
City of Gonzales, Louisiana

Financial Report

May 31, 2021



CITY OF GONZALES, LOUISIANA

FINANCIAL REPORT

MAY 31, 2021

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mr. Barney Arceneaux, Mayor
And the Members of the City Council
City of Gonzales, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gonzales, Louisiana (the City), as of and for the year then ended May 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gonzales, Louisiana, as of May 31, 2021, and the respective changes in financial position, and, where applicable, cash flows 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 4 through 10, budgetary comparison schedule on page 55, schedule of changes in net opeb liability and related ratios on page 56, schedule of proportionate share of the net pension liability on page 57, schedule of pension contributions on page 58, and notes to the schedule of proportionate share of the net pension liability and schedule of pension contributions on page 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual non-major fund financial statements, schedule of per diem paid, schedule of compensation, benefits, and other payments to agency head or chief executive officer, and justice system funding schedule-collecting/disbursing entity are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements, schedule of per diem paid, schedule of compensation, benefits, and other payments to agency head or chief executive officer, justice system funding schedule-collecting/disbursing entity, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements, schedule of per diem paid, schedule of compensation, benefits, and other payments to agency head or chief executive officer, justice system funding

schedule-collecting/disbursing entity, and the schedule of expenditures of federal awards are 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 October 13, 2021 on our consideration of the City of Gonzales, Louisiana’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 effectiveness of the City of Gonzales, Louisiana’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Gonzales, Louisiana’s internal control over financial reporting and compliance.



October 13, 2021
Gonzales, Louisiana

CITY OF GONZALES

MANAGEMENT'S DISCUSSION AND ANALYSIS MAY 31, 2021

This section of City's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended on May 31, 2021. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information (where available).

FINANCIAL HIGHLIGHTS

- The City's combined total net position increased by \$3,775,326 or 5 percent over the course of this year's operations. Net position of the governmental activities increased approximately \$2.4 million and increased approximately \$1.4 million of the business-type activities.
- During the year, the City's governmental activities expenses were approximately \$2.4 million less than the \$24.2 million generated in charges for services, taxes, grants and contributions, and other revenue. In the City's business-type activities, expenses were approximately \$1.4 million less than the \$9 million generated in charges for services, grants and contributions, and general revenues.
- The General Fund has a transfer of \$3,202,611 to the Enterprise and Capital Project Funds. The Enterprise Fund transferred \$139,127 to the Capital Projects Fund. Capital Projects Fund transferred \$2,137,797 to the Enterprise Fund; \$1,637,797 of which was contributed capital. General Fund reported a decrease in fund balance of \$48,525, Capital Projects Fund reported an increase in fund balance of \$1,831,814, and Enterprise Fund reported an increase in net position of \$1,402,756.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City's government, reporting the City's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.
 - Proprietary fund statements offer short and long-term financial information about the activities the government operates like businesses, such as water and sewer system.

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. Table A-1 shows how the required parts of this annual report are arranged and relate to one another.

Table A-1 summarizes the major features of the City's financial statements, including the portion of the City'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.

CITY OF GONZALES

MANAGEMENT'S DISCUSSION AND ANALYSIS
MAY 31, 2021

Table A-1

	Government- Wide Statements	Governmental Funds	Proprietary Fund
Scope	Entire City Government	The activities of the City that are not proprietary or fiduciary, such as general government, public safety, streets and drainage, sanitation, recreation and buildings and grounds, civic center, and code enforcement	Activities the City operates similar to private businesses: the water, gas, and sewer system
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 balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses, and changes in net position • Statement of cash flows
Accounting basis and measurements focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic 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	All assets and liabilities, both financial and capital, and short-term and long-term
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	All revenues and expenses during year, regardless of when cash is received or paid

CITY OF GONZALES

MANAGEMENT'S DISCUSSION AND ANALYSIS MAY 31, 2021

Government-wide Statements

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

- Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional nonfinancial factors such as changes in the City's property tax base and the condition of the City's infrastructure.

The government-wide financial statements of the City are divided into two categories:

- Governmental activities – the City's basic services are included here, such as general government, public safety, streets and drainage, sanitation, recreation and buildings and grounds, civic center, code enforcement, and economic development. Property taxes and sales taxes finance most of these activities.
- Business-type activities – the City charges fees to customers to help cover the costs of services it provides. The city's water, gas, and sewer system are included here.

Fund Financial Statements

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

The City has two kinds of funds:

- Governmental funds – Most of the City's basic services are included in governmental funds, which focus 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 funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page, that explains the relationship (or differences) between them.
- Proprietary fund – Services for which the City charges customers a fee is generally reported in a proprietary fund. The proprietary fund, like the government-wide statements, provide both long and short-term financial information.

In fact, the City's enterprise fund (one type of proprietary fund) is the same as its business-type activities, but provide more detail and additional information, such as cash flows.

CITY OF GONZALES

MANAGEMENT'S DISCUSSION AND ANALYSIS
MAY 31, 2021

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position. The City's combined net position increased between fiscal years 2021 and 2020 approximately \$3.7 million to approximately \$79 million. (See Table A-2.)

Table A-2
City's Net Position

	Governmental Activities		Business-Type Activities	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Current and other assets	\$ 24,651,370	\$ 22,033,016	\$ 6,763,925	\$ 5,475,588
Capital assets, net	39,941,930	39,641,682	47,405,811	48,097,763
Total assets	<u>64,593,300</u>	<u>61,674,698</u>	<u>54,169,736</u>	<u>53,573,351</u>
Deferred outflows of resources	7,219,060	5,761,331	1,210,879	1,195,071
Total assets and deferred outflows of resources	71,812,360	67,436,029	55,380,615	54,768,422
Current and other liabilities	1,210,988	1,162,818	1,511,714	1,525,852
Long-term liabilities	26,765,737	25,443,298	16,479,063	17,404,226
Total liabilities	<u>27,976,725</u>	<u>26,606,116</u>	<u>17,990,777</u>	<u>18,930,078</u>
Deferred inflows of resources	1,582,576	949,424	238,008	89,270
Total liabilities and deferred inflows of resources	29,559,301	27,555,540	18,228,785	19,019,348
Net position				
Net investment in capital assets	39,595,036	39,145,642	34,809,679	34,544,644
Restricted	4,498,880	4,004,560	523,593	987,531
Unrestricted	(1,940,857)	(3,269,713)	1,818,558	216,899
Total net position	<u>\$ 42,253,059</u>	<u>\$ 39,880,489</u>	<u>\$ 37,151,830</u>	<u>\$ 35,749,074</u>

Net position of the City's governmental activities increased 6 percent to approximately \$42 million. Net position of the City's business-type activities increased 4 percent to approximately \$37 million.

The net position for governmental activities increased \$2,372,570 in the current year. The net position for business-type activities increased \$1,402,756 in the current year.

Changes in net position. The City's total revenues and transfers increased by approximately \$1.7 million to \$33 million (see Table A-3). Approximately 59 percent of the City's revenue is derived from property and sales tax collections. Charges for services represent 25 percent of revenue. Capital and Operating Grants and Contributions represent 6 percent. Licenses and permits represent 5 percent of revenue. The remaining 5 percent represents miscellaneous, non-employer contributions to pension plans, and investment earnings.

