

FREMAUX ECONOMIC DEVELOPMENT DISTRICT

A COMPONENT UNIT OF THE CITY OF SLIDELL

SLIDELL, LOUISIANA

FOR THE FISCAL YEAR ENDED

JUNE 30, 2019



ERICKSEN KRENTEL^{LLP}

CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners of the
Fremaux Economic Development District
Slidell, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Fremaux Economic Development District, Slidell, Louisiana (the "District") (a component unit of the City of Slidell), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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



To the Board of Commissioners of the
Fremaux Economic Development District
Slidell, Louisiana

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Fremaux Economic Development District as of June 30, 2019, and the respective changes in financial position 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 and budgetary comparison information on pages 4 through 7 and 24 through 25 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 District's basic financial statements. The schedule of compensation, benefits, and other payments to agency head on page 26 is presented for purposes of additional analysis and is not a required part of the basic financial statements.



To the Board of Commissioners of the
Fremaux Economic Development District
Slidell, Louisiana

The schedule of compensation, benefits, and other payments to agency head 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 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 December 16, 2019, on our consideration of the District'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 District's internal control over financial reporting and compliance.

December 16, 2019
Mandeville, Louisiana


Certified Public Accountants

REQUIRED SUPPLEMENTARY INFORMATION – PART I

FREMAUX ECONOMIC DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019

Our discussion and analysis of the Fremaux Economic Development District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2019. This analysis should be read in conjunction with the audited financial statements, which follow this section.

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 8 and 9) provide information about the activities of the District as a whole and present a long-term view of the District's finances.

Fund financial statements start on page 10. For governmental activities, these statements report how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds.

The Statement of Net Position and the Statement of Activities

Our analysis of the District as a whole begins on page 8. The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. As such, all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. Over time, increases or decreases in the District's net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating.

In both of the government-wide financial statements, all of the District's basic services are reported as governmental activities and will be financed primarily through revenues from sales and hotel occupancy taxes.

Fund Financial Statements

The fund financial statements begin on page 10 and provide detailed information about the most significant funds—not the District as a whole. The District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

FREMAUX ECONOMIC DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2019

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 can be found beginning on page 14 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning budgetary basis reporting for the General Fund and Debt Service Fund. Required supplementary information can be found on pages 24 and 25 of this report.

Government-Wide Financial Analysis

As noted earlier, net position (deficit) may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities exceeded assets by \$8,060,209 at the close of fiscal year 2019 and \$8,217,309 at the close of fiscal year 2018.

Table 1
Condensed Statement of Net Position
June 30, 2019 and 2018

<u>ASSETS</u>		
	<u>2019</u>	<u>2018</u>
Current assets	\$ 110,270	\$ 107,970
Restricted assets	<u>1,192,741</u>	<u>1,165,746</u>
Total assets	<u>\$ 1,303,011</u>	<u>\$ 1,273,716</u>
<u>LIABILITIES</u>		
Current liabilities	\$ 81,501	\$ 82,541
Long-term liabilities	<u>9,281,719</u>	<u>9,408,484</u>
Total liabilities	<u>\$ 9,363,220</u>	<u>\$ 9,491,025</u>
<u>NET POSITION</u>		
Restricted for debt service	\$ 1,020,366	\$ 1,003,934
Unrestricted	<u>(9,080,575)</u>	<u>(9,221,243)</u>
Total net position (deficit)	<u>\$ (8,060,209)</u>	<u>\$ (8,217,309)</u>

The District's total assets increased by \$29,295. The District's total liabilities decreased by \$127,805.

The District's net position increased by \$157,100 during the current fiscal year.

**FREMAUX ECONOMIC DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2019**

**Table 2
Condensed Statement of Changes in Net Position**

	2019	2018
Revenues		
General revenues		
Sales and use tax	\$ 678,815	\$ 638,611
Investment earnings	22,925	13,675
Total revenues	701,740	652,286
Program expenses		
General government	16,664	14,608
Interest on long-term debt	527,976	553,827
Total expenses	544,640	568,435
Change in net position (deficit)	157,100	83,851
Ending net position (deficit) from the Statement of Activities	\$ (8,060,209)	\$ (8,217,309)

As of June 30, 2019, the District has a government-wide net deficit. The District has \$1,020,366 (13%) of net position restricted for debt service and the remaining net deficit is unrestricted. At the end of the current fiscal year, the District is not able to report positive balances in net position for governmental activities. This is due to the issuance of Sales Tax Bonds during 2014 and 2016.

