
Industrial Development Board of the
City of Gonzales, Louisiana, Inc.

Financial Report

May 31, 2019

INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF GONZALES, LOUISIANA, INC.

FINANCIAL REPORT

MAY 31, 2019

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To the Members of the Industrial Development Board
Of the City of Gonzales, Louisiana, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Industrial Development Board of the City of Gonzales, Louisiana Inc. (the Board) as of and for the year ended May 31, 2019, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund information of the Industrial Development Board of the City of Gonzales, Louisiana, Inc., as of May 31, 2019, and the respective changes in financial position, and where applicable, thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Industrial Development Board of the City of Gonzales' basic financial statements. The schedule of compensation, benefits and other payments to agency head or chief executive officer is presented for the purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of compensation, benefits and other payments to agency head or chief executive officer is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, benefits and other payments to agency head or chief executive officer 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 November 26, 2019 on our consideration of the Industrial Development Board of the City of Gonzales, Louisiana, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Industrial Development Board of the City of Gonzales, Louisiana, Inc.'s internal control over financial reporting and compliance.



Gonzales, Louisiana
November 26, 2019

**INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF GONZALES, LOUISIANA, INC.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
MAY 31, 2019**

This section of Industrial Development Board of the City of Gonzales, Louisiana, Inc. (the Board)'s annual financial report presents our discussion and analysis of the Board's financial performance during the fiscal year that ended on May 31, 2019.

FINANCIAL HIGHLIGHTS

- The Board's total net position decreased by approximately \$3.2 million to a deficit of approximately \$30 million.
- During the year, the Board's governmental activities expenses were \$3,171,236 more than the \$1,743,673 generated in sales taxes and other revenue.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts - management's discussion and analysis (this section), the basic financial statements, the required supplementary information, and the other supplementary information. The basic financial statements include two kinds of statements that present different views of the Board:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Board's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Board government, reporting the Board's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government operated for the year.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

Figure A-1 summarizes the major features of the Board's financial statements, including the portion of the Board's government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure of contents of each of the statements.

**INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF GONZALES, LOUISIANA, INC.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
MAY 31, 2019**

Figure A-1
Major Features of Board's Government-Wide and Fund Financial Statements

	Fund Statements	
	Government-wide Statements	Governmental Fund
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of revenues, expenditures, and changes in fund deficit
Accounting basis and measurements focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payments are due during the year or soon thereafter

INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF GONZALES, LOUISIANA, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
MAY 31, 2019

Government-wide Statements

The government-wide statements report information about the Board as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

These two government-wide statements report the Board's net position how they have changed. Net position – the difference between the Board's assets and liabilities – is one way to measure the Board's financial health, or position.

- Over time, increases or decreases in the Board's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Board you need to consider additional nonfinancial factors such as economic factors affecting sales tax collections.

The government-wide financial statements of the Board consist of the following:

- Governmental activities – most of the Board's basic services are included here, such as construction of the infrastructure and building within the geographic location of the Economic Development District. Sales taxes and interest finance are most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Board's most significant funds – not the Board as a whole. Funds are accounting devices that the Board uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.

The Board has one fund classified as a debt service fund:

- Governmental fund – The Board's basic services are included in governmental funds, which focuses on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Board's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.

**INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF GONZALES, LOUISIANA, INC.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
MAY 31, 2019**

FINANCIAL ANALYSIS OF THE BOARD AS A WHOLE

Net position. The Board's net position decreased between fiscal years 2018 and 2019 from a deficit of approximately \$27 million to a deficit of approximately \$30 million. (See Table A-1)

**Table A-1
Board's Net Position**

	Governmental Activities	
	2019	2018
Current and other assets	\$ 875,174	\$ 960,871
Capital assets, net	39,937,675	41,274,672
Total assets	40,812,849	42,235,543
Current liabilities	21,606,115	19,857,573
Long term liabilities	49,614,679	49,614,679
Total liabilities	71,220,794	69,472,252
Net position		
Net investment in capital asset	(9,677,004)	(8,340,007)
Unrestricted (deficit)	(20,730,941)	(18,896,702)
Total net position	\$ (30,407,945)	\$ (27,236,709)

Net position of the Board's governmental activities decreased to a deficit of approximately \$30 million.