CITY OF GONZALES

MANAGEMENT'S DISCUSSION AND ANALYSIS

MAY 31, 2021

The total cost of all programs and services decreased approximately \$1 million or 3.5 percent. The City's expenses cover all services performed by its office.

Governmental Activities

Revenues and transfers for the City's governmental activities decreased by 2 percent, and total expenses decreased 7 percent.

Business-type Activities

Revenues and transfers of the City's business-type activities increased approximately \$2.1 million or 31 percent and expenses increased by approximately \$674,000 or 10 percent.

**Table A-3
Changes in City's Net Position**

	Governmental Activities		Business-Type Activities	
	2021	2020	2021	2020
Revenues and transfers				
Program revenues				
Charges for services	\$ 2,877,790	\$ 2,712,532	\$ 5,425,315	\$ 4,657,237
Grants and contributions	1,849,009	3,784,923	-	117,450
General revenues				
Taxes	18,815,725	16,437,536	834,127	728,864
Licenses and permits	1,596,791	1,494,900	-	-
Miscellaneous	682,126	339,470	620,192	507,005
Non-employer contributions to pension plan	346,597	303,200	42,222	39,599
Investment earnings	38,138	281,163	(1,166)	32,438
Contributions/Transfers, net	(1,998,670)	(705,394)	1,998,670	705,394
Total revenues and transfers	24,207,506	24,648,330	8,919,360	6,787,987
Expenses				
General government	3,195,048	3,275,966	-	-
Operating expenses	-	-	7,516,604	6,842,845
Public safety	11,100,780	10,807,151	-	-
Streets/Water/Wastewater	3,166,263	4,325,861	-	-
Sanitation	1,228,022	1,056,274	-	-
Recreation, Buildings & Grounds	1,905,007	1,882,854	-	-
Civic center	110,614	133,833	-	-
Code enforcement	343,963	346,958	-	-
Economic development	772,065	1,730,095	-	-
Interest	14,569	10,269	-	-
Total expenses	21,834,936	23,570,700	7,516,604	6,842,845
Change in net position	\$ 2,372,570	\$ 1,077,630	\$ 1,402,756	\$ (54,858)

CITY OF GONZALES

MANAGEMENT'S DISCUSSION AND ANALYSIS

MAY 31, 2021

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed the year, its governmental funds reported a combined fund balance of approximately \$24 million, an increase of approximately \$2.6 million or 12 percent from last year.

BUDGETARY HIGHLIGHTS

There was one amendment made in the current year to the general fund budget. General government, Public Safety, Streets/Drainage, Sanitation, Recreation/Building & Grounds, Civic Center, and Code Enforcement expenditures increased, in total, by \$396,190 to reflect increases in costs of living adjustments for salaries and benefits. Revenues increased in total by \$2,990,000 to reflect an increase of \$300,000 in tax revenues and \$2,690,000 in grant revenues.

CAPITAL ASSETS

At the end of 2021, the City had invested approximately \$87 million in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, vehicles, water and sewer lines, improvements, and construction in progress. (See Table A-4) This amount represents a net decrease (including additions and deductions) of approximately \$1 million from last year.

Table A-4
City's Capital Assets
(net of depreciation)

	Governmental Activities		Business-Type Activities	
	2021	2020	2021	2020
Land	\$ 4,728,563	\$ 2,918,905	\$ 118,828	\$ 118,828
Buildings & Equipment	8,508,684	8,883,429	129,073	112,345
Improvements	25,095,165	26,371,829	-	-
Lines, meters, & plants	-	-	46,865,095	47,805,897
Vehicles	1,274,641	1,445,639	124,422	47,093
Construction in Progress	334,877	21,880	168,393	13,600
Total	\$ 39,941,930	\$ 39,641,682	\$ 47,405,811	\$ 48,097,763

This year's major capital asset additions included:

- Business-Type Activities lines and meters in the amount of \$852,806 for costs associated with the ongoing wastewater improvements and upgrades of plant.
- Business-Type Activities new vehicles totaled \$103,157.
- Governmental Activities improvements to building and new equipment in the amount of \$305,205.
- Governmental Activities improvements to parks, bridges, sidewalks, streets and drainage in amounts totaling \$322,090.
- Governmental Activities new vehicles totaled \$246,887.
- Governmental Activities new land purchased totaled \$1,809,658.
- Construction in progress for Business-Type Activities totaled \$154,793 and Governmental Activities totaled \$312,997.

CITY OF GONZALES

MANAGEMENT'S DISCUSSION AND ANALYSIS MAY 31, 2021

This year's major disposals include:

- Governmental Activities disposals of vehicles totaling \$219,845 and buildings/equipment totaling \$201,698.
- Business-Type Activities had disposals of vehicles totaling \$191,765.

LONG-TERM LIABILITIES

Long-term liabilities consist of:

Sales Tax Bond

The City has been approved for \$15 million in State Revolving Loan Funds to make improvements to the City's wastewater system. The City has completed making draws against the line of credit. Surpluses from the Utility Fund will be used to repay the debt. At the end of the current fiscal year, the City's outstanding balance is \$10,643,472, maturing in 2035. During the year, the City made a principal payment of \$766,000.

Capital Leases

At May 31, 2021, the City reported a total capital lease liability in the amount of \$2,280,175.

Other Post-Employment Benefits

At May 31, 2021, the City reported a net OPEB obligation in the amount of \$10,555,853.

Net Pension Liability

At May 31, 2021, the City reported a total NPL obligation in the amount of \$20,269,089.

Compensated Absences

At May 31, 2021, the City reported a total compensated absences obligation in the amount of \$643,176.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

For fiscal year ending 2022, the City is dependent on sales tax collections for 70% of its general and capital project fund revenues. The City's Administration has projected a 3.36% increase in sales taxes for the upcoming fiscal year. Expenditures budgeted in the general fund reflect an increase of 2.42% compared to the previous year. Retirement, personnel and health insurance contribute to this increase. The cost of operation within the Gas Department will increase to \$8.84 per MCF in accordance with City Ordinances. The City believes that the 5 percent increase in sewer rates and 3 percent increase in water rates will be more than enough to cover ongoing repairs to the sewer and water infrastructure.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

