(59,624)</u> |
| Expenditures: | | | | |
| Current - | | | | |
| General government | - | - | - | - |
| Total expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures | 60,000 | 60,000 | 376 | (59,624) |
| Other financing sources (uses): | | | | |
| Transfers to other funds | (4,053,600) | (4,053,600) | (2,046,954) | 2,006,646 |
| Transfers from other funds | 1,717,124 | 1,717,124 | 3,023,477 | 1,306,353 |
| | <u>(2,336,476)</u> | <u>(2,336,476)</u> | <u>976,523</u> | <u>3,312,999</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(2,276,476)</u> | <u>(2,276,476)</u> | <u>976,899</u> | <u>3,253,375</u> |
| Fund balance, beginning | 7,630,114 | 7,630,114 | 6,547,603 | (1,082,511) |
| Fund balance, ending | <u>\$ 5,353,638</u> | <u>\$ 5,353,638</u> | <u>\$ 7,524,502</u> | <u>\$ 2,170,864</u> |

See accompanying independent auditors' report.

CITY OF MANDEVILLE, LOUISIANA

**SCHEDULE OF CHANGES IN TOTAL OTHER
POST-EMPLOYMENT BENEFIT LIABILITY AND RELATED RATIOS
YEAR ENDED AUGUST 31, 2022**

| Financial statement reporting date | Measurement date | Service cost | Interest | Difference between actual and expected experience | Changes of assumptions or other inputs | Benefit payments | Net change in total OPEB liability | Total OPEB liability - beginning | Total OPEB liability - ending | Covered employee payroll | Total OPEB liability as a percentage of covered employee payroll |
|------------------------------------|------------------|--------------|-----------|---|--|------------------|------------------------------------|----------------------------------|-------------------------------|--------------------------|--|
| 8/31/2022 | 8/31/2022 | \$ 70,288 | \$ 94,126 | \$ 130,589 | \$ (374,224) | \$ (344,103) | (423,324) | \$ 4,363,270 | 3,939,946 | \$ 4,763,355 | 82.71% |
| 8/31/2021 | 8/31/2021 | 103,170 | 111,317 | (235,854) | (189,454) | (434,210) | (645,031) | 5,008,301 | 4,363,270 | 4,763,355 | 91.60% |
| 8/31/2020 | 8/31/2020 | 66,477 | 135,137 | 206,804 | 260,802 | (421,962) | 247,258 | 4,761,043 | 5,008,301 | 4,826,273 | 103.77% |
| 8/31/2019 | 8/31/2019 | 52,543 | 127,692 | 935,546 | 554,218 | (399,964) | 1,270,035 | 3,491,008 | 4,761,043 | 4,640,647 | 102.59% |
| 8/31/2018 | 8/31/2018 | 54,152 | 140,960 | (190,087) | (92,842) | - | (87,817) | 3,578,825 | 3,491,008 | 4,372,765 | 79.84% |

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

There are no assets accumulated in a trust that meets the criteria of paragraph 4 of GASB 75 for this OPEB plan.

CITY OF MANDEVILLE, LOUISIANA
Schedule of the Proportionate Share of the Net Pension Liability
Cost Sharing Plans Only
For the Year Ended AUGUST 31, 2022 (*)

| Year | Pension Plan | Employer's Proportion of the Net Pension Liability (Asset) | Employer's Proportionate Share of the Net Pension Liability (Asset) | Employer's Covered Payroll | Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|------|---------------|---|--|-------------------------------|---|--|
| 2022 | MERS (Plan A) | 1.3288% | \$ 5,518,938 | \$ 2,666,577 | 206.9671% | 67.8660% |
| 2021 | MERS (Plan A) | 1.1563% | 3,216,266 | 2,289,676 | 140.4682% | 77.8169% |
| 2020 | MERS (Plan A) | 1.2198% | 5,273,889 | 2,333,142 | 226.0423% | 64.5220% |
| 2019 | MERS (Plan A) | 1.2625% | 5,275,631 | 2,337,165 | 225.7278% | 64.6752% |
| 2018 | MERS (Plan A) | 1.2781% | 5,292,060 | 2,333,376 | 226.7984% | 63.9406% |
| 2017 | MERS (Plan A) | 1.3437% | 5,621,152 | 2,445,590 | 229.8485% | 62.4940% |
| 2016 | MERS (Plan A) | 1.3991% | 5,734,387 | 2,555,492 | 224.3946% | 62.1103% |
| 2015 | MERS (Plan A) | 1.4546% | 5,196,106 | 2,567,775 | 202.3583% | 66.1790% |
| 2022 | MPERS | 1.0753% | \$ 10,991,914 | \$ 3,178,063 | 345.8683% | 70.7991% |
| 2021 | MPERS | 0.8790% | 4,685,513 | 2,639,173 | 177.5372% | 84.0881% |
| 2020 | MPERS | 0.8443% | 7,803,355 | 2,561,380 | 304.6543% | 70.9450% |
| 2019 | MPERS | 0.8142% | 7,394,717 | 2,366,905 | 312.4214% | 71.0078% |
| 2018 | MPERS | 0.8090% | 6,839,302 | 2,387,446 | 286.4694% | 71.8871% |
| 2017 | MPERS | 0.8322% | 7,265,624 | 2,453,263 | 296.1616% | 70.0815% |
| 2016 | MPERS | 0.8521% | 7,986,268 | 2,798,773 | 285.3489% | 66.0422% |
| 2015 | MPERS | 0.8093% | 6,339,636 | 2,471,094 | 256.5518% | 70.7300% |

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

(*) The amounts presented have a measurement date of June 30th for the year identified.