Governmental activities increased the District's net position by \$157,100.

Total revenue related to governmental activities increased by \$49,454 (8%) in 2019 as compared to 2018, largely due to an increase in the collection of sales and use tax.

Total expenses for governmental activities increased by \$23,795 (4%) in 2019 compared to 2018. The District incurred expenses during 2019 for interest on long-term debt.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved 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 the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,302,918, an increase of \$29,252 in comparison with the prior year fund balance of \$1,273,667.

Fund balance in the General Fund and Debt Service Fund increased by \$12,819 and \$16,433, respectively, during the current fiscal year.

FREMAUX ECONOMIC DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2019

DEBT

At year-end, the District had \$9,281,719 in long-term debt which consisted of sales tax bonds. Long-term debt decreased from the prior year due repayment of principal and from the net effect of the amortization of original issue discounts. More detailed information about this issuance is disclosed in Note 4 to the financial statements.

OTHER FACTORS AFFECTING THE DISTRICT

The District's management approach is fiscally conservative. This District issued bonds to finance various capital improvements within the District. The District will meet future obligations to redeem bonds with the proceeds of sales taxes collected within the District which is pledged for the repayment of the bonds.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District's elected and appointed officials considered the following factors when setting the 2020 budget:

In 2020, sales tax revenue in the District is expected to approximate 2019 sales tax revenue due to the near completion of the Phase 2 retail development plan.

The sales tax collections net of expenses for collections, the trustee, auditing and accounting are dedicated to debt service on the outstanding bonds.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The financial report is designed to provide the District's users with a general overview of the District's finances and to show the District's accountability for the money it receives. Questions regarding this report or request for additional information should be addressed to Fremaux Economic Development District at 2045 Second Street, Slidell, Louisiana or by phone at (985) 646-4316.

BASIC FINANCIAL STATEMENTS

FREMAUX ECONOMIC DEVELOPMENT DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019

	<u>Total Governmental Activities</u>
<u>ASSETS:</u>	
Sales tax receivable	\$ 110,270
Restricted assets:	
Cash and cash equivalents	<u>1,192,741</u>
Total assets	<u>1,303,011</u>
<u>LIABILITIES:</u>	
Accrued interest	81,408
Due to other governments	93
Noncurrent liabilities:	
Due within one year	-
Due in more than one year	<u>9,281,719</u>
Total liabilities	<u>9,363,220</u>
<u>NET POSITION:</u>	
Restricted for debt service	1,020,366
Unrestricted	<u>(9,080,575)</u>
Total net position (deficit)	<u>\$ (8,060,209)</u>

FREMAUX ECONOMIC DEVELOPMENT DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Change in Net Position Total
Governmental Activities:			
General government	\$ (16,664)	\$ -	\$ (16,664)
Interest on long-term debt	<u>(527,976)</u>	<u>-</u>	<u>(527,976)</u>
Total governmental activities	<u>(544,640)</u>	<u>-</u>	<u>(544,640)</u>
General Revenues:			
Taxes:			
Sales and use			678,815
Investment earnings			<u>22,925</u>
Total general revenues			<u>701,740</u>
Change in net position			157,100
Net position (deficit) - beginning of year			<u>(8,217,309)</u>
Net position (deficit) - end of year			<u><u>\$ (8,060,209)</u></u>

The accompanying notes are an integral part of this statement

FREMAUX ECONOMIC DEVELOPMENT DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

ASSETS

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<u>CURRENT ASSETS:</u>			
Sales tax receivable	\$ 110,270	\$ -	\$ 110,270
Restricted assets:			
Cash and cash equivalents	<u>172,375</u>	<u>1,020,366</u>	<u>1,192,741</u>
Total assets	<u>\$ 282,645</u>	<u>\$ 1,020,366</u>	<u>\$ 1,303,011</u>

LIABILITIES AND FUND BALANCES

<u>LIABILITIES:</u>			
Due to other governments	\$ 93	\$ -	\$ 93
Total liabilities	<u>93</u>	<u>-</u>	<u>93</u>
<u>FUND BALANCES:</u>			
Restricted for debt service	-	1,020,366	1,020,366
Restricted for economic development	<u>282,552</u>	<u>-</u>	<u>282,552</u>
Total fund balances	<u>282,552</u>	<u>1,020,366</u>	<u>1,302,918</u>
Total liabilities and fund balances	<u>\$ 282,645</u>	<u>\$ 1,020,366</u>	<u>\$ 1,303,011</u>