CITY OF GONZALES
STATEMENT OF NET POSITION
MAY 31, 2021

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 11,106,163	\$ 1,703,955	\$ 12,810,118
Investments	8,065,930	3,004,040	11,069,970
Receivables	3,679,630	1,106,440	4,786,070
Accrued interest	4,753	1,383	6,136
Restricted assets:			
Cash and cash equivalents	1,794,894	438,433	2,233,327
Investments	-	509,674	509,674
Non-depreciable capital assets	5,063,440	287,221	5,350,661
Capital assets, net of accumulated depreciation	34,878,490	47,118,590	81,997,080
TOTAL ASSETS	<u>64,593,300</u>	<u>54,169,736</u>	<u>118,763,036</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension related	5,272,004	629,291	5,901,295
OPEB related	1,947,056	581,588	2,528,644
Total deferred outflows of resources	<u>7,219,060</u>	<u>1,210,879</u>	<u>8,429,939</u>
Total assets and deferred outflows of resources	<u><u>\$ 71,812,360</u></u>	<u><u>\$ 55,380,615</u></u>	<u><u>\$ 127,192,975</u></u>
<u>LIABILITIES</u>			
Accounts payable	\$ 616,503	\$ 56,989	\$ 673,492
Retainage payable	19,379	-	19,379
Accrued expenses	363,256	55,853	419,109
Cash Bonds	39,244	-	39,244
Payable from restricted assets:			
Customer deposits	-	424,513	424,513
Current portion of long-term debt	172,606	974,359	1,146,965
Long-term liabilities:			
Other post employment benefit liability	8,464,084	2,091,769	10,555,853
Compensated absences	568,418	74,758	643,176
Net pension liability	17,578,326	2,690,763	20,269,089
Capital lease liability	154,909	1,751,301	1,906,210
Bonds payable	-	9,870,472	9,870,472
TOTAL LIABILITIES	<u>27,976,725</u>	<u>17,990,777</u>	<u>45,967,502</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension related	844,693	17,602	862,295
OPEB related	737,883	220,406	958,289
Total deferred inflows of resources	<u>1,582,576</u>	<u>238,008</u>	<u>1,820,584</u>
<u>NET POSITION</u>			
Net investment in capital assets	39,595,036	34,809,679	74,404,715
Restricted	4,598,880	523,593	5,122,473
Unrestricted	(1,940,857)	1,818,558	(122,299)
TOTAL NET POSITION	<u>42,253,059</u>	<u>37,151,830</u>	<u>79,404,889</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 71,812,360</u></u>	<u><u>\$ 55,380,615</u></u>	<u><u>\$ 127,192,975</u></u>

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

CITY OF GONZALES
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2021

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Fees, Fines, and Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
ACTIVITIES							
Governmental:							
General government	\$ 3,193,653	\$ 1,891,831	\$ 306,839	\$ 138,695	\$ (856,288)	\$ -	\$ (856,288)
Public safety:							
Police	6,916,353	354,242	3,000	773,669	(5,785,442)	-	(5,785,442)
Fire	4,184,427	631,717	25,000	497,833	(3,029,877)	-	(3,029,877)
Streets/Water/Wastewater	3,166,263	-	89,033	-	(3,077,230)	-	(3,077,230)
Sanitation	1,228,022	-	-	-	(1,228,022)	-	(1,228,022)
Recreation, Buildings & Grounds	1,905,007	-	-	14,940	(1,890,067)	-	(1,890,067)
Civic center	110,614	-	-	-	(110,614)	-	(110,614)
Code enforcement	343,963	-	-	-	(343,963)	-	(343,963)
Economic Development	772,065	-	-	-	(772,065)	-	(772,065)
Interest on long-term liabilities	14,569	-	-	-	(14,569)	-	(14,569)
Total governmental activities	<u>21,834,936</u>	<u>2,877,790</u>	<u>423,872</u>	<u>1,425,137</u>	<u>(17,108,137)</u>	<u>-</u>	<u>(17,108,137)</u>
Business-type:							
Utility	7,516,604	5,425,315	-	-	-	(2,091,289)	(2,091,289)
Total business-type activities	<u>7,516,604</u>	<u>5,425,315</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,091,289)</u>	<u>(2,091,289)</u>
Total City of Gonzales	<u>\$ 29,351,540</u>	<u>\$ 8,303,105</u>	<u>\$ 423,872</u>	<u>\$ 1,425,137</u>	<u>(17,108,137)</u>	<u>(2,091,289)</u>	<u>(19,199,426)</u>
General Revenues:							
Taxes					18,815,725	834,127	19,649,852
Licenses and permits					1,596,791	-	1,596,791
Miscellaneous					682,126	620,192	1,302,318
Contributions/Transfers, net					(1,998,670)	1,998,670	-
Non-employer contributions to pension plan					346,597	42,222	388,819
Investment earnings					38,138	(1,166)	36,972
Total general revenues					<u>19,480,707</u>	<u>3,494,045</u>	<u>22,974,752</u>
Change in net position					2,372,570	1,402,756	3,775,326
Net position - beginning					<u>39,880,489</u>	<u>35,749,074</u>	<u>75,629,563</u>
Net position - ending					<u>\$ 42,253,059</u>	<u>\$ 37,151,830</u>	<u>\$ 79,404,889</u>

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

CITY OF GONZALES
BALANCE SHEET
GOVERNMENTAL FUNDS
MAY 31, 2021

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash and cash equivalents	\$ 4,550,264	\$ 4,221,065	\$ 2,334,834	\$ 11,106,163
Investments	8,065,930	-	-	8,065,930
Receivables, net of allowance	2,570,074	809,122	300,434	3,679,630
Due from other funds	25,819	-	111,880	137,699
Accrued interest	4,753	-	-	4,753
Restricted assets:				
Cash and cash equivalents	-	-	1,794,894	1,794,894
Total assets	\$ 15,216,840	\$ 5,030,187	\$ 4,542,042	\$ 24,789,069
<u>LIABILITIES</u>				
Accounts payable	\$ 333,027	\$ 143,968	\$ 139,508	\$ 616,503
Due to other funds	-	137,699	-	137,699
Retainage payable	-	19,379	-	19,379
Cash bonds	39,244	-	-	39,244
Accrued expenses	363,256	-	-	363,256
Total liabilities	735,527	301,046	139,508	1,176,081
<u>FUND BALANCES</u>				
Committed:				
Capital projects	-	4,729,141	-	4,729,141
Restricted	196,346	-	4,402,534	4,598,880
Assigned	159,604	-	-	159,604
Unassigned	14,125,363	-	-	14,125,363
Total fund balances	14,481,313	4,729,141	4,402,534	23,612,988
Total liabilities and fund balances	\$ 15,216,840	\$ 5,030,187	\$ 4,542,042	\$ 24,789,069

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

CITY OF GONZALES
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
MAY 31, 2021

Total fund balances - Governmental Funds	\$	23,612,988
Amounts reported for governmental activities in the statement of net position is different because:		
Deferred outflows - pension related		5,272,004
Deferred outflows - OPEB related		1,947,056
Capital assets used in the governmental activities that are not financial resources and, therefore, are not reported in the governmental funds:		
Cost of capital assets at May 31, 2021	89,174,305	
Less: accumulated depreciation as of May 31, 2021	<u>(49,232,375)</u>	39,941,930
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.		
Net pension liability		(17,578,326)
Deferred inflows - pension related		(844,693)
Deferred inflows - OPEB related		(737,883)
Other post employment benefits		(8,464,084)
Capital lease liability		(327,515)
Compensated absences		<u>(568,418)</u>
Total net position at May 31, 2021 - Governmental Activities	\$	<u><u>42,253,059</u></u>

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

CITY OF GONZALES
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUND TYPES
YEAR ENDED MAY 31, 2021