Changes in net position. The Board's total revenues decreased by approximately \$150,799 to \$1,743,673 (See Table A-2). For 2019, approximately 79 percent of the Board's revenue comes from sales tax collection, 20 percent comes from payments in lieu of taxes, and 1 percent comes from other revenues.

Governmental Activities

Revenues for the Board's governmental activities consisted primarily of sales taxes and expenses for the Board's governmental activities consist primarily of interest, depreciation, and payments in lieu of taxes.

INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF GONZALES, LOUISIANA, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
MAY 31, 2019

Table A-2
Changes in Board's Net Position

	Governmental Activities	
	2019	2018
Revenues		
General Revenues		
Sales taxes	\$ 1,389,018	\$ 1,540,927
Payments in lieu of taxes	349,045	346,014
Other revenue	-	4,500
Interest	5,610	3,031
Total revenues	1,743,673	1,894,472
Expenses		
Depreciation	1,336,997	1,600,797
Interest	3,224,954	3,224,954
Payments in lieu of taxes	349,045	346,014
Other fees	3,913	25,516
Total expenses	4,914,909	5,197,281
Change in net position	\$ (3,171,236)	\$ (3,302,809)

- The change in net position for the governmental activities this fiscal year increased approximately \$132,000.

FINANCIAL ANALYSIS OF THE BOARD'S FUNDS

As the Board completed the year, its governmental fund reported a fund deficit of \$20,010,166, an increase in the deficit of approximately 11 percent from last fiscal year.

Debt Service Fund Budgetary Highlights

- Debt Service Funds are not required to adopt budgets under Louisiana Law.

INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF GONZALES, LOUISIANA, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
MAY 31, 2019

CAPITAL ASSETS

At the end of 2019, the Board had invested approximately \$40 million in capital assets (See Table A-3). There were no additions in the current year. The decrease of \$1.3 million represents depreciation expense on existing capital assets.

Table A-3
Board's Capital Assets, net

	Governmental Activities	
	2019	2018
Land	\$ 6,800,014	\$ 6,800,014
Buildings	27,605,210	28,571,633
Infrastructure	5,270,283	5,564,126
Furniture & equipment	262,168	338,899
Total	\$ 39,937,675	\$ 41,274,672

ECONOMIC FACTORS

The Board is dependent on sales tax collections for its revenues. The economy is not expected to generate any significant growth; therefore, sales tax revenues are expected to remain stable for 2020.

CONTACTING THE BOARD'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Board's finances and to demonstrate the Board's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Scot Byrd, 120 South Irma Boulevard, Gonzales, LA 70737.

INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF GONZALES, LOUISIANA, INC.
STATEMENT OF NET POSITION
MAY 31, 2019

<u>ASSETS</u>	<u>Governmental Activities</u>
Cash and investments	\$ 720,775
Sale tax receivables	154,399
Nondepreciable capital assets	6,800,014
Capital assets, net	<u>33,137,661</u>
TOTAL ASSETS	<u>40,812,849</u>
 <u>LIABILITIES</u>	
Interest payable	21,606,115
Long-term liabilities:	
Bonds payable	<u>49,614,679</u>
TOTAL LIABILITIES	<u>71,220,794</u>
 <u>NET POSITION</u>	
Net investment in capital assets	(9,677,004)
Unrestricted (deficit)	<u>(20,730,941)</u>
TOTAL NET POSITION	<u>\$ (30,407,945)</u>

The accompanying notes are an integral part of this financial statement.

INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF GONZALES, LOUISIANA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2019

	<u>Expenses</u>	<u>Program Revenues Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u>
<u>ACTIVITIES</u>			
Governmental:			
Depreciation	\$ 1,336,997	\$ -	\$ (1,336,997)
Interest	3,224,954	-	(3,224,954)
Payments in lieu of taxes	349,045	-	(349,045)
Professional fees	3,913	-	(3,913)
Total governmental activities	<u>\$ 4,914,909</u>	<u>\$ -</u>	<u>(4,914,909)</u>
General Revenues:			
Sales taxes			1,389,018
Payments in lieu of taxes			349,045
Interest			5,610
Total general revenues			<u>1,743,673</u>
Change in net position			(3,171,236)
Net position - June 1, 2018			<u>(27,236,709)</u>
Net position - May 31, 2019			<u>\$ (30,407,945)</u>

The accompanying notes are an integral part of this financial statement.

INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF GONZALES, LOUISIANA, INC.
BALANCE SHEET
GOVERNMENTAL FUND
MAY 31, 2019

	Debt Service Fund
<u>ASSETS</u>	
Cash and investments	\$ 720,775
Sales tax receivable	154,399
Total assets	\$ 875,174
<u>LIABILITIES</u>	
Interest payable	\$ 20,885,340
Total liabilities	20,885,340
<u>FUND DEFICIT</u>	
Unassigned	(20,010,166)
Total liabilities and fund deficit	\$ 875,174

The accompanying notes are an integral part of this financial statement.

INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF GONZALES, LOUISIANA, INC.
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENTS OF NET POSITION
MAY 31, 2019

Total fund deficit - Governmental Fund		\$ (20,010,166)
Cost of capital assets at May 31, 2019	60,449,360	
Less: accumulated depreciation as of May 31, 2019	<u>(20,511,685)</u>	39,937,675
Long-term liabilities applicable to the Board's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.		
Long-term Debt		(49,614,679)
Interest Payable		<u>(720,775)</u>
Total net position at May 31, 2019 - Governmental Activities		<u><u>\$ (30,407,945)</u></u>

The accompanying notes are an integral part of this financial statement.

INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF GONZALES, LOUISIANA, INC.
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND DEFICIT - GOVERNMENTAL FUND
YEAR ENDED MAY 31, 2019

	Debt Service Fund
REVENUES	
Sales taxes	\$ 1,389,018
Payments in lieu of taxes	349,045
Interest income	5,610
Total revenues	<u>1,743,673</u>
<u>EXPENDITURES</u>	
Current:	
Payments in lieu of taxes	349,045
Professional fees	3,913
Debt service:	
Interest expense	3,319,248
Total expenditures	<u>3,672,206</u>
Excess expenditures over revenues	(1,928,533)
Fund Deficit, Beginning of Year	<u>(18,081,633)</u>
Fund Deficit, End of Year	<u><u>\$ (20,010,166)</u></u>

The accompanying notes are an integral part of this financial statement.

INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF GONZALES, LOUISIANA, INC.
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND DEFICIT OF GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
MAY 31, 2019

Net change in fund deficit - Governmental fund	\$ (1,928,533)
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The change in net position reported for governmental activities in the statement of activities is different because:

Capital assets:

Depreciation expense for the year ended May 31, 2019	(1,336,997)
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Long term debt:

Difference in the modified accrual basis of accounting and the accrual basis of accounting in recognition of interest expense	<u>94,294</u>
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Changes in net position of governmental activities	<u><u>\$ (3,171,236)</u></u>
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The accompanying notes are an integral part of this financial statement.

**INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF GONZALES, LOUISIANA, INC.**

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The Industrial Development Board of the City of Gonzales, Louisiana, Inc. was created, authorized, and empowered under the laws of the State of Louisiana, including particularly Part II of Chapter 27 of Title 33 of the Louisiana Revised Statutes of 1950, as amended (La. R.S. 33:9038.1 to 33:9038.10, inclusive) (the “Tax Incremental Development Act”). The purpose is to provide for the financing of the acquisition, construction and equipping of a Cabela’s retail outlet and certain infrastructure located in the District (the “Project”).

The Industrial Development Board of the City of Gonzales, Louisiana, Inc. has entered into a Cooperative Endeavor Agreement with the City of Gonzales, the Gonzales Economic District No. 1, Carlisle Resort, LLC, Cabela’s Retail LA, LLC, and the State of Louisiana to provide aspects of the development of the project and the pledge of incremental increases in sales and use taxes receipts to finance the bonds for the development of the project.