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

Multiple Employer Cost Sharing Pension Plans:

MERS (Plan A) = Municipal Employees' Retirement System

MPERS = Municipal Police Employees' Retirement System

CITY OF MANDEVILLE, LOUISIANA
Schedule of Employer Contributions to Each Retirement System
Cost Sharing Plans Only
For the Year Ended AUGUST 31, 2022

| Year | Pension Plan: | Contractually Required Contribution ¹ | Contributions in Relation to Contractually Required Contribution ² | Contribution Deficiency (Excess) | Employer's Covered Payroll ³ | Contributions as a % of Covered Payroll |
|------|---------------|--|---|----------------------------------|---|---|
| 2022 | MERS (Plan A) | \$ 832,135 | \$ 832,135 | \$ - | \$ 2,820,808 | 29.4999% |
| 2021 | MERS (Plan A) | 673,600 | 673,600 | - | 2,283,697 | 29.4960% |
| 2020 | MERS (Plan A) | 655,025 | 655,025 | - | 2,333,947 | 28.0651% |
| 2019 | MERS (Plan A) | 611,931 | 611,931 | - | 2,323,618 | 26.3353% |
| 2018 | MERS (Plan A) | 605,202 | 605,202 | - | 2,422,095 | 24.9867% |
| 2017 | MERS (Plan A) | 560,977 | 560,977 | - | 2,437,818 | 23.0114% |
| 2016 | MERS (Plan A) | 508,404 | 508,404 | - | 2,523,644 | 20.1456% |
| 2015 | MERS (Plan A) | 482,887 | 482,887 | - | 2,449,071 | 19.7171% |
| 2022 | MPERS | \$ 955,870 | \$ 955,870 | \$ - | \$ 3,188,741 | 29.9764% |
| 2021 | MPERS | 858,947 | 858,947 | - | 2,600,782 | 33.0265% |
| 2020 | MPERS | 846,611 | 846,611 | - | 2,599,332 | 32.5703% |
| 2019 | MPERS | 771,016 | 771,016 | - | 2,387,096 | 32.2993% |
| 2018 | MPERS | 768,149 | 768,149 | - | 2,476,062 | 31.0230% |
| 2017 | MPERS | 768,685 | 768,685 | - | 2,433,858 | 31.5830% |
| 2016 | MPERS | 734,297 | 734,297 | - | 2,460,044 | 29.8489% |
| 2015 | MPERS | 678,542 | 678,542 | - | 2,185,865 | 31.0423% |

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

For reference only:

¹ *Employer contribution rate multiplied by employer's covered payroll*

² *Actual employer contributions remitted to Retirement Systems*

³ *Employer's covered payroll amount for the year ended AUGUST 31 of each year*

The Retirement Systems reported in this schedule are as follows:

Multiple Employer Cost Sharing Pension Plans:

MERS (Plan A) = Municipal Employees' Retirement System

MPERS = Municipal Police Employees' Retirement System

CITY OF MANDEVILLE, LOUISIANA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PART II
AUGUST 31, 2022

A. Total Other Postemployment Benefit Liability (OPEB)

The following actuarial assumptions were used in each of the years in the following table in the OPEB liability valuation:

| Year | Discount | Healthcare | Salary | Mortality |
|------|----------|-----------------------|-----------|------------------------|
| | Rate | Costs Trent Rate | Increases | |
| 2022 | 3.700% | 5.5%, 10yr, then 4.5% | 3.000% | SOA RP 2014 Table |
| 2021 | 2.140% | 5.5%, 10yr, then 4.5% | 3.000% | SOA RP 2014 Table |
| 2020 | 2.210% | 5.5%, 10yr, then 4.5% | 4.000% | SOA RP 2000 Table |
| 2019 | 2.970% | 4.000% | 4.000% | RP 2000 50%/50% Unisex |
| 2018 | 3.880% | 5.500% | 3.000% | RP 2000 50%/50% Unisex |
| 2017 | 3.520% | 5.500% | 3.000% | RP 2000 50%/50% Unisex |

B. Net Pension Liability

Changes in assumptions affecting net pension liability are as follows:

The following discount rate changes were made to the pension plans identified in the following table:

| Dicount Rate: | | Dicount Rate: | |
|---------------|---------------|---------------|---------------|
| Year (*) | Dicount Rate: | Year (*) | Dicount Rate: |
| MERS | | MPERS | |
| 2022 | 6.850% | 2022 | 6.750% |
| 2021 | 6.850% | 2021 | 6.750% |
| 2020 | 6.950% | 2020 | 6.950% |
| 2019 | 7.000% | 2019 | 7.125% |
| 2018 | 7.275% | 2018 | 7.200% |
| 2017 | 7.400% | 2017 | 7.325% |
| 2016 | 7.500% | 2016 | 7.500% |
| 2015 | 7.500% | 2015 | 7.500% |
| 2014 | 7.750% | 2014 | 7.500% |

(*) The amounts presented have a measurement date of the June 30th of year listed.

