CITY OF CENTRAL, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our analysis of the City of Central's (City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2014. The Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities and currently known facts, and should be read in conjunction with the financial statements which begin on Exhibit A.

FINANCIAL HIGHLIGHTS

In 2014, the City of Central experienced consistent revenues compared to the prior year while expenditures increased 3% from the prior year. The City has contracts with a private organization to provide administrative, financial, public works, code enforcement, permitting, and inspection services. In 2014, the cost of this contract was $3.2 million, which represents 55% of total expenditures. Additionally, the City received sales tax of $6.7 million. Throughout this period, the City has focused on maintaining a logical and thoughtful alignment of City resources to community needs.

The major financial highlights for 2014 are as follows:

- Assets of the City's primary government exceeded its liabilities at the end of the year by $23.8 million (net position). Net position includes $16.9 million that may be used without restriction to meet the City's ongoing obligations to citizens and creditors.

- The primary government's total net position increased by $3.8 million during 2014 which mirrors the increase in the City's net position during the prior fiscal year.

- At year end, the City's governmental funds reported fund balances of $22.5 million, an increase of $3.9 million in comparison to the prior year, with restrictions or commitments as follows:

    a) Capital projects - $5.5 million
    b) Operational reserves - $750,000
    c) Emergency repairs and maintenance - $2.3 million
    d) Drainage repairs and maintenance - $2.3 million
    e) Road maintenance - $2 million

Significant aspects of the City's financial well being, as of and for the year ended June 30, 2014, are detailed throughout this analysis.

USING THIS ANNUAL REPORT

The City's financial statements focus on the government as a whole (government-wide) and on major individual funds. Both perspectives (government-wide and major funds) allow the reader to address relevant questions, broaden a basis for comparison from year to year and should enhance the City's accountability.

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 13 and 14) provide information about the activities of the City as a whole.

Fund financial statements start on page 15. For governmental activities, these statements depict how 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.

The City's auditors have provided assurance in their independent auditors' report, located immediately preceding this MD&A, that the financial statements are fairly stated. Varying degrees of assurance are being provided by the auditor regarding the Required Supplementary Information. A user of this report should read the independent auditors' report carefully to ascertain the level of assurance being provided for each part of this report.

Reporting on the City as a Whole

The financial statements of the City as a whole begin on page 13. The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way to determine if the City is in better condition as a result of the year's financial results. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to accounting methods used by most private-sector companies. All of the revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods.

These two statements report the City's net position and related changes. You can think of the City's net position—the difference between assets and liabilities—as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position is one indicator of its financial health. You will need to consider other non-financial factors, such as changes in the City's sales tax base, to assess the overall health of the City.

The Statement of Net Position and the Statement of Activities consist of governmental activities.

Governmental activities - The City's basic services are reported here, including public safety, public works, health and welfare, and general administration. Sales taxes and franchise fees finance the majority of these activities.

At June 30, 2014, the City's net position was $23.8 million, of which $16.9 million is unrestricted. Restricted net position is normally reported separately to show legal constraints from debt covenants and enabling legislation that limits the City's ability to use that net position for day-to-day operations.

Our analysis below of the primary government focuses on the net position and change in net position of the City's governmental activities.

City of Central, Louisiana
Statement of Net Position
June 30, 2014 and 2013

	Governmental Activities	
	2014	2013
Current and other assets	$ 23,020,360	$ 19,260,151
Capital assets	1,393,279	1,381,485
Total assets	24,413,639	20,641,636
Current and other liabilities	572,546	589,727
Long-term payable	15,775	15,360
Total liabilities	588,321	605,087
Net position:		
Invested in capital assets, net of related debt	1,393,279	1,381,485
Restricted	5,514,283	4,474,788
Unrestricted	16,917,756	14,180,276
Total net position	$ 23,825,318	$ 20,036,549

Net position of the City's governmental activities increased by $3.8 million during the year ended June 30, 2014. Unrestricted net position increased by $2.7 million. Unrestricted net position represents the amount of the net position that can be used to finance day-to-day operations without constraints established by enabling legislation or other legal requirements and may be used at the City's discretion. The changes in net position are discussed later in this analysis.