The accompanying notes are an integral part of this statement

FREMAUX ECONOMIC DEVELOPMENT DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Amounts reported for governmental activities in the Statement of Net Position are different because:

Funds balances, total governmental funds	\$ 1,302,918
Long-term liabilities including bonds payable are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Accrued interest payable	(81,408)
Bonds payable, net of discounts	<u>(9,281,719)</u>
Net position (deficit) of governmental activities	<u>\$ (8,060,209)</u>

FREMAUX ECONOMIC DEVELOPMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES:			
Taxes and assessments:			
Sales taxes	\$ 678,815	\$ -	\$ 678,815
Interest income	<u>2,611</u>	<u>20,314</u>	<u>22,925</u>
Total revenues	<u>681,426</u>	<u>20,314</u>	<u>701,740</u>
EXPENDITURES:			
Current:			
Advertising	164	-	164
Accounting and auditing	11,500	-	11,500
Trustee fee	5,000	-	5,000
Debt service:			
Principal retirement	-	130,000	130,000
Interest and fiscal charges	<u>-</u>	<u>525,825</u>	<u>525,825</u>
Total expenditures	<u>16,664</u>	<u>655,825</u>	<u>672,489</u>
Excess (deficiency) of revenues over (under) expenditures	<u>664,762</u>	<u>(635,511)</u>	<u>29,251</u>
OTHER FINANCING SOURCES:			
Transfers in	-	651,943	651,943
Transfers out	<u>(651,943)</u>	<u>-</u>	<u>(651,943)</u>
Total other financing sources (uses)	<u>(651,943)</u>	<u>651,943</u>	<u>-</u>
Net change in fund balances	12,819	16,432	29,251
Fund balances - beginning of year	<u>269,733</u>	<u>1,003,934</u>	<u>1,273,667</u>
Fund balances - end of year	<u>\$ 282,552</u>	<u>\$ 1,020,366</u>	<u>\$ 1,302,918</u>

The accompanying notes are an integral part of this statement

FREMAUX ECONOMIC DEVELOPMENT DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

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

Net change in fund balances, total governmental funds	\$	29,251
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The issuance of long-term debt (bonds, leases, etc.) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and discounts when debt is issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		130,000
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Accrued interest expense		(2,151)
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Change in net position (deficit) of governmental activities	\$	157,100
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FREMAUX ECONOMIC DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Fremaux Economic Development District (the “District”) is an economic development district and a political subdivision of the State of Louisiana, created pursuant to Part II of Chapter 27 of Title 33 and ordinance No. 3460 adopted by the Slidell City Council in its capacity as the governing authority of the City of Slidell, State of Louisiana on March 25, 2008. Pursuant to the Louisiana Cooperative Economic Development Law, the Slidell City Council acts as the governing authority of both the City and the District; however the two entities are separate and distinct political subdivisions of the State.

The District encompasses 89 acres of land where a mixed use development is being constructed in multiple phases. The purpose of the District is to issue sales tax and hotel occupancy increment revenue bonds for economic development in the District. The City of Slidell is the financial reporting entity for the District. The City of Slidell appoints the District’s governing body and can impose its will on the District. Accordingly, the District has been determined to be a discretely presented component unit of the City of Slidell. The accompanying financial statements present information only on the activities and funds maintained by the District and do not present information on the City of Slidell. As a discrete component unit, the accompanying financial statements are included within the reporting of the primary government.

Basis of Presentation

The financial statements of the Fremaux Economic Development District, State of Louisiana have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

This financial report has been prepared in conformity with GASB Statement No. 34, *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments*, issued in June 1999, as amended by GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Changes in Net Position) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements.

FREMAUX ECONOMIC DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

The ***General Fund*** is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The ***Debt Service Fund*** accounts for the accumulation of resources for the payment of general long-term debt principal.

FREMAUX ECONOMIC DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

Budgetary Accounting

Annually, the District adopts a budget for the General Fund and Debt Service Fund on a modified accrual basis of accounting. The budgetary practices include public notice of the proposed budget, public inspection of the proposed budget, and public hearings on the budget. Budgetary integration is used as a management control device.

Once a budget is approved it can be amended. Such amendments are made before the fact, are reflected in the official minutes of the District, and are not made after fiscal year end.