OTHER SUPPLEMENTARY INFORMATION

CITY OF MANDEVILLE
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2022

| | <u>Special Revenue</u> <u>Fund</u> | <u>Debt Service Funds</u> | | <u>Total Non- Major Governmental Funds</u> |
|-------------------------------------|---------------------------------------|------------------------------|------------------------------|--|
| | <u>Tax Collector Fund</u> | <u>Bond Reserve Fund</u> | <u>Bond Sinking Fund</u> | |
| <u>ASSETS</u> | | | | |
| Cash and cash equivalents | \$ 79,470 | \$ 651 | \$ 18,956 | \$ 99,077 |
| Investments | 396,230 | 320,651 | 93,236 | 810,117 |
| Accounts receivable, net | 43,425 | - | - | 43,425 |
| TOTAL ASSETS | <u>\$ 519,125</u> | <u>\$ 321,302</u> | <u>\$ 112,192</u> | <u>\$ 952,619</u> |
| <u>LIABILITIES</u> | | | | |
| Due to other funds | \$ 458,279 | \$ - | \$ - | \$ 458,279 |
| TOTAL LIABILITIES | <u>458,279</u> | <u>-</u> | <u>-</u> | <u>458,279</u> |
| <u>FUND BALANCES</u> | | | | |
| <u>Restricted for:</u> | | | | |
| Debt service | - | 321,302 | 112,192 | 433,494 |
| Special programs | 60,846 | - | - | 60,846 |
| <u>Unassigned</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| TOTAL FUND BALANCES | <u>60,846</u> | <u>321,302</u> | <u>112,192</u> | <u>494,340</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 519,125</u> | <u>\$ 321,302</u> | <u>\$ 112,192</u> | <u>\$ 952,619</u> |

See accompanying independent auditors' report.

CITY OF MANDEVILLE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2022

| | Special Revenue Fund | Debt Service Funds | | Total Non- Major Governmental Funds |
|-----------------------------------|---------------------------------|------------------------------|------------------------------|--|
| | Tax Collector Fund | Bond Reserve Fund | Bond Sinking Fund | |
| Revenues: | | | | |
| Ad valorem taxes | \$ 4,886 | \$ - | \$ - | \$ 4,886 |
| Interest | \$ (5,479) | \$ 1,581 | \$ 337 | \$ (3,561) |
| Total revenues | <u>(593)</u> | <u>1,581</u> | <u>337</u> | <u>1,325</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 29,832 | 131 | - | 29,963 |
| Total expenditures | <u>29,832</u> | <u>131</u> | <u>-</u> | <u>29,963</u> |
| Net change in fund balance | (30,425) | 1,450 | 337 | (28,638) |
| Fund balance, beginning | <u>91,271</u> | <u>319,852</u> | <u>111,855</u> | <u>522,978</u> |
| Fund balance, ending | <u>\$ 60,846</u> | <u>\$ 321,302</u> | <u>\$ 112,192</u> | <u>\$ 494,340</u> |

See accompanying independent auditors' report.

CITY OF MANDEVILLE
BUDGETARY COMPARISON SCHEDULE
TAX COLLECTOR FUND
FOR THE YEAR ENDED AUGUST 31, 2022

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Budget</u> |
|-----------------------------------|----------------------------|-------------------------|------------------|---------------------------------|
| Revenues: | | | | |
| Ad valorem taxes | \$ 4,500 | \$ 4,500 | \$ 4,886 | \$ 386 |
| Interest | 2,800 | 2,800 | (5,479) | (8,279) |
| Total revenues | <u>7,300</u> | <u>7,300</u> | <u>(593)</u> | <u>(7,893)</u> |
| Expenditures: | | | | |
| Current - | | | | |
| General government | 29,235 | 29,235 | 29,832 | (597) |
| Total expenditures | <u>29,235</u> | <u>29,235</u> | <u>29,832</u> | <u>(597)</u> |
| Net change in fund balance | <u>(21,935)</u> | <u>(21,935)</u> | <u>(30,425)</u> | <u>(8,490)</u> |
| Fund balance, beginning | <u>93,484</u> | <u>93,484</u> | <u>91,271</u> | <u>(2,213)</u> |
| Fund balance, ending | <u>\$ 71,549</u> | <u>\$ 71,549</u> | <u>\$ 60,846</u> | <u>\$ (10,703)</u> |

See accompanying independent auditors' report.

CITY OF MANDEVILLE, LOUISIANA
Schedule of Compensation Paid to
City Council Members
For the Year Ended August 31, 2022

| <u>Name</u> | <u>Period Active</u> | <u>Amount</u> |
|--------------------|-----------------------|---------------|
| Rebecca Bush | 9/01/2021 - 8/31/2022 | \$ 14,400 |
| Rick Danielson | 9/01/2021 - 8/31/2022 | 14,400 |
| Dr. Skelly Kreller | 9/01/2021 - 8/31/2022 | 14,400 |
| Jill McGuire | 9/01/2021 - 8/31/2022 | 14,400 |
| Jason Zuckerman | 9/01/2021 - 8/31/2022 | 14,400 |
| | | \$ 72,000 |

CITY OF MANDEVILLE, LOUISIANA
Schedule of Compensation, Benefits, and Other
Payments to the Mayor
For the Year Ended August 31, 2022

Agency Head Name: Clay Madden, Mayor

| Purpose | Amount |
|---------------------|-------------------|
| Salary | \$ 95,364 |
| Benefits-insurance | 8,682 |
| Benefits-retirement | 36,380 |
| Payroll Taxes | 7,772 |
| Car Allowance | 6,000 |
| Other expenses | 290 |
| Other - cell phone | 600 |
| | <u>\$ 155,088</u> |

CITY OF MANDEVILLE, LOUISIANA
JUSTICE SYSTEM FUNDING SCHEDULE - COLLECTING / DISBURSING
FOR THE YEAR ENDED AUGUST 31, 2022