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
<u>REVENUES</u>				
Taxes	\$ 13,875,111	\$ 3,336,507	\$ 1,604,107	\$ 18,815,725
Franchise fees	1,170,348	-	-	1,170,348
Licenses and permits	1,596,791	-	-	1,596,791
Fees, fines and forfeitures	354,242	-	-	354,242
Miscellaneous	553,222	-	-	553,222
Wastewater impact fees	-	721,483	-	721,483
Fire department revenue	631,717	-	-	631,717
Intergovernmental revenues:				
Federal grants	1,128,976	306,373	-	1,435,349
State and local grants	296,161	117,499	-	413,660
Interest	33,423	2,207	2,508	38,138
Total revenues	<u>19,639,991</u>	<u>4,484,069</u>	<u>1,606,615</u>	<u>25,730,675</u>
<u>EXPENDITURES</u>				
Current:				
General government	2,051,050	211,761	-	2,262,811
Public safety:				
Police	6,323,309	552,847	-	6,876,156
Fire	3,766,042	210,063	-	3,976,105
Streets and drainage	1,380,598	1,146,984	-	2,527,582
Sanitation	1,226,999	-	-	1,226,999
Recreation, building and grounds	1,474,179	1,917,974	-	3,392,153
Civic center	56,042	-	-	56,042
Code enforcement	330,407	-	-	330,407
Economic development	-	-	772,065	772,065
Total expenditures	<u>16,608,626</u>	<u>4,039,629</u>	<u>772,065</u>	<u>21,420,320</u>
Excess of revenues over expenditures	3,031,365	444,440	834,550	4,310,355
<u>OTHER FINANCING SOURCES (USES)</u>				
Proceeds from capital lease obligations	-	177,250	-	177,250
Proceeds from sale of easement	-	128,904	-	128,904
Transfer in	122,721	3,224,288	-	3,347,009
Transfer out	(3,202,611)	(2,143,068)	-	(5,345,679)
Total other financing sources (uses)	<u>(3,079,890)</u>	<u>1,387,374</u>	<u>-</u>	<u>(1,692,516)</u>
Net change in fund balances	(48,525)	1,831,814	834,550	2,617,839
Fund Balance, Beginning of Year	14,529,838	2,897,327	3,567,984	20,995,149
Fund Balance, End of Year	<u>\$ 14,481,313</u>	<u>\$ 4,729,141</u>	<u>\$ 4,402,534</u>	<u>\$ 23,612,988</u>

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

CITY OF GONZALES
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
MAY 31, 2021

Total change in net fund balances - Governmental funds \$ 2,617,839

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

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

Capital assets:

Capital outlay capitalized	2,996,837	
Depreciation expense for the year ended May 31, 2021	(2,696,589)	300,248

Capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which payments exceeded proceeds.

Proceeds from capital leases	(177,250)	
Payments on capital leases	171,825	(5,425)

Net effects of change in net pension liability and deferrals		(495,590)
Net effects of change in OPEB liability and deferrals		(330,988)
Non-employer contributions to pension plans		346,597
Changes in compensated absences		(60,111)

Changes in net position of governmental activities		\$ 2,372,570
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The accompanying notes are an integral part of this financial statement.

CITY OF GONZALES
STATEMENT OF NET POSITION
PROPRIETARY FUND
MAY 31, 2021

	Enterprise Fund
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 1,703,955
Investments	3,004,040
Receivables (net of allowance)	1,106,440
Restricted assets - investments	509,674
Restricted assets - cash and cash equivalents	438,433
Accrued interest	1,383
Total current assets	6,763,925
Noncurrent assets:	
Non-depreciable capital assets	287,221
Capital assets, net of accumulated depreciation	47,118,590
Total noncurrent assets	47,405,811
TOTAL ASSETS	54,169,736
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Pension related	629,291
OPEB related	581,588
Total deferred outflows of resources	1,210,879
Total assets and deferred outflows of resources	\$ 55,380,615
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	\$ 56,989
Accrued expenses	55,853
Current portion of long-term debt	974,359
Customer deposits	424,513
Total current liabilities	1,511,714
Noncurrent liabilities:	
Compensated absences	74,758
Net pension liability	2,690,763
Net OPEB liability	2,091,769
Capital lease liability	1,751,301
Series 2014 bonds payable	9,870,472
Total noncurrent liabilities	16,479,063
TOTAL LIABILITIES	17,990,777
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Pension related	17,602
OPEB related	220,406
Total deferred inflows of resources	238,008
<u>NET POSITION</u>	
Net investment in capital assets	34,809,679
Restricted to debt service	523,593
Unrestricted	1,818,558
TOTAL NET POSITION	37,151,830
Total liabilities, deferred inflows of resources and net position	\$ 55,380,615

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

CITY OF GONZALES
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
PROPRIETARY FUND
YEAR ENDED MAY 31, 2021

	Enterprise Fund
<u>OPERATING REVENUES</u>	
Charges for service:	
Gas sales	\$ 1,823,483
Sewer service charges	1,902,355
Water sales	1,699,477
Miscellaneous	620,192
Contributions from non-employer contributing entities-pension benefit	42,222
Total operating revenues	6,087,729
<u>OPERATING EXPENSES</u>	
Gas department	1,390,303
General and administrative	1,164,558
Depreciation	1,843,053
Water department	1,883,826
Sewer department	1,018,065
Total operating expenses	7,299,805
OPERATING LOSS	(1,212,076)
<u>NONOPERATING REVENUES (EXPENSES)</u>	
Investment earnings	(1,166)
Sales tax revenue	834,127
Interest on bonds payable	(216,799)
Net nonoperating revenues	616,162
Loss before transfers and contributions	(595,914)
Capital contributions	1,637,797
Transfers in	500,000
Transfers out	(139,127)
Changes in net position	1,402,756
Total net position - beginning	35,749,074
Total net position - ending	\$ 37,151,830

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

CITY OF GONZALES
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED MAY 31, 2021

	Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 5,328,109
Payments to suppliers	(3,193,000)
Payments to employees	(1,448,863)
Net cash provided by operating activities	686,246
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to other funds	(139,127)
Transfers from other funds	500,000
Intergovernmental revenue	834,127
Net cash provided by noncapital financing activities	1,195,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(1,151,101)
Payments on long term debt	(956,987)
Interest paid	(216,799)
Capital contributed	1,637,797
Net cash used in capital and related financing activities	(687,090)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	489,922
Purchases of investments	(3,032,034)
Investment earnings	(1,166)
Net cash used in investing activities	(2,543,278)
Net decrease in cash and cash equivalents	(1,349,122)
Cash and restricted cash - June 1, 2020	3,491,510
Cash and restricted cash - May 31, 2021	\$ 2,142,388
CASH FLOWS FROM OPERATING ACTIVITIES	
Operating loss	\$ (1,212,076)
Adjustments to reconcile operating loss to net cash provided by operating activities -	
Depreciation and amortization	1,843,053
Bad debt expense	4,636
Pension expense adjustment	112,203
OPEB expense adjustment	(71,106)
Net changes in operating assets and liabilities	
Accounts receivable	(101,842)
Other assets	1,859
Deferred inflow of resources	148,738
Deferred outflow of resources	(15,808)
Accounts payable	(97,918)
Customer deposits	17,970
Accrued liabilities	52,438
Compensated absences	4,099
Net cash provided by operating activities	\$ 686,246

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

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The City of Gonzales, Louisiana, (the City) was incorporated April 15, 1922, under the provision of the Lawrason Act. The City operates under a Mayor-City Council form of government.

The accompanying financial statements of the City has been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the City has elected to directly incorporate into GASB's authoritative literature and certain pronouncements issued by FASB and its predecessors on or before November 30, 1989.