The results of the past two years' operations for the primary government as a whole, as reported in the Statement of Activities, are as follows:

City of Central, Louisiana
Changes in Net Position
For the years June 30, 2014 and 2013

	Governmental Activities	
	2014	2013
Revenues:		
Program revenues:		
Charges for services	$ 1,041,663	$ 902,372
Operating grants and contributions	41,905	438,379
Capital grants and contributions	-	50,338
General revenues:		
Sales and use taxes	6,718,491	6,533,293
Franchise taxes	1,641,615	1,453,020
Investment earnings	94,215	19,019
Total revenues	9,537,889	9,396,421
Functions/Program expenses:		
General government	600,145	623,446
Health and welfare	114,440	112,025
Public works	3,827,454	4,264,824
Highways and streets	908,779	356,208
Public safety	298,302	260,116
Total expenses	5,749,120	5,616,619
Increase in net position	3,788,769	3,779,802
Beginning net position	20,036,549	16,256,747
Ending net position	$ 23,825,318	$ 20,036,549

The increase in net position of $3.8 million is primarily attributed to increases in revenues generated by charges for services, sales tax revenues, and decreases in public works expenditures.

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. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. The focus is now on major funds, rather than generic fund types.

Reporting the City's Most Significant Funds

The City's major funds begin on page 15 with the fund financial statements that provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by State law, and the City Council establishes other funds to control and manage financial resources for particular purposes or to meet legal responsibilities for using certain taxes, grants and other assets.

Governmental funds – Governmental funds are used to account for essentially the same functions reported as governmental 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 balances of spendable resources available at the end of the fiscal year. All of the City's basic services are reported in governmental funds. These funds are reported using the modified accrual basis of accounting, which measures cash and other financial assets that can readily be converted to cash. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation to the financial statements. The governmental major funds (Exhibits A-2 and A-4) presentation uses the modified accrual basis and focuses on the major funds of the City. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. The City has four governmental funds, which are the General Fund, Emergency Services, Drainage, and Local Road Improvement & Maintenance Fund (ESDRIM Fund), Half Cent Sales Tax and Traffic Contribution special revenue funds.

Notes to the financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are a required part of the basic financial statements and can be found in Exhibit A-6.

Other information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning original and final budgetary comparisons to actual results for the year for the City's major funds and can be found in Exhibits B through B-4.

Financial Analysis of the General Fund

The general government operations of the City are accounted for in the General Fund and special revenue funds. The focus of these funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. The following is a summary of general governmental operations for 2014 by fund type:

	(in thousands)			
	2014			2013
	General Fund	Special Revenue Funds	Total	Total
Revenues	$ 6,917	$ 2,710	$ 9,627	$ 9,308
Expenditures	4,838	923	5,761	5,582
Net change in fund balance	2,079	1,787	3,866	3,726
Beginning fund balance	8,113	10,501	18,614	14,888
Ending fund balance	$ 10,191	$ 12,289	$ 22,480	$ 18,614

The City's governmental funds experienced a surplus of $3.9 million during 2014. At year end, fund balances were $22.5 million, of which $9.4 million is unassigned and available for utilization at the City's discretion. The remaining fund balance has been restricted for capital projects ($5.5 million), or committed ($7.4 million) and assigned ($174,000) where internal constraints have been established by the City. At June 30, 2014, the fund balance of the General Fund was $10.1 million compared to the fund balance of $8.1 million at June 30, 2013.

The City's other major funds are the ESDRIM, Half Cent Sales Tax and Traffic Contribution special revenue funds. The ESDRIM fund balance increased by $740,000 during 2014 to $6.6 million. The fund balance of the Half Cent Sales Tax Fund increased by $1 million during 2014 to $5.5 million. The Traffic Contribution fund balance increased by $9,800 during 2014 to $174,000.