This schedule was prescribed by the Louisiana Legislative auditors' Office as required
by Act 87 of the 2020 Regular Session

| Cash Basis Presentation | First Six Month Period Ended 02/28/2022 | Second Six Month Period Ended 08/31/2022 |
|--|---|--|
| Beginning Balance of Amounts Collected | \$ 4,241 | \$ 1,100 |
| Add: Collections | | |
| Bond Fees | 1,200 | 700 |
| Pre-Trial Diversion Program Fees | 4,810 | 3,226 |
| Criminal Court Costs/Fees | 32,675 | 35,408 |
| Criminal Fines - Contempt | 21,401 | 22,855 |
| Criminal Fines - Other | 107,224 | 116,514 |
| Service/Collection Fees (e.g. credit card fees, report fees, 3rd party service fees) | 24,676 | 15,186 |
| Interest Earnings on Collected Balances | - | - |
| Subtotal Collections | 191,986 | 193,889 |
| Less: Disbursements To Governments & Nonprofits: | | |
| 22nd Judicial District Court -Indigent Defender Fund (Criminal Fines - Other) | 28,543 | 30,670 |
| Louisiana Commission On Law Enforcement (Criminal Fines - Other) | 3,237 | 3,604 |
| Florida Parish Juvenile Justice Commission (Criminal Fines - Other) | 4,080 | 4,415 |
| Crimestoppers, Inc. (Criminal Fines - Other) | 1,632 | 1,766 |
| Louisiana Association of Chiefs of Police (Criminal Fines - Other) | 1,632 | 1,766 |
| St Tammany Parish Sheriff - Criminal Lab (Criminal Fines - Other) | 7,029 | 7,138 |
| Louisiana Traumatic Head and Spinal Cord Injury Trust Fund (Criminal Fines - Other) | 1,525 | 1,215 |
| Louisiana Judicial College (Criminal Fines - Other) | 444 | 515 |
| LA State Treasurer - (Criminal Fines - Other) | 2,486 | 2,628 |
| Less: Amounts Retained by Collecting Agency | | |
| City of Mandeville, Court Fees | 32,674 | 35,408 |
| City of Mandeville, Diversion Fees | 4,810 | 3,226 |
| City of Mandeville, Contempt Fee | 21,401 | 22,855 |
| City of Mandeville, Traffic Fines | 56,616 | 62,797 |
| Less: Disbursements to Individuals/3rd Party Collection or Processing Agencies | | |
| Civil Fee Refunds | - | - |
| Bond Fee Refunds | 100 | - |
| Other Disbursements to Individuals (additional detail is not required) | 4,241 | - |
| Payments to 3rd Party Collection/Processing Agencies | 24,677 | 15,186 |
| Subtotal Disbursements/Retainage | 195,127 | 193,189 |
| Total: Ending Balance of Amounts Collected but not Disbursed/Retained (i.e. cash on hand) | \$ 1,100 | \$ 1,800 |

Ending Balance of "Partial Payments" Collected but not Disbursed (only applies if collecting agency does not disburse partial payments until fully collected) - This balance is included in the Ending Balance of Amounts Collected but not Disbursed/Retained above.

| | |
|--------|--------|
| 20,336 | 34,880 |
|--------|--------|

Other Information:

Ending Balance of Total Amounts Assessed but not yet Collected (i.e. receivable balance)

| | |
|------|------|
| \$ - | \$ - |
|------|------|

Total Waivers During the Fiscal Period (i.e. non-cash reduction of receivable balances, such as time served or community service)

| | |
|------|------|
| \$ - | \$ - |
|------|------|

See accompanying independent auditors' report.

OTHER REPORT

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

Independent Auditors' Report

The Honorable Clay Madden, 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, 2022, 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 28, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2022-001 and 2022-003 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2022-004 and 2022-005 to be significant deficiencies.



Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2022-002 and 2022-004.

City’s Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Postlethwaite & Netterville

Baton Rouge, LA
February 28, 2023

CITY OF MANDEVILLE, LOUISIANA
Schedule of Findings and Responses
For the Year Ended August 31, 2022

A. Summary of Auditor's Results

Financial Results:

- | | |
|--|------------|
| 1. Type of auditors' report | Unmodified |
| 2. Internal control over financial reporting | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| c. Non-compliance material to the financial statements noted? | Yes |

B. Findings - Financial Statement Audit

2022-001 PROCEDURES OVER FINANCIAL STATEMENT CLOSING PROCESS

Criteria: The system of accounting should include procedures and steps necessary to close the accounting period and prepare the documentation necessary to support the financial statements. This includes timely gathering of system reports, schedules, external statements, or preparation of reconciliations and recording necessary adjustments to evidence the timely and accurate closing of the accounting period and financial reporting.

Condition: Although the City improved its closing process when compared to the prior year, documentation was still not readily available and completed on several accounting areas for the year end audit of the financial statements. Routine year-end entries were not recorded to adjust all accounts, and because the adjustments were overlooked, the support provided for various account balances did not reconcile with the general ledger balances. A similar finding was reported in the August 31, 2021, audit.

Cause: The City's finance director retired prior to the August 31, 2021, year-end, and the accounting personnel were not aware of all the procedures involved with closing the accounting period. In addition, the delays with providing timely support for the previous year audit to be completed until October 2022, along with the damages caused by Hurricane Ida at the end of August 2021 created obstacles and challenges with the close out process for August 31, 2022.

Effect: The lack of completing a detailed financial statement closing process on all accounts and accounting cycles created delays in the audit and significant adjustments necessary to correct the balances to the reconciliations and other support. This created delays with completing the audit process.