Financial Reporting Entity

This report includes all funds which are controlled by, or dependent on the City's executive and legislative branches (the Mayor and the City Council). Control by or dependence on the City was determined on the basis of budget adoption, taxing authority, authority to issue debt, election or appointment of governing body, and other general oversight responsibility.

Based on the foregoing criteria, certain organizations are not part of the City and are thus excluded from the accompanying financial statements. These are the Friends of the Museum, Beautification Board, and Committee on Cultural Affairs.

The 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.

Related Organizations – The City Council is also 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.

Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the City of Gonzales. These statements include the financial activities of the overall government, except for fiduciary activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City'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. Program revenues include (a) fees, fines, and charges paid by the recipients of goods and services offered by the programs and (b) 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.

Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise fund, each displayed in a separate column.

The City reports the following major governmental funds:

- a. *General Fund* – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. *Capital Projects Fund* – Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

The City reports the following proprietary fund:

- a. *Enterprise Fund* – This fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Measurement Focus, Basis of Accounting

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund 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. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting (continued)

Governmental Fund Financial Statements. Governmental funds 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. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and compensated absences 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 capital leases are reported as other financing sources. Property taxes, sales taxes, franchise taxes, licenses, grants, and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary Fund Financial Statements. Proprietary funds are reported using the economic financial resources measurement focus and full accrual basis of accounting. The operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receive and gives up essentially equal values. Non-operating revenues, such as investment earnings and sales tax revenues, result from nonexchange transactions or ancillary activities.

Interfund Activity

Transfers between funds are not expected to be repaid and are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying events occur.

Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in these financial statements:

- 1) The City's Mayor and Clerk prepare a proposed budget message and budget and submit it to the City Council prior to the beginning of each fiscal year.
- 2) A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
- 3) A public hearing is held on the proposed budget at least two weeks after publication of the call for the hearing.
- 4) After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
- 5) Budgetary amendments involving the transfer of funds from one department, program, or function to another, or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the City Council.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

- 6) All budgetary appropriations lapse at the end of each fiscal year.
- 7) The budgets for the General and Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). Budgeted amounts are as originally adopted, or amended from time to time by the City council. Such amendments were not material in relation to the original appropriations.

Cash and Cash Equivalents – Cash and cash equivalents include 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.

Accounts Receivable – In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. For governmental activities, uncollectible amounts due for receivables are recognized as bad debts and directly charged off at the time information becomes available which indicates that the particular receivable is not collectible. In governmental fund types, the uncollectible amount is charged to the revenue reported. In business-type activities, uncollectible amounts due from utility billing receivables are recognized as bad debts through the use of an allowance account or are directly charged off at the time information becomes available which indicated that the particular receivable is not collectible. Utility accounts in excess of 120 days are deemed uncollectible and reserved through the allowance.

Investments – Investments are reported at fair value.

Capital Assets – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost. Assets acquired prior to July 1, 2001, consist of the road network assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. Donated fixed assets are recorded as capital assets at their estimated fair market value at the date of donation. The municipality maintains a threshold level of \$5,000 or more for capitalizing capital assets. 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.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

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

<u>Asset Class</u>	<u>Estimates Useful Lives</u>
Buildings and Infrastructure	30-40
Improvements	15-40
Vehicles	5-15
Equipment	3-40

Depreciation of fixed assets used by business-type activities is charged as an expense against operations. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

	<u>Years</u>
Lines, meters, & plants	15-50
Buildings & improvements	15-40
Equipment	4-10
Vehicles	4-5

All fixed assets are stated at historical cost or estimated historical cost, if actual historical cost is not available. Donated fixed assets are stated at their estimated fair value on the date received.

Interest incurred during construction in the governmental activities and business-type activities is reflected in the capitalized value of the asset constructed, net of investment earnings on invested loan proceeds during the same period. Net interest expense capitalized during the year ended May 31, 2021, amounted to \$0.

Compensated Absences – The liability for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid, accumulated annual and vacation leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Bad Debts – Uncollectible amounts due for ad valorem taxes and customers' utility receivables are expenses when the debt becomes uncollectible, which is not materially different from accounting principles generally accepted in the United States of America. The City considers any utility receivable where service has been disconnected to be uncollectible. All utility receivables with service are considered collectible.

Statement of Cash Flows – For purposes of the statement of cash flows, the Enterprise Fund considers all highly liquid investments (including restricted assets), with a maturity of three months or less when purchased to be cash equivalents.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

Government-Wide and Proprietary Fund Net Position – Government-wide and proprietary fund net position 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 litigation.

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 City Council.

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.

When expenditures are incurred for the purposes for which both restricted and unrestricted amounts are available, the City reduces restricted amounts first, followed by unrestricted amounts. When expenditures are incurred for purposes for which committed, assigned and unassigned amounts are available, the City reduces committed amounts first, followed by assigned amounts and then unassigned amounts.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position or Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until then. The City has two items that qualify for this category; pension related and OPEB related deferrals, which are reported in the government-wide statement.

In addition to liabilities, the Statement of Net Position or Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) at that time. The City has two items that qualify for this category; pension and OPEB related deferrals which are reported in the government-wide statement. The amounts deferred are recognized as an inflow of resources in the period that the amounts become available.

Pension Plan

The City of Gonzales is a participating employer in multiple cost-sharing, multiple-employer defined benefit pension plans as described in Note 13. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of each of the plans, and additions to/deductions for the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments have been reported at fair value within the plan.

Reclassification

Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations.

Transfers In and Out

Advances between fund as which are not expected to be repaid are accounted for as transfers. In those cases where repayment is expected, the transfers are accounted for through the various due from and due to accounts.

Due from Other Governments

The receivable amounts are made up of taxes and fees collected by other governments to be remitted, amounts due on reimbursement grants, and reimbursements for expenditures from other agencies. No reserve for uncollectible is considered necessary for these receivables.

Interfund Receivables and Payables

During the course of operations transactions occur between individual funds. These receivables and payables are classified as "due to or due from other funds" on the fund financial statement balance sheet.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

2. Cash and Cash Equivalents

A summary of deposits followed:

Cash: Under state law, the City may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state or the laws of the United States. The City may invest in certificates of deposit of any bank domiciled or having a branch office in the state of Louisiana.

Custodial credit risk is the risk that in an event of bank failure, the City's deposits may not be returned to it. The government does not have deposit policy for custodial risk. As of May 31, 2021, these deposits were completely collateralized and/or insured.

Cash Equivalents: The City has \$3,647,751 invested in the Louisiana Asset Management Pool (LAMP), a local government investment pool. LAMP is administered by LAMP, Inc., a nonprofit corporation organized under the laws of the State of Louisiana. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LA – R.S. 33:2955.

GASB Statement No. 40 Deposit and Investment Risk Disclosure, requires disclosure of credit risk, custodial credit risk, concentration of credit risk interest rate risk, and foreign currency risk for all public entity investments.

LAMP is an investment pool that, to the extent practical, invest in a manner consistent with GASB Statement No. 79. The following facts are relevant for investment pools.