Sources of governmental revenues, excluding transfers, are summarized below:

	(in thousands)			
	2014		2013	
Source of Revenue	Revenue	%	Revenue	%
Sales and use taxes	$ 6,869	71	$ 6,533	70
Franchise taxes	1,545	16	1,453	16
Charges for services	1,019	10	902	9
Intergovernmental	100	1	400	4
Investment and other income	94	1	20	1
Total	$ 9,627	100	$ 9,308	100

Revenues of the governmental funds increased by $320,000. This increase is directly attributable to an increase in sales and use taxes, franchise taxes, charges for services and investment income, although intergovernmental revenues decreased during 2014.

Governmental expenditures increased by $179,000 or 3%. This increase is related to the decrease in public works expenditures and an increase in highways and street maintenance. Governmental expenditures are summarized as follows:

	(in thousands)			
	2014		2013	
Function	Expenditure	%	Expenditure	%
General government	$ 584	10	$ 626	11
Health and welfare	114	2	112	2
Public works	3,828	65	4,265	76
Highways and streets	834	14	292	5
Public safety	246	4	182	3
Capital outlay	155	4	105	3
Total	$ 5,761	100	$ 5,582	100

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year the City's General Fund operating budget was amended, which is a customary practice of the City and reflects the changes that occur with financial related matters throughout the fiscal year. The most significant changes during 2014 were as follows:

- Increases in sales and use tax revenue and charges for services, and
- An increase in general government expenditures with an increase in public safety expenditures.

With these adjustments, the charges to appropriations (expenditures) were $18,000 less than the related final budget appropriations of $5.8 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the completion of the fiscal year ended June 30, 2014, the City had $1.4 million invested in capital assets, net of accumulated depreciation of $561,000, which was comprised of construction in progress, leasehold improvements, equipment, vehicles, and infrastructure.

	2014	2013
Construction in progress	$ 75,617	$ 73,512
Leasehold improvements	21,444	31,696
Equipment	78,745	106,915
Vehicles	28,473	46,465
Infrastructure	1,189,000	1,122,897
Total assets, net of accumulated depreciation	$ 1,393,279	$ 1,381,485

The City elected to capitalize infrastructure assets, such as roads and bridges, on a prospective basis as a Phase 3 government, in accordance with GASB No. 34. As of June 30, 2014, the City has constructed $1,411,889 of infrastructure since inception. More detailed information about the City's capital assets is presented in Note 4 to the financial statements.

Debt

As of June 30, 2014, accrued compensated absences comprise the City's long-term debt, as follows:

	Beginning of Year	Additions	Deletions	End of Year
Accrued compensated absences	$ 17,360	$ 3,794	$ 3,379	$ 17,775

More detailed information about the City's long-term liabilities is presented in Note 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The City's elected and appointed officials considered many factors when setting the fiscal year 2015 budget and tax rates, including the national, state, and local economies. The General Fund's revenue is budgeted to increase by 35% to $9 million for the 2014-2015 fiscal year while expenditures are expected to remain consistent at $5 million. Intergovernmental revenues are expected to increase $2.3 million during the 2014-2015 fiscal year. Additionally, judicial expenditures are expected to increase $106,000 in the 2014-2015 fiscal year whereas planning and zoning expenditures are expected to decrease $87,000. Highway and streets expenditures in the Half Cent Sales Tax Fund are expected to decrease $42,000 due to completion of the ongoing rehabilitation and construction projects. A decrease in expenditures of $698,000 related to road repair and maintenance projects is expected in the ESDRIM Fund. The administration of the City has made it a priority to complete the development and design of the Master Plan for the City of Central to provide the framework for the future growth and land use for the City.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Finance Office at (225) 261-5988 or 13421 Hooper Road, Suite 9, Central, Louisiana, 70818.