CITY OF MANDEVILLE, LOUISIANA
Schedule of Findings and Responses
For the Year Ended August 31, 2022

B. Findings - Financial Statement Audit (continued)

2022-001 PROCEDURES OVER FINANCIAL STATEMENT CLOSING PROCESS
(continued)

Recommendation: The City should implement procedures and internal controls to ensure the books are closed timely along with preparing and providing audit documentation that supports all the reconciled balances reported in the financial statements. The procedures should also include a checklist to determine if all year-end transactions are recorded and all year-end closeout and documentation steps are completed. Internal controls procedures also need to be developed and followed for the closing process to ensure proper preparation, review, and approval of the supporting documentation.

View of Responsible Official:

The City concurs with the finding. The City has engaged a third-party accountant to assist with closing the books timely and preparing and providing audit documentation that supports the balances reported in the financial statements as of August 31, 2022.

2022-002 LOCAL GOVERNMENT BUDGET ACT

Criteria: Louisiana Revised Statute 39:1311 requires the governmental entity to revise its budget when total revenues or expenditures and other sources or uses plus projected revenues or expenditures and other sources or uses for the remainder of the year, within a fund, are failing to meet total respective budgeted amounts. In addition, Louisiana Revised Statute 39:1305 requires the estimated beginning and ending fund balance to be included in the budget schedules and adoption.

Condition: The following budget statements reported unfavorable budget variances of 5% or more:

- Expenditures and other uses in the Sales Tax Fund.
- Revenues in the Tax Collector Fund

In addition, the budget statements adopted did not include an estimated beginning or ending fund balance. A similar finding was reported in the August 31, 2021, audit.

Cause: The City failed to take the necessary steps to ensure compliance with the requirements of Louisiana Revised Statute 39:1311. In addition, the City overlooked including the estimated beginning and ending fund balances in the budget schedules as required by Louisiana Revised Statute 39:1305.

Effect: The City is not in compliance with the requirements of the Louisiana Revised Statute 39:1311 or 39:1305.

Recommendation: We recommend that the City comply with all requirements of the Local Government Budget Act and adopt amendments to the budget, so the variances are within 5% as required by the legal requirements. Also, we recommend the City include an estimated beginning and ending fund balance in the budget schedules and adoption process.

CITY OF MANDEVILLE, LOUISIANA
Schedule of Findings and Responses
For the Year Ended August 31, 2022

B. Findings - Financial Statement Audit (continued)

2022-002 LOCAL GOVERNMENT BUDGET ACT (continued)

View of Responsible Official:

The City concurs with the finding. The City will comply with the requirements of the Local Government Budget Act and adopt amendments to the budget, so the variances are within 5% as required by legal requirements.

2022-003 DISASTER ASSISTANCE REIMBURSEMENT SUBMISSIONS

Criteria: The City should have policies and procedures in place including internal controls over the timely request for reimbursements on grant projects from federal and state agencies. Disaster expenditures associated with the recent hurricane should be timely submitted for consideration for reimbursement.

Condition: The City was affected by Hurricane Ida in August 2021 and incurred disaster expenditures to recover from the storm's effects. The City applied for federal disaster assistance with the Governor's Office of Homeland Security and Emergency Protection (GOHSEP) and the Federal Emergency Management Agency (FEMA) under the Public Assistance – Disaster Grants program. As of August 31, 2022, the City recognized \$9,900,125 in disaster expenditures. The City provided support indicating that \$6,435,737 were submitted to GOHSEP for processing with submission dates in June and August 2022. Documentation was not provided or available to indicate the submittal for reimbursement of the remaining expenditures of \$3,464,388.

Cause: The requests for reimbursement do not appear to be completed and submitted for reimbursement.

Effect: Lack of timely requesting reimbursements for cost incurred on the disaster grant could result in grant eligible costs being rejected for payment and the fund that paid the disaster expenses experiencing shortage of cash to pay for other operating functions.

Recommendations: The City should implement policies and procedure and designate personnel to be responsible for the timely requesting of reimbursement of grant amounts due on the disaster expenditures. The documentation on these requests for reimbursement should be forwarded to the accounting department so the transactions can be recorded in the general ledger to properly accrue the revenue and receivable associated with the requests for reimbursement.

View of Responsible Official:

The City concurs with the finding and will comply with the recommendation.

CITY OF MANDEVILLE, LOUISIANA
Schedule of Findings and Responses
For the Year Ended August 31, 2022

B. Findings - Financial Statement Audit (continued)

2022-004 INCORRECT CALCULATION OF TERMINATION PAY FOR POLICE EMPLOYEES

Criteria: Louisiana Revised Statute (LRS) 40:1667.3 requires that state supplemental pay be included in the calculation of accrued annual and sick leave an police officer or firefighter is entitled to upon termination.

Condition: We selected one police employee's termination pay in the current year and recalculated the amount paid. We noted the City did not include the state supplemental rate in the calculation of wages paid police for vacation bank payout at the time of termination.

Cause: Incorrect calculation of wage rate at the time of termination due to not including the state supplemental pay rate as required under LRS 40.1667.3.

Effect: The City may have underpaid the termination pay in this instance due to overlooking including the supplemental pay rate in the calculation of the hourly rate in accordance with LRS 40.1667.

Recommendations: The City should consult with legal counsel to review LRS 40.1667.3 along with the City's termination pay policies to determine if the calculations are being done accurately. If applicable, the City should include the state supplemental pay in the calculation of the termination pay for police employees.