- Credit risk: LAMP is rated AAAM by Standard & Poor's
- Custodial credit risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.
- Concentration of credit risk: Pooled investments are excluded from the 5 percent disclosure requirement.
- Interest rate risk: LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 90 days and consists of no securities with a maturity in excess of 397 days or 762 days for U.S. Government floating/variable rate investments.
- Foreign currency risk: Not applicable

The investments in LAMP are stated at fair value. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the net asset value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

3. Capital Assets

Capital assets and depreciation activity as of and for the year ended May 31, 2021, are as follows:

Governmental Activities:

	Land	Buildings Infrastructure & Equipment	Improvements	Vehicles	Construction In Progress	Total
Cost of Capital Assets						
May 31, 2020	\$ 2,918,905	\$ 19,483,743	\$ 58,376,960	\$ 5,797,523	\$ 21,880	\$ 86,599,011
Additions	1,809,658	305,205	322,090	246,887	312,997	2,996,837
Deletions	-	(201,698)	-	(219,845)	-	(421,543)
Costs of Capital Assets						
May 31, 2021	<u>4,728,563</u>	<u>19,587,250</u>	<u>58,699,050</u>	<u>5,824,565</u>	<u>334,877</u>	<u>89,174,305</u>
Accumulated depreciation						
May 31, 2020	-	10,600,314	32,005,131	4,351,884	-	46,957,329
Additions	-	679,950	1,598,754	417,885	-	2,696,589
Deletions	-	(201,698)	-	(219,845)	-	(421,543)
Accumulated depreciation						
May 31, 2021	<u>-</u>	<u>11,078,566</u>	<u>33,603,885</u>	<u>4,549,924</u>	<u>-</u>	<u>49,232,375</u>
Capital assets, net of accumulated depreciation						
May 31, 2021	<u>\$ 4,728,563</u>	<u>\$ 8,508,684</u>	<u>\$ 25,095,165</u>	<u>\$ 1,274,641</u>	<u>\$ 334,877</u>	<u>\$ 39,941,930</u>

For the year ended May 31, 2021, depreciation expense of \$2,696,589 was charged to the following governmental functions:

Code Enforcement	\$ 11,814
Civic Center	54,572
Streets and Sanitation	1,258,371
Fire	323,482
General	201,628
Police	403,605
Recreation	443,117
	<u>\$ 2,696,589</u>

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

3. Capital Assets (continued)

Business-Type Activities:

	Land	Buildings, Improvements & Equipment	Lines, Meters, and plants	Vehicles	Construction In Progress	Total
Cost of Capital Assets						
May 31, 2020	\$ 118,828	\$ 777,143	\$ 71,580,513	\$ 470,236	\$ 13,600	\$ 72,960,320
Additions	-	40,345	852,806	103,157	154,793	1,151,101
Deletions	-	-	-	(191,765)	-	(191,765)
Costs of Capital Assets						
May 31, 2021	118,828	817,488	72,433,319	381,628	168,393	73,919,656
Accumulated depreciation						
May 31, 2020	-	664,798	23,774,616	423,143	-	24,862,557
Additions	-	23,617	1,793,608	25,828	-	1,843,053
Deletions	-	-	-	(191,765)	-	(191,765)
Accumulated depreciation						
May 31, 2021	-	688,415	25,568,224	257,206	-	26,513,845
Capital assets, net of accumulated depreciation						
May 31, 2021	\$ 118,828	\$ 129,073	\$ 46,865,095	\$ 124,422	\$ 168,393	\$ 47,405,811

For the year ended May 31, 2021, depreciation expense was \$1,843,053.

Capital Leases

The City has acquired vehicles and utility equipment under capital lease obligations. The lease payments relating to the vehicles and utility equipment have been capitalized and included in vehicles on the accompanying governmental activities financial statements and business-type activities financial statements. The leased vehicles have a cost of \$699,150 and accumulated amortization of \$214,150, which is included with accumulated depreciation, and has been recorded in the governmental activities. Amortization expense, which is included with depreciation expense, recognized on the leases as of May 31, 2021 was \$110,288 in the governmental activities. The leased utility equipment has a cost of \$2,324,796 and accumulated amortization of \$129,155 which is included with depreciation, and has been recorded in the business-type activities. Amortization expense, which is included with depreciation expense, recognized on the lease as of May 31, 2021 was \$77,493 in the business-type activities.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

4. Accounts Receivable and Due from Other Governments

	General Fund	Capital Projects Fund	Other Governmental Funds	Utility Fund
Receivables:				
Accounts	\$ -	\$ -	\$ -	\$ 600,478
Unbilled accounts	-	-	-	461,287
Other receivables	341,060	-	-	-
Grants receivables	9,789	213,412	-	-
Due from other governments	2,233,913	595,710	300,434	148,928
Gross receivables	2,585,762	809,122	300,434	1,210,693
Less: allowance for uncollectible	(14,688)	-	-	(104,253)
Total receivables, net of allowance	<u>\$ 2,570,074</u>	<u>\$ 809,122</u>	<u>\$ 300,434</u>	<u>\$ 1,106,440</u>

5. Investments

State law authorizes the City to invest in U.S. Treasury obligations, obligations guaranteed by federal agencies, U.S. government instrumentalities which are federally sponsored, obligations of the State of Louisiana and other States, and certificates of deposit obligations and other investments allowed by law.

As of May 31, 2021, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5</u>	<u>Over 5 years</u>
<i>General Fund</i>				
U.S. Agencies	\$ 3,841,466	\$ -	\$ 2,968,398	\$ 873,068
U.S. Treasuries	1,955,301	742,315	1,212,986	-
Municipal Bonds	1,838,476	-	1,838,476	-
Commercial Paper	430,687	-	430,687	-
Total General Fund Investments	<u>\$ 8,065,930</u>	<u>\$ 742,315</u>	<u>\$ 6,450,547</u>	<u>\$ 873,068</u>
<i>Enterprise Fund</i>				
U.S. Agencies	\$ 2,381,527	\$ -	\$ 2,381,527	\$ -
U.S. Treasuries	1,132,187	810,542	321,645	-
Total Enterprise Fund Investments	<u>\$ 3,513,714</u>	<u>\$ 810,542</u>	<u>\$ 2,703,172</u>	<u>\$ -</u>
Total Investments	<u>\$ 11,579,644</u>	<u>\$ 1,552,857</u>	<u>\$ 9,153,719</u>	<u>\$ 873,068</u>

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

5. Investments (continued)

Interest Rate Risk

The City's investment policy does not limit 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, and other political subdivisions. The City's investment policy does not further limit its investment choices. As of May 31, 2021, the City's investments in U.S. Agencies were rated AA+ by S&P's Investors Service and Aaa by Moody's Investor Services. The City's investments in U.S. Treasuries were rated Aaa by Moody's Investors Services. The City's investments in Municipal Bonds were rated AA+, AA, and AA- by S&P's Investors Services and rated Aa2 and Aa3 by Moody's Investors Services. The City's investments in Commercial Paper were rated AAA, AA+, and AA- by S&P's Investors Services. A portion of the City's investments in U.S. Agencies and U.S. Treasuries were unrated. These investments made up 36% of U.S. Agencies and 83% of U.S. Treasuries.

Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer. More than 5 percent of the City's investments are in Federal Farm Credit Bank, US Treasury, Federal Home Loan Mortgage Corp, Federal National Mortgage Assoc, Federal Home Loan Bank and Municipal Bonds. These investments are 9%, 27%, 22%, 17%, 5%, and 16%, respectively of the City's total investments.

6. Ad Valorem Taxes

Ad valorem taxes attach an enforceable lien on property of January 1 of each year. Taxes are levied by the City in September or October, and are actually billed to the taxpayers in November. Billed taxes become delinquent on January 1 of the following year. Revenues from ad valorem taxes are budgeted in the year billed.

The Ascension Parish Sheriff bills and collects property taxes using the assessed values determined by the tax assessor of Ascension Parish. The Ascension Parish Sheriff remits the taxes to the City.

For the year ended May 31, 2021 taxes of 8.55 mills were levied on property with taxable assessed valuations totaling \$156,200,460 and were dedicated as follows:

General corporate purposes	5.28 mills
Fire department	3.27 mills

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

6. Ad Valorem Taxes (continued)

Total taxes levied were \$1,335,518. Property tax millage rates are adopted in the calendar year in which the taxes are levied and recorded. All taxes are due and collectible when the assessment rolls are filed on or before December 31 of the current year, and become delinquent thereafter.

7. Transfers and Contributions to/from Other Funds

Transfers and contributions to/from Other Funds at May 31, 2021 consist of the following:

	<u>Transfers and Contributions In</u>	<u>Transfers and Contributions Out</u>
General Fund	\$ 122,721	\$ 3,202,611
Capital Projects Fund	3,224,288	2,143,068
Enterprise Fund	2,137,797	139,127
	<u>\$ 5,484,806</u>	<u>\$ 5,484,806</u>

Transfers and contributions to and from the different funds are to provide supplemental funds for fund operations.

8. Restricted Assets

Restricted assets, which consist of cash and cash equivalents at May 31, 2021 were applicable to the following:

	<u>Enterprise Fund</u>
Customer Deposits	\$ 424,513
Cash equivalents-LAMP	13,920
Investments	509,674
Total restricted assets	<u>\$ 948,107</u>

9. Due to From Other Funds

Amounts due to/from other funds at May 31, 2021 consists of the following:

	<u>Due to other funds</u>	<u>Due from other funds</u>
General Fund	\$ -	\$ 25,819
Capital Projects Fund	137,699	-
Special Revenue Fund-Conway Economic Development District	-	111,880
	<u>\$ 137,699</u>	<u>\$ 137,699</u>

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

10. Changes in Long-Term Liabilities

The following is a summary of long-term liabilities transactions of the City of Gonzales for the year ended May 31, 2021:

	<u>Balance at June 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at May 31, 2021</u>	<u>Due Within One Year</u>
Governmental activities:					
Compensated absences	\$ 508,307	\$ 77,450	\$ (17,339)	\$ 568,418	\$ -
Capital lease obligations	322,090	177,250	(171,825)	327,515	172,606
Other post-employment benefits	8,702,136	799,850	(1,037,902)	8,464,084	-
Net pension liability	<u>16,035,716</u>	<u>1,542,610</u>	<u>-</u>	<u>17,578,326</u>	<u>-</u>
Total	<u>\$ 25,568,249</u>	<u>\$ 2,597,160</u>	<u>\$ (1,227,066)</u>	<u>\$ 26,938,343</u>	<u>\$ 172,606</u>
Business-type activities:					
Compensated absences	\$ 70,659	\$ 4,099	\$ -	\$ 74,758	\$ -
Capital lease obligations	2,143,647	-	(190,987)	1,952,660	201,359
Other post-employment benefits	2,162,875	238,917	(310,023)	2,091,769	-
Net pension liability	2,578,560	112,203	-	2,690,763	-
Bonds payable	<u>11,409,472</u>	<u>-</u>	<u>(766,000)</u>	<u>10,643,472</u>	<u>773,000</u>
Total	<u>\$ 18,365,213</u>	<u>\$ 355,219</u>	<u>\$ (1,267,010)</u>	<u>\$ 17,453,422</u>	<u>\$ 974,359</u>

Bonds payable at May 31, 2021, is comprised of the following individual issue:

Utility obligation bonds:

\$15,170,000 Public Improvement Sales Tax Bonds dated September 22, 2014, due in annual installments of \$765,000 to \$865,000 through March 1, 2035, interest at 0.95%, secured by collection of sales taxes.

Total long-term liabilities from business-type activities

\$10,643,472

\$10,643,472

The annual requirements to amortize debts outstanding as of May 31, 2021, including interest payments of \$712,560 are as follows:

<u>Years ending May 31</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 773,000	\$ 101,114
2023	780,000	93,770
2024	788,000	86,360
2025	795,000	78,874
2026	803,000	71,322
2027-2031	4,131,000	231,716
2032-2035	<u>2,573,472</u>	<u>49,404</u>
	<u>\$ 10,643,472</u>	<u>\$ 712,560</u>

Under the terms of the bonds, the City is required to establish a Bond Reserve and Sinking fund. As of May 31, 2021, the City is in compliance with this requirement.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

10. Changes in Long-Term Liabilities (continued)

The following is a summary of future minimum lease payments under the capital leases and the present value of the net minimum lease payments as of May 31, 2021.

Year ending May 31	Governmental Activities	Business-Type Activities
2022	\$ 186,397	\$ 300,005
2023	115,835	300,004
2024	46,874	300,004
2025	-	300,005
2026	-	300,005
2027-2031	-	900,013
Future minimum lease payments	349,106	2,400,036
Less: Amount representing interest	(21,591)	(447,376)
Present value of net minimum payments	<u>\$ 327,515</u>	<u>\$ 1,952,660</u>

11. Sales and Use Tax

The City has the following sales and use taxes in existence as of May 31, 2021:

On September 10, 1966, a 1 percent sales tax was passed to be used for streets, sidewalks, drainage, garbage, utilities, parks and recreation, fire department, and acquisition and maintenance of public buildings including City Hall and Civic Center.

On April 1, 1989, a ½ percent sales tax was passed to be used for sewer, water, drainage, streets, and gas. This tax is pledged to the payment of the Public Improvement Sales Tax Bonds dated March 1, 2014. However, on September 22, 2014, the City adopted a First Supplemental Bond Ordinance which extends the collection of the ½ percent sales tax for the purpose of acquiring, construction and installment of improvements, extensions and replacements to the City's wastewater treatment and disposal system. The tax is set to expire on March 1, 2035.

On July 1, 2001, an additional ½ percent sales tax was passed to be used for fire, police, and sanitation.

On May 16, 2005, proceeds from the 1% sales and use tax authorized on September 10, 1966 and the ½ percent sales and use authorized on April 1, 1989 collected within the Gonzales Economic Development District No. 1 were dedicated to the Industrial Development Board of the City of Gonzales, Louisiana, Inc. to promote economic development.

On June 1, 2012, an additional 1% sales and use tax was passed to be used for funding economic development projects selected by the Tanger Mall Economic Development District. This tax is only assessed in the Tanger Mall Economic Development District only. The tax is set to expire on May 31, 2032.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

11. Sales and Use Tax (continued)

On May 29, 2018 an ordinance was adopted to authorize the execution of a cooperative endeavor agreement by and among the City of Gonzales (City), Conway Economic Development District of the City of Gonzales (EDD) and Conway Development LLC (Company) relating to the collection, use and expenditure of a 1% sales and use tax and a 1% hotel occupancy tax (EDD Tax) to be levied in the district. This tax is dedicated to the district to reimburse the Company for Phase 1 & 2 infrastructure improvements.