The Mayor and City Council approve, prior to the beginning of each year, an annual operating budget prepared on the modified accrual basis for general governmental activities. Budgeted amounts are as amended by the District. All budget appropriations lapse at year end.

Cash and Cash Equivalents

For the purpose of the Statement of Net Position, cash includes demand deposits of the District. Cash equivalents include short-term, highly liquid, money market mutual funds invested in U.S. Treasury and agency obligations.

The District is authorized under state law to deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the United States, or laws of the United States. Under state laws, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. State Law R.S. 39:1225 provides that the amount of the security shall at all times be equal to 100% of the amount on deposit to the credit of each depositing authority, except that portion of the deposits insured by United States.

FREMAUX ECONOMIC DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Investments

State law allows the District to invest in collateralized certificates of deposits, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities.

Interfund Transactions

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. The permanent reallocation of resources between funds of the District are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated. Interfund services provided and used are not eliminated in the process of consolidation.

Restricted Assets

Restricted assets on the Balance Sheet of the General Fund of \$172,375 represent the deposit of net revenues from the one-half percent sales tax collected by the District which are held in trust and disbursed by the trustee in accordance with terms of the bond indenture.

Restricted cash on the Balance Sheet of the Debt Service Fund of \$1,020,366 represents amounts which are required to be maintained pursuant to the ordinance relating to Sales Tax Bond Series 2014 and Sales Tax Bond Series 2015 to satisfy reserve requirements. A corresponding amount of fund balance is restricted as these monies are legally segregated for a specific future use.

Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method.

Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenditures in the period incurred.

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 debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

FREMAUX ECONOMIC DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity Classifications

In the government-wide financial statements, equity is classified as net position and displayed in three components:

- a. 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.
- b. Restricted net position - consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. Restricted for other purposes on the Statement of Net Position consist of Debt Service.
- c. Unrestricted net position - all other net position that do not meet the definition of “restricted” or “net investment in capital assets”.

Governmental fund equity is classified as fund balance. Fund balance is further classified as non-spendable, restricted, committed, assigned, and unassigned. The Council, as the highest level of decision-making authority, can establish, modify or rescind a fund balance commitment by ordinance at a public Council meeting.

When both restricted and unrestricted fund balances are available for use, it is the District’s policy to use restricted resources first, then unrestricted as needed. When committed, assigned or unassigned fund balances are available for use, it is the District’s policy to use committed resources first, then assigned resources and unassigned resources as they are needed.

Minimum Unrestricted Fund Balance Policy

The District has not adopted a minimum unrestricted fund balance policy. The disbursement of revenue collected by the District and the resulting fund balance are governed by the bond indenture.

FREMAUX ECONOMIC DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions. Those estimates affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of assets, deferred outflows of resources, liabilities and deferred inflows of resources at the date of the financial statements. They may also affect the reported amounts of revenues and expenses of proprietary funds and the government-wide financial statements during the reporting period. Actual results could differ from these estimates.

Subsequent Events

Subsequent events have been evaluated through December 16, 2019, the date the financial statements were available to be issued.

(2) CASH AND INVESTMENTS

The District had the following cash and cash equivalents as of June 30, 2019:

	Total
<u>Governmental funds:</u>	
Restricted demand deposits	\$ 23
Restricted money market mutual funds	1,192,718
	\$ 1,192,741

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits might not be recovered. The District's deposit policy for custodial credit risk conforms to state law, as described in Note 1. At June 30, 2019, the District's demand deposit bank balances of \$23 were entirely secured by federal deposit insurance. The District's money market mutual funds were entirely secured by government backed securities held in the District's name.

(3) DEDICATED REVENUES

On March 25, 2008, the City Council passed ordinance number 3461 levying an additional sales tax of one percent (1%) in the District and passed ordinance number 3462 levying a hotel occupancy tax of one percent (1%) in the District to fund economic development projects selected by the District. On December 13, 2011, the City Council adopted ordinance number 3636 to reduce the levy from one percent (1%) to one-half of one percent (0.50%), dedicated to economic development in the District.