View of Responsible Official:

The City concurs with the finding and will comply with the recommendation.

2022-005 REVENUE RECEIVED FROM CELL COMMUNICATION PROVIDERS

Criteria: The City should have records of contracts, agreements, ordinances, etc that support the collection of revenue and demonstrate the amounts received belong to the City. Title 44 of the Louisiana Revised Statute's provide for the retention and availability of agency records. Internal controls should be in place to determine all amounts owed under agreements are collected and the amounts being received are accurate and in accordance with the agreements.

Condition(s): We noted receipts totaling \$80,768 from 4 cell communication providers recorded in miscellaneous income. We also noted similar amounts collected during the previous 4 years. The City was unable to provide a contract or agreement with these companies to support the reason why these payments were received or the accuracy of the amounts collected. Without this documentation, the City was unable to assess if the amounts being collected were associated with lease agreements that may be subject specific accounting recognition and treatment.

Cause: City personnel was unable to locate the agreements associated with the revenue collection from the 4 cell communication providers.

CITY OF MANDEVILLE, LOUISIANA
Schedule of Findings and Responses
For the Year Ended August 31, 2022

B. Findings - Financial Statement Audit (continued)

2022-005 REVENUE RECEIVED FROM CELL COMMUNICATION PROVIDERS
(continued)

Effect: The City is unable to determine if the amounts collected are accurate or if properly accounted for due to the agreements or contracts unable to be located. In addition, the City may not be in compliance with Title 44 regarding custody and availability of records.

Recommendation: We recommend the City locate the agreements or contracts associated with the collections from the 4 cell communication providers. If the original documents cannot be located, we recommend the City execute replacement agreements. We further recommend the City develop and implement a procedure to include a review these agreement to determine if the amounts collected are accurate, received on time in accordance with the agreement and if the accounting is proper.

View of Responsible Official:

The City concurs with the finding and will comply with the recommendation.

CITY OF MANDEVILLE, LOUISIANA
Summary Schedule of Prior Year Findings
For the Year Ended August 31, 2022

A. Summary Prior Year Findings - Financial Statement Audit

2021-001 PROCEDURES OVER FINANCIAL STATEMENT CLOSING PROCESS

Criteria: The system of accounting should include procedures and steps necessary to close the accounting period and prepare the documentation necessary to support the financial statements. This includes system reports, schedules, external statements, or reconciliations that provide support for the balances reported in the financial statements. The procedures should also include a checklist to determine if all year-end transactions are recorded and all year-end closeout and documentation steps are completed. Internal controls procedures also need to be developed and followed for the closing process to ensure proper preparation, review, and approval of the supporting documentation.

View of Responsible Official:

The City concurs with the finding. The City has engaged a third-party accountant to assist with closing the books timely and preparing and providing audit documentation that supports the balances reported in the financial statements as of August 31, 2022.

Current year status:

The City's preparation for the 2022 audit greatly improved; however, not all accounts and accounting cycles were fully reconciled and adjusted to be audited. This finding is repeated in the current year.

2021-002 LOCAL GOVERNMENT BUDGET ACT

Criteria: Louisiana Revised Statute 39:1311 requires the governmental entity to revise its budget when total revenues or expenditures and other sources or uses plus projected revenues or expenditures and other sources or uses for the remainder of the year, within a fund, are failing to meet total budgeted revenues or expenditures and other sources or uses by five percent or more.

View of Responsible Official:

The City concurs with the finding. The City will comply with the requirements of the Local Government Budget Act and adopt amendments to the budget, so the variances are within 5% as required by legal requirements.

Current year status:

The City's budget to actual variance was not properly amended in two funds; therefore, this finding is repeated for the current year.

CITY OF MANDEVILLE

REPORT ON STATEWIDE AGREED-UPON PROCEDURES
on COMPLIANCE and CONTROL AREAS

FOR THE YEAR ENDED AUGUST 31, 2022

Independent Accountants' Report On Applying Agreed-Upon Procedures

The Honorable Clay Madden, Mayor
and Members of the City Council
City of Mandeville, Louisiana
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period September 1, 2021, through August 31, 2022. The City of Mandeville's (City or Entity) management is responsible for those C/C areas identified in the SAUPs.

The City has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in the LLA's SAUPs for the fiscal period September 1, 2021, through August 31, 2022. Additionally, the LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures performed and the results thereof are set forth below. The procedure is stated first, followed by the results of the procedure presented in italics. If the item being subjected to the procedures is positively identified or present, then the results will read "*no exception noted*" or for step 25 "*we performed the procedure and discussed the results with management*". If not, then a description of the exception ensues.

A - Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.

No exceptions noted.

b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.

No exceptions noted.

c) ***Disbursements***, including processing, reviewing, and approving

The City has written policies for Disbursements; however, it does not specify a process or procedure for signing or approving checks or electronic payments.

- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

The City has written policies for Receipts/Collections; however, the policies do not contain attribute regarding managements actions to determine the completeness of all collections for each type of revenue or agency fund addition(s).

- e) **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.

No exceptions noted.

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

The City has written policies for Contracting; however, the policies do not contain attribute (3) regarding legal review.

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).

The City has written policies for Credit Cards; however, the policies do not contain attribute (4) regarding required approvers of statements.

- h) **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

No exceptions noted.

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.

The City does not have a formal policy on ethics. The Municipal Employees' Civil Service Manual includes information on ethics; however, the policy does not specifically address the prohibitions as defined in Louisiana Revised Statute 42:1111-1121 according to attribute (1), actions to be taken if an ethics violation takes place according to attribute (2), or a system to monitor possible ethic violations according to attribute (3).

- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

The City has written policies for Debt Service; however, the policy does not specifically address attribute (1) debt issuance approval, attribute (2) EMMA reporting requirements, attribute (3) debt reserve requirements, or attribute (4) debt service requirements.

- k) **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

No exceptions noted.

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

No exceptions noted.

B - Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
- a) Observe whether the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

No exception noted.

- b) For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. *Alternately, for those entities reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

Four of the 12 meetings did not reference or include monthly budget-to-actual comparisons.

- c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

No exception noted.

C - Bank Reconciliations

3. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:

A listing of bank accounts was provided and included a total of 17 bank accounts. Management identified the City's main operating account. No exceptions were noted in performing this procedure.

From the listing provided, we selected 5 bank accounts (1 main operating and 4 randomly) and obtained the bank reconciliations for the month ending August 31, 2022, resulting in 5 bank reconciliations obtained and subjected to the below procedures.

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

Of the 5 bank reconciliations prepared, two were not prepared within 2 months of the related statement closing date.

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

No exceptions noted.

- c) Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

No exceptions noted.

D - Collections (excluding electronic funds transfers)

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

A listing of deposit sites was provided and included a total of 1 deposit site. No exceptions were noted in performing this procedure.

From the listing provided, we selected the 1 deposit sites with deposits during the fiscal year and performed the procedures below.

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

A listing of collection locations for the one deposit site selected in procedure #4 was provided and included a total of 3 collection locations. No exceptions were noted in performing this procedure.

From each of the listings provided, we randomly selected one collection location for the one deposit site identified. We reviewed of the City's written policies and procedures or inquiry with employee(s) regarding job duties was performed in order to perform the procedures below.

- a) Employees responsible for cash collections do not share cash drawers/registers.

No exceptions noted.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

No exceptions noted.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

No exceptions noted.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

No exceptions noted.

6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.

The City did not provide documentation the employees who have access to cash are bonded and/or covered under the City's insurance policy.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under “Bank Reconciliations” above (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:

We randomly selected two deposit dates for two of the bank accounts and one (only) deposit dates for the other 2 bank accounts selected in procedure #3. We obtained supporting documentation for each of the 6 deposits and performed the procedures below.

- a) Observe that receipts are sequentially pre-numbered.

No exceptions noted.

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

No exceptions noted.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

No exceptions noted.

- d) Observe the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).

No exceptions noted.

- e) Trace the actual deposit per the bank statement to the general ledger.

No exceptions noted.

E - Non-payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

8. Obtain a listing of locations that process payments for the fiscal period and management’s representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

The listing of locations that process payments for the fiscal period was provided. No exceptions were noted in performing this procedure.

From the listing provided, we randomly selected 5 locations and performed the procedures below.

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

The listing of employees involved with non-payroll purchasing and payment functions for each payment processing location selected in procedure #8 was provided. No exceptions were noted as a result of performing this procedure.

Review of the City's written policies and procedures or inquiry with employee(s) regarding job duties was performed to perform the procedures below.

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

No exceptions noted.

- b) At least two employees are involved in processing and approving payments to vendors.

No exceptions noted.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

For the 1 location tested, the person processing payments was not prohibited from adding / modifying vendor files. The same employee is responsible for periodic review of vendor files.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

No exceptions noted.

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

A listing of non-payroll disbursements for each payment processing location selected in procedures #8 was provided related to the reporting period. No exceptions were noted in performing this procedure.

From each of the listings provided, we randomly selected 5 disbursements and performed the procedures below.

- a) Observe whether the disbursement matched the related original itemized invoice, and that supporting documentation indicates deliverables included on the invoice were received by the entity.

No exceptions noted.

- b) Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

For the five disbursements selected, the payment processor was not prohibited from adding/modifying vendor files. A separate employee is not responsible for periodic review of vendor files.

F - Credit Cards/Debit Cards/Fuel Cards/P-Cards

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

A listing of cards was provided. No exceptions were noted in performing this procedure.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

From the listing provided, we randomly selected 5 cards (3 credit cards and 2 fuel cards) used in the fiscal period. We randomly selected one monthly statement for each of the 5 cards selected and performed the procedures noted below.

- a) Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

For the 2 fuel cards tested, the monthly statement provided did not contain evidence of review and approval. Additionally, for one of the credit cards tested, the monthly statement was reviewed and approved by the authorized card holder.

- b) Observe that finance charges and late fees were not assessed on the selected statements.

No exceptions noted.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing). For each transaction, observe it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased scrutiny.

We randomly selected transactions for 3 of the 5 cards selected in procedure #12 (2 fuel cards excluded) and performed the specified procedures. One receipt was missing as supporting documentation for a charge on one of the credit cards; however, a note was included describing the charge that listed another City employee was present to corroborate the airport parking charge.

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

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management’s representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

The listing of travel and travel-related expense reimbursements was provided for the fiscal period. No exceptions were noted as a result of performing this procedure.

From the listing provided, we randomly selected 5 reimbursements and performed the procedures below.

- a) If reimbursed using a per diem, observe the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

No exceptions noted.

- a) If reimbursed using actual costs, observe the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

No exceptions noted.

- b) Observe each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

No exceptions noted.



Postlethwaite & Netterville

- c) Observe each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

No exceptions noted.

H - Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

An active vendor list for the fiscal period was provided. No exceptions were noted in performing this procedure.