The accounting and reporting practices of the Industrial Development Board of the City of Gonzales, Louisiana, Inc., conform to accounting principles generally accepted in the United States of America as applicable to governmental units on a consistent basis between periods.

Financial Reporting Entity - This report includes all funds, which are controlled by, or dependent on the Board. Control by or dependence on the Board was determined on the basis of the taxing authority, authority to issue debt, election or appointment of governing body, and other general oversight responsibility. Industrial Development Board of the City of Gonzales’ board members are appointed by the City of Gonzales, but the City’s accountability for the Board does not extend beyond making the appointment.

The following is a summary of certain significant accounting policies:

Basis of Presentation, Basis of Accounting

Government-wide Statements: The statement of net position and the statement of activities display information about the Industrial Development of the City of Gonzales, Louisiana, Inc. These statements include the financial activities of the overall government, except for fiduciary activities. These statements of the overall government. Governmental activities generally are financed through sales taxes.

The statement of activities presents the direct expenses and program revenues for each function of the Board’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF GONZALES, LOUISIANA, INC.**

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Fund Financial Statements: The fund financial statements provide information about the Board's governmental funds. The emphasis of fund financial statements is on major governmental fund.

The Board reports the following major governmental funds:

- a. Debt Service Fund – The Debt Service Fund is used to account for the collection of taxes and payment of bonds.

Measurement Focus, Basis of Accounting -

Government-wide. The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Board gives (or receives) value without directly receiving (or giving) equal value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Board considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Sales taxes are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under operating leases are reported as other financing sources and uses.

Related Organizations – The City Council is responsible for appointing the members of the board of the Industrial Development Board of the City of Gonzales, but the City's accountability for this organization does not extend beyond making the appointments.

Cash and investments – Cash includes investments in highly liquid debt instruments with an original maturity of three months or less, excluding amounts whose use is limited by board designation or those amounts with third-party payers.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

**INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF GONZALES, LOUISIANA, INC.**

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

<u>Asset Class</u>	<u>Estimates Useful Lives</u>
Infrastructure	25-40
Buildings	30-40
Equipment	8-15

Government-Wide Net Position— Government-wide net assets displayed in three components:

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 bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or law through constitutional provisions or enabling legislation.

Unrestricted net position – Consist of all other net assets that do not meet the definition of “restricted” or “net investment in capital assets”.

When both restricted and unrestricted resources are available for use, it is the government’s policy to used restricted resources first, then unrestricted resources as they are needed.

Fund Equity of Fund Financial Statements – Accounting standards require governmental fund balances to be reported in as many as five classifications as listed below:

Nonspendable – represents amounts that are not expected to be converted to cash because they are either not in spendable form or legally contractually required to be maintained intact.

Restricted – represents balances where constraints have been established by parties outside the City or imposed by law through constitutional provisions or enabling legislation.

Committed – represents balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board.

Assigned – represents balances that are constrained by the government’s intent to be used for specific purposes, but are not restricted or committed.

Unassigned – represents balances that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the general fund.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF GONZALES, LOUISIANA, INC.**

NOTES TO FINANCIAL STATEMENTS

2. Capital Assets

Capital Assets and depreciation activity as of and for the year ended May 31, 2019, are as follows:

Governmental activities:

	<u>Land</u>	<u>Building</u>	<u>Infrastructure</u>	<u>Furniture & Equipment</u>	<u>Total</u>
Costs of Capital Assets					
May 31, 2018	\$ 6,800,014	\$ 38,580,021	\$ 8,621,418	\$ 6,447,907	\$60,449,360
Additions	-	-	-	-	-
Costs of Capital Assets					
May 31, 2019	<u>6,800,014</u>	<u>38,580,021</u>	<u>8,621,418</u>	<u>6,447,907</u>	<u>60,449,360</u>
Accumulated depreciation					
May 31, 2018	-	10,008,388	3,057,292	6,109,008	19,174,688
Additions	-	966,423	293,843	76,731	1,336,997
Accumulated depreciation					
May 31, 2019	<u>-</u>	<u>10,974,811</u>	<u>3,351,135</u>	<u>6,185,739</u>	<u>20,511,685</u>
Capital assets, net of accumulated depreciation at					
May 31, 2019	<u>\$ 6,800,014</u>	<u>\$ 27,605,210</u>	<u>\$ 5,270,283</u>	<u>\$ 262,168</u>	<u>\$39,937,675</u>

For the year ended May 31, 2019, depreciation expense was \$1,336,997.

3. Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. Cash balance consists of a Hancock Horizon Government Money Market account.

**INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF GONZALES, LOUISIANA, INC.**

NOTES TO FINANCIAL STATEMENTS

4. Cash and Investments

Statutes authorize the Board to invest in United States bonds, treasury notes or certificates, time certificates of deposit of Louisiana state banks and national banks having the principal office in the State of Louisiana, or any other federally insured investment.

As of May 31, 2019, the Board had the following investments and maturities.

INVESTMENT MATURITIES (IN YEARS)

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1</u>
Hancock Horizon Government Money Market	\$ 720,775	\$ 720,775

Interest Rate Risk

The Board does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State law limits investments in securities issued, or backed by the United States Treasury obligations, U.S. Government instrumentalities, which are federally sponsored. The Board does not have an investment policy that would further limit its investment choices. As of May 31, 2019, the Board's investment in Hancock Horizon Governmental Money Market was rated AAA by Standard & Poor's.

5. Changes in Long-Term Debt

The following is a summary of long-term debt transactions of the City of Gonzales Industrial Development Board for the year ended May 31, 2019:

Governmental Activities:

Bonds Payable

Bonds payable May 31, 2018	\$ 49,614,679
Debt Issued	-
Principal Retirement	-
Bonds payable May 31, 2019	<u>\$ 49,614,679</u>

**INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF GONZALES, LOUISIANA, INC.**

NOTES TO FINANCIAL STATEMENTS

5. Changes in Long-Term Debt (continued)

Debts payable at May 31, 2019, are compromised of the following individual issues:

\$42,350,000 Tax Incremental Taxable Revenue Bond, Series 2007A dated November 10, 2008, with a maturity date December 1, 2037; interest at 6.50%, secured by sales taxes.	\$ 42,150,084
 \$14,500,000 Tax Incremental Taxable Revenue Bond, Series 2007B dated June 1, 2008, with a maturity date December 1, 2037; interest 6.50%, secured by sales taxes.	 7,464,595
	<u>\$ 49,614,679</u>

6. Current Portion of Long-Term Debt

The bond indenture requires sales tax revenue to be applied to accrued interest before any principal payments on the bonds without an amortization schedule. Historically, sales tax revenue has not been enough to pay the interest on the bonds; therefore, there is no current portion of long-term debt in the current year. Likewise, no future payment of debt service is presented because of this uncertainty.

7. Events of Default and Remedies

The Board has not received enough sales tax revenue to pay the principal and interest on the Bonds when they become due and payable. This is an Event of Default under Section 8.2 of the Trust Indenture. However, this section also states that if the Tax Collector timely advances the Monthly Pledged Local Increment and the Louisiana Department of Revenue timely advances the Monthly Pledged State Increment to the Trustee in accordance with the Cooperative Endeavor Agreement and the Trust Indenture, and the Monthly Pledged Local Increment and Monthly Pledged State Increment so transferred are not sufficient for the payment due and payable, then an Event of Default shall not be deemed to have occurred.

Upon the occurrence of an Event of Default, the Trustee upon the written request of the owners of less than a majority of the aggregate principal amount of Bonds outstanding shall, by notice in writing to the Issuer, declare the Bonds then outstanding immediately due and payable. As of November 26, 2019, the Board has not received a written request that the Bonds are immediately due and payable.

8. Deficit Fund Balance

The Board's only source of revenue is the sales tax collected within the District and the only expenses are paying the principal and interest of the bonds. The Board remains uncertain as to whether the District will be able to generate enough sales tax to re-pay interest due on bonds.

**INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF GONZALES, LOUISIANA, INC.**

NOTES TO FINANCIAL STATEMENTS

9. Sales and Use Tax

The Board receives 1.5 cents of the City of Gonzales, Louisiana's 2 cent sales tax collected within the geographic area designated as the Gonzales Economic District Number 1.

The State of Louisiana contributes 1.5 cents sales tax from its portion generated within the District up to a maximum of \$10,500,000. As of May 31, 2019, the State of Louisiana's total sales tax contributed totaled \$7,364,501.

10. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, November 26, 2019, and has determined that no events occurred that require disclosure.

INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF GONZALES, LOUISIANA, INC.
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS
TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER
MAY 31, 2019

Agency Head Name/Title: Barney Arceneaux, Mayor

Purpose	Amount
Salary	\$ -
Benefits – health insurance	-
Benefits – retirement	-
Clothing allowance	-
Per diems	-
Travel	-
Conference travel	-
	<hr/>
	\$ -



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

To the Members of the Industrial Development Board
Of the City of Gonzales, Louisiana, Inc.

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 and the major fund information of the Industrial Development Board of the City of Gonzales, Louisiana, Inc. as of and for the year ended May 31, 2019, and the related notes to the financial statements, which collectively comprise the Industrial Development Board of the City of Gonzales, Louisiana, Inc.'s basic financial statements, and have issued our report thereon dated November 26, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Industrial Development Board of the City of Gonzales, Louisiana Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Industrial Development Board of the City of Gonzales, Louisiana Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Industrial Development Board of the City of Gonzales, Louisiana Inc.'s internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Gonzales, Louisiana
November 26, 2019

**INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF GONZALES, LOUISIANA, INC.**

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED MAY 31, 2019**

A. SUMMARY OF AUDIT RESULTS

1. The independent auditors' report expresses an unmodified opinion on whether the financial statements of the Industrial Development Board of the City of Gonzales, Louisiana, Inc. were prepared in accordance with GAAP.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statement of Industrial Development Board of the City of Gonzales, Louisiana, Inc. which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS – COMPLIANCE

None

**INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF GONZALES, LOUISIANA, INC.**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED MAY 31, 2019**

A. FINDINGS – FINANCIAL STATEMENTS AUDIT

None

B. FINDINGS – COMPLIANCE

None

INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF GONZALES

GONZALES, LOUISIANA

STATEWIDE AGREED UPON PROCEDURES

MAY 31, 2019



INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Members of the Industrial Development Board, and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the Industrial Development Board of the City of Gonzales, Louisiana, Inc. (the Board) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period June 1, 2018 through May 31, 2019. The Board's management is responsible for those C/C areas identified in the SAUPs. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

This agreed-upon procedures engagement was conducted 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, the objective of which would be the expression of an opinion or conclusion, 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.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that 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

Not applicable. The entity has a debt service fund only; therefore, is not required to adopt a budget.

- 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.

Not applicable. The entity does not make purchasing transactions.

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

Written policies and procedures were obtained and address the functions noted above.

- 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).

Not applicable. The entity does not collect cash, checks, or money orders directly. Collections are collected by a third party.

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

Not applicable. The entity does not have employees.

- 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

Not applicable. The entity does not have any contracts with vendors.

- 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)

Not applicable. The entity does not have any credit cards.

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

Not applicable. The entity does not reimburse for travel or related expenses.

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

Written policies and procedures were obtained and address the functions noted above.

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

Written policies and procedures were obtained and address the functions noted above.

- k) **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.

Written policies and procedures were obtained and address the functions noted above.

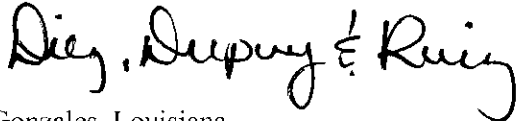
Ethics

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

No exceptions noted.
 - b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

No exceptions noted.

This report is solely for the information and use of the Industrial Development Board and the Louisiana Legislative Auditor, and not intended to be, and should not be, used by anyone other than the specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.



Gonzales, Louisiana
November 26, 2019