FREMAUX ECONOMIC DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

(4) LONG-TERM DEBT

The following is a summary of long-term debt transactions of the District for the year ended June 30, 2019:

	<u>Balance</u> <u>6/30/2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2019</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
<u>Governmental Activities:</u>					
Sales Tax Bonds, Series 2014					
R-1	\$ 2,255,000	\$ -	\$ 130,000	\$ 2,125,000	\$ -
R-2	3,200,000	-	-	3,200,000	-
Original issue discounts	(38,610)	-	1,485	(37,125)	-
Sales Tax Bonds, Series 2015					
R-1	\$ 4,040,000	\$ -	\$ -	\$ 4,040,000	\$ -
Original issuance discounts	(47,906)	-	1,750	(46,156)	-
Total governmental activities	<u>\$ 9,408,484</u>	<u>\$ -</u>	<u>\$ 133,235</u>	<u>\$ 9,281,719</u>	<u>\$ -</u>

Sales Tax Bonds secured by sales and use taxes:

\$5,710,000 Sales Tax Bonds, Series 2014, issued on April 3, 2014, secured by an irrevocable pledge and dedication of all the avails or proceeds of the special one-half of one percent (.50%) sales tax now being levied and collected, bearing interest from 5.0% to 6.0%, R-1 bonds mature in 2034 and R-2 bonds mature in 2043, economic development projects. \$ 5,325,000

\$5,250,000 Sales Tax Bonds, Series 2015, issued on November 12, 2015, secured by an irrevocable pledge and dedication of all the avails or proceeds of the special one-half of one percent (.50%) sales tax now being levied and collected, bearing interest of 5.50%, R1 bonds mature in 2045, economic development projects. 4,040,000

\$ 9,365,000

The annual requirements to maturity for Sales Tax Bonds as of June 30, 2019 are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ -	\$ 524,700
2021	-	524,700
2022	-	524,700
2023	-	524,700
2024	-	524,700
2025-2029	-	2,623,500
2030-2034	-	2,623,500
2035-2039	2,510,000	2,861,550
2040-2044	2,815,000	2,720,200
2045-2046	<u>4,040,000</u>	<u>333,300</u>
Total	<u>\$ 9,365,000</u>	<u>\$13,785,550</u>

FREMAUX ECONOMIC DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

(4) LONG-TERM DEBT (CONTINUED)

The Bonds were issued for the purpose of paying the costs of various capital improvements within the District and paying the costs of issuance of the Bonds. Most of the proceeds were used to pay or reimburse Slidell Development Company, L.L.C., the developer, for certain costs of economic development projects (consisting of water, sewer, drainage, roads and related infrastructure projects and other costs of a multi-purpose real estate development consisting of retail, commercial, residential, office, hotel, education and/or medical facilities) in or beneficial to the District.

(5) INTERFUND TRANSFERS

The General Fund transferred \$651,943 to the Debt Service Fund for principal and interest payments on the Revenue Bonds Series 2014 and interest payments on the Revenue Bonds Series 2015.

(6) NEW ACCOUNTING PRONOUNCEMENTS

The GASB has issued Statement No. 83, "*Certain Asset Retirement Obligations*." The objective of this Statement is to provide financial statement users with information about asset retirement obligations (AROs) that were not addressed in GASB standards by establishing uniform accounting and financial reporting requirements for these obligations. This Statement establishes criteria for determining the timing and the pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs, and requires (1) that recognition occur when the liability is both incurred and reasonably estimable; (2) the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred; (3) the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually; (4) a government to evaluate all relevant factors at least annually to determine whether the effects of one or more of the factors are expected to significantly change the estimated asset retirement outlays; and (5) disclosure of information concerning the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. This Statement did not have a material effect on the District's financial statements upon implementation.

FREMAUX ECONOMIC DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

(6) NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

The GASB has issued Statement No. 84, “*Fiduciary Activities*.” The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The District plans to adopt this Statement as applicable by the effective date.

The GASB has issued Statement No. 87, “*Leases*.” The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The District plans to adopt this Statement as applicable by the effective date.

The GASB has issued Statement No. 88, “*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*.” The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. This Statement did not have a material effect on the District's financial statements upon implementation.

The GASB has issued Statement No. 89, “*Accounting for Interest Cost Incurred before the End of a Construction Period*.” The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The District plans to adopt this Statement as applicable by the effective date.

FREMAUX ECONOMIC DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

(6) NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

The GASB has issued Statement No. 90, “*Majority Equity Interests an amendment of GASB Statements No. 14 and No. 61.*” The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The District plans to adopt this Statement as applicable by the effective date.