From the listing provided, we randomly selected 5 contracts and performed the procedures below.

- a) Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

Of the 5 contracts selected for our procedures, none were subject to Louisiana Public Bid Law.

- b) Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

No exceptions noted.

- c) If the contract was amended (e.g., change order), observe the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, was approval documented).

No exceptions noted.

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe the invoice and related payment agreed to the terms and conditions of the contract.

We randomly selected 1 payment for the 5 contracts selected in procedure #15 and performed the specified procedures. No exceptions noted.

I - Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

A listing of employees/elected officials employed during the fiscal year was provided. No exceptions were noted in performing this procedure.

From the listing provided, we randomly selected 5 employees/officials and performed the specified procedures. No exceptions noted.

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

We randomly selected 1 pay period during the fiscal period and performed the procedures below for the 5 employees/officials selected in procedure #16.

- a) Observe all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.).

No exceptions noted.

- b) Observe whether supervisors approved the attendance and leave of the selected employees or officials.

The City's timesheet software requires the timesheets be reviewed digitally by Supervisors for reasonableness; however, there is no formal written documented evidence of review or report that can be retrieved from the software demonstrating the review occurred.

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

No exceptions noted.

- d) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

No exceptions noted.

18. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee or officials' cumulative leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.

A listing of employees/officials receiving termination payments during the fiscal period was provided. No exceptions were noted in performing this procedure.

From the listing provided, we randomly selected 2 employees/officials and performed the specified procedures. One of the employees, a police employee, rate paid did not include the supplemental pay required RS 40:1167.3

19. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

No exceptions noted.

J - Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:
- a) Observe whether the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

No exceptions noted.

- b) Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

The City does not have a formal ethics policy, so this step is not applicable.

K - Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe State Bond Commission approval was obtained for each bond/note issued.

Not applicable as the City had no outstanding debt.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Not applicable.

L - Fraud Notice

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

No misappropriations of public funds and assets during the fiscal period noted. Not applicable.

24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

The notice was posted on the City's website and in the City Hall break room.

M - Information Technology Disaster Recovery/Business Continuity

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

- a) Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.

We performed the procedure and discussed the results with management.

- b) Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

We performed the procedure and discussed the results with management.

- c) Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

We performed the procedure and discussed the results with management.

N - Sexual Harassment

26. Using the 5 randomly selected employees/officials from procedure #16 under “Payroll and Personnel” above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.

No exceptions noted.

27. Observe the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity’s premises if the entity does not have a website).

No exceptions noted.

28. Obtain the entity’s annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:

- a) Number and percentage of public servants in the agency who have completed the training requirements;

No exceptions noted.

- b) Number of sexual harassment complaints received by the agency;

No exceptions noted.

- c) Number of complaints which resulted in a finding that sexual harassment occurred;

No exceptions noted.

- d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and

No exceptions noted.

- e) Amount of time it took to resolve each complaint.

No exceptions noted.

Corrective Action

27. Obtain management’s response and corrective action plan for any exceptions noted in the above agreed-upon procedures.

See attached management response and corrective action plan.

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



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

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

Postlethwaite & Netterville

Baton Rouge, Louisiana
February 28, 2023

CLAY MADDEN
MAYOR

City of Mandeville

"THE HEART OF THE OZONE BELT"



3101 East Causeway Approach, Mandeville, LA 70448
985-626-3144

City Council

RICK DANIELSON
Council Chairman
JASON ZUCKERMAN
AT LARGE
REBECCA BUSH
DISTRICT I
SKELLY KRELLER
DISTRICT II
JILL McGUIRE
DISTRICT III

These are my responses to and corrective actions to be taken regarding the Report on Statewide Agreed-Upon Procedures on Compliance and Control Areas for the Year Ended August 31, 2022:

A – Written Policies and Procedures

1.(c) Disbursements

We will amend the disbursement policy to specify a process or procedure for signing or approving checks or electronic payments.

1.(d) Receipts/Collections

We will amend the receipts/collections policy to include actions to determine the completeness of all collections for each type of revenue or agency fund additions(s).

1.(f) Contracting

We will amend the contracting policy to include actions regarding legal review.

1.(g) Credit Cards

We will amend the credit card policy to include procedures for required approvers of statements.

1.(i) Ethics

We will write a formal policy on ethics, inclusive of all requirements.

1.(j) Debt Service

We will amend the debt service policy to include debt issuance approval, EMMA reporting requirements, debt reserve requirements and debt service requirements.

B – Board or Finance Committee

2.(b) We will ensure that all finance reposts will be referenced in the minutes.

C – Bank Reconciliations

- 3.(a) We will ensure that all bank reconciliations are prepared within 2 months of the related statement closing date.

D – Collections

6. We will ensure that all employees who have access to cash are bonded and/or covered under the City's insurance policy.

E – Non-payroll Disbursements

- 9.(c) & 10.(b) We will amend the disbursements policy to include that the person processing payments is prohibited from adding/modifying vendor files.

F – Credit Cards/Debit Cards/Fuel Cards/P-Cards

- 12.(a) The monthly statements are reviewed by the Finance Director, or someone other than the card holder, as noted by initials on the invoice summary page.

I – Payroll and Personnel

17. We will create formal written documentation regarding review and approval of timesheets.
18. I was not aware of this requirement until completion of the FY21 audit, completed 10/31/22. This has since been addressed and police employee termination pay now includes the supplemental pay required by RS 40:1167.3.
- 20.(b) Same response as A – 1.(i).

Sincerely,

Kathleen Sides
Finance Director