The GASB has issued Statement No. 91, “*Conduit Debt Obligations.*” The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. The District plans to adopt this Statement as applicable by the effective date.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

FREMAUX ECONOMIC DEVELOPMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budgetary Amounts</u>		Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
Taxes	\$ 629,000	\$ 674,000	\$ 678,815	\$ 4,815
Other revenues, primarily interest	3,200	2,800	2,611	(189)
Total revenues	<u>632,200</u>	<u>676,800</u>	<u>681,426</u>	<u>4,626</u>
<u>EXPENDITURES:</u>				
Current:				
Advertising	500	500	164	336
Accounting and auditing	9,500	11,500	11,500	-
Trustee fee	5,000	5,000	5,000	-
Total expenditures	<u>15,000</u>	<u>17,000</u>	<u>16,664</u>	<u>336</u>
Excess (deficiency) of revenues over (under) expenditures	<u>617,200</u>	<u>659,800</u>	<u>664,762</u>	<u>4,962</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Transfers out	(617,200)	(659,800)	(651,943)	7,857
Total other financing sources (uses)	<u>(617,200)</u>	<u>(659,800)</u>	<u>(651,943)</u>	<u>7,857</u>
Net change in fund balance	-	-	12,819	12,819
Fund balance, beginning of year	<u>269,733</u>	<u>269,733</u>	<u>269,733</u>	-
Fund balance, end of year	<u>\$ 269,733</u>	<u>\$ 269,733</u>	<u>\$ 282,552</u>	<u>\$ 12,819</u>

*Note: The Actual on Budgetary Basis amounts above reflect the modified accrual basis of accounting.

FREMAUX ECONOMIC DEVELOPMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)
DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budgetary Amounts</u>		<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
Other revenues, primarily interest	\$ -	\$ -	\$ 20,314	\$ 20,314
Total revenues	<u>-</u>	<u>-</u>	<u>20,314</u>	<u>20,314</u>
<u>EXPENDITURES:</u>				
Debt service:				
Principal payments	-	-	130,000	(130,000)
Interest and fiscal charges	617,200	659,800	525,825	133,975
Total expenditures	<u>617,200</u>	<u>659,800</u>	<u>655,825</u>	<u>3,975</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(617,200)</u>	<u>(659,800)</u>	<u>(635,511)</u>	<u>24,289</u>
<u>OTHER FINANCING SOURCES:</u>				
Transfers in	617,200	659,800	651,943	(7,857)
Total other financing sources	<u>617,200</u>	<u>659,800</u>	<u>651,943</u>	<u>(7,857)</u>
Net change in fund balance	-	-	16,432	16,432
Fund balance, beginning of year	<u>1,109,528</u>	<u>1,003,934</u>	<u>1,003,934</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,109,528</u>	<u>\$ 1,003,934</u>	<u>\$ 1,020,366</u>	<u>\$ 16,432</u>

OTHER SUPPLEMENTARY INFORMATION

FREMAUX ECONOMIC DEVELOPMENT DISTRICT
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED JUNE 30, 2019

	President Bill Borchert
No compensation, benefits, or other payments	\$ -

**OTHER REPORTS REQUIRED BY
*GOVERNMENT AUDITING STANDARDS***



**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 Board of Commissioners of the
Fremaux Economic Development District
Slidell, 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 *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fremaux Economic Development District (the "District") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 16, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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



To the Board of Commissioners of the
Fremaux Economic Development District

Compliance and Other Matters

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

Purpose of this Report

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.

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

December 16, 2019
Mandeville, Louisiana


Certified Public Accountants

FREMAUX ECONOMIC DEVELOPMENT DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

A. SUMMARY OF AUDIT RESULTS

1. The independent auditors' report expresses an unmodified opinion on the financial statements of the Fremaux Economic Development District.
2. No significant deficiencies or material weaknesses in internal control relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of the Fremaux Economic Development District were reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
4. A management letter was not issued for the year ended June 30, 2019.

B. FINDINGS RELATED TO THE FINANCIAL STATEMENTS

There were no findings related to the financial statements for the year ended June 30, 2019.

C. FINDINGS AND QUESTIONED COSTS RELATED TO MAJOR FEDERAL AWARD PROGRAMS

N/A

FREMAUX ECONOMIC DEVELOPMENT DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

SECTION I - FINDINGS RELATED TO THE FINANCIAL STATEMENTS

N/A

**SECTION II - FINDINGS AND QUESTIONED COSTS RELATED TO MAJOR
FEDERAL AWARD PROGRAMS**

N/A

SECTION III - MANAGEMENT LETTER

N/A