On December 8, 2018, a hotel occupancy tax of two percent was passed to be used for the purpose of financing, construction, maintenance and operation of an event and conference center for the City. The tax is effective April 1, 2019 for perpetuity.

12. Deferred Compensation Plan

The City participates in the State of Louisiana Deferred Compensation Plan, (an IRC 457 deferred compensation plan). The plan covers all full-time employees. The City does not match employee contributions.

13. Defined Benefit Pension Plans

The City of Gonzales is a participating employer in three cost-sharing defined multiple employer defined benefit pension plans that include the Municipal Employees' Retirement System of Louisiana (MERS), the Municipal Police Employees' Retirement System (MPERS) and the Louisiana State Employees' Retirement System (LASERS). Article X, Section 29 (F) of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions of the State-wide plans to the State Legislature. Each system is administered by a separate board of trustees.

Each of the State-wide Systems issues an annual publicly available financial report that includes financial statements and required supplementary information for the system. These reports may be obtained by writing, calling or downloading the reports as follows:

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

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

LASERS:
P.O. Box 44213
Baton Rouge, LA
70804-4213
(225) 922-6000
www.lasersonline.org

The City implemented Government Accounting Standards Board (GASB) Statement 68 on Accounting and Financial Reporting for Pensions and Statement 71 on Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB 68. These standards require the City the record its proportional share of each of the pension plans Net Pension Liability and report the following disclosures:

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

13. Defined Benefit Pension Plans (continued)

Plan Descriptions:

Municipal Employees' Retirement System of Louisiana (MERS)

The Municipal Employees' Retirement System of Louisiana (MERS) is the administrator of a cost sharing multiple-employer defined benefit pension plan. The System was originally established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana. The System provides retirement benefits to employees of all incorporated villages, towns and cities within the State which do not have their own retirement system and which elect to become members of the System. For the year ended June 30, 2020, there were 88 contributing municipalities in Plan A and 68 in Plan B. The City of Gonzales is a participant in Plan A only.

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

Membership is mandatory as a condition of employment beginning on the date employed if the employee is on a permanent basis working at least thirty-five hours per week. Those individuals paid jointly by a participating employer and the parish are not eligible for membership in the System with exceptions as outlined in the statutes.

Any member of Plan A who was hired before January 1, 2013 can retire providing the member meets one of the following criteria:

1. Any age with twenty-five (25) or more years of creditable service.
2. Age 60 with a minimum of ten (10) years creditable service.
3. Any age with five (5) years of creditable service eligible for disability benefits.
4. Survivor's benefits require five (5) years creditable service at death of member.
5. Any age with 20 years of creditable service, exclusive of military service with an actuarially reduced early benefit.

Eligibility for Retirement for Plan A members hired on or after January 1, 2013 is as follows:

1. Age 67 with seven (7) or more years of creditable service
2. Age 62 with ten (10) or more years of creditable service
3. Age 55 with thirty (30) or more years of creditable service
4. Any age with twenty-five (25) years of creditable service, exclusive of military service and unused side leave. However, any member retiring under this subsection shall have their benefit actuarially reduced from the earliest age of which the member would be entitled to a vested deferred benefit under any provision of this section, if the member had continued service to the age

Generally, the monthly amount of the retirement allowance for any member of Plan A shall consist of an amount equal to three percent of the member's monthly average final compensation multiplied by his years of creditable service. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

13. Defined Benefit Pension Plans (continued)

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

Upon death of any member of Plan A with five (5) or more years of creditable service, not eligible for retirement, the plan provides for benefits for the surviving spouse and/or minor children as outlined in the statutes. Any member of Plan A, who is eligible for normal retirement at time of death and who leaves a surviving spouse will be deemed to have retired and selected Option 2 benefits on behalf of the surviving spouse on the date of death. Such benefits will begin only upon proper application and are paid in lieu of any other survivor benefits.

In lieu of terminating employment and accepting a service retirement allowance, any member of Plan A who is eligible to retire may elect to participate in the deferred retirement option plan (DROP) for up to three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable by employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and received a service retirement allowance, are paid into the DROP Fund. Interest is earned when the member has completed DROP participation. Interest earnings are based upon the actual rate of return on the investments identified as DROP funds for the period. In addition, no cost-of-living increases are payable to participants until employment which make them eligible to become members of the System has been terminated for at least one full year. Upon termination of employment prior to or at the end of a specified period of participation, a participant in the Drop may receive, at his option, a lump sum from the account equal to the payment if approved by the board of trustees. If a participant dies during participation in the DROP, a lump sum equal to the balance in his account shall be paid to his named beneficiary, or if none, to his estate. If employment is not terminated at the end of the three years, payments into the DROP fund cease and the person resumes active contributing membership in the System.

For Plan A, a member shall be eligible to retire and receive a disability benefit if he has at least five years of creditable service, is not eligible for normal retirement and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan A shall be paid a disability benefit equal to the lesser of forty-five percent of his final average compensation or three percent of his final average compensation multiplied by his years of creditable service whichever is greater or an amount equal to three percent of the member's final average compensation multiplied by his years of creditable service projected to his earliest normal retirement age.

Municipal Police Employees' Retirement System (MPERS)

The Municipal Police Employees' Retirement System (MPERS) is the administrator of a cost-sharing multiple-employer plan. Membership in the System is mandatory for any full-time police officer employed by a municipality of the State of Louisiana and engaged in law enforcement, empowered to make arrests, providing he or she does not have to pay social security and providing he or she meets the statutory criteria. The System provides retirement benefits for municipal police officers.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

13. Defined Benefit Pension Plans (continued)

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

The projections of benefit payments in the calculation of the total pension liability includes all benefits to be provided to current active and inactive employees through the System in accordance with benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date. Benefit provisions are authorized within Act 189 of 1973 and amended by LRS 11:2211 – 11:2233.

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

Membership prior to January 1, 2013: A member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 20 years of creditable service and is age 50 or has 12 years creditable service and is age 55. A member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age with an actuarially reduced benefit. Benefit rates are three and one-third percent of average final compensation (average monthly earnings during the highest 36 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary. Upon the death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from forty to sixty percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives benefits equal to ten percent of the member's average final compensation or \$200.00 per month, whichever is greater.

Membership Commencing January 1, 2013: Member eligibility for regular retirement, early retirement, disability and survivor benefits are based on Hazardous Duty and Non-Hazardous Duty sub plans. Under the Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 12 years of creditable service at age 55. Under the Non-Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 30 years of creditable service at any age, 25 years of creditable service at age 55, or 10 years of creditable service at age 60. Under both sub plans, a member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age, with an actuarially reduced benefit from age 55. Under the Hazardous and Non-Hazardous Duty sub plans, the benefit rates are three percent and two and a half percent, respectively, of average final compensation (average monthly earnings during the highest 60 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary. Upon death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from twenty-five to fifty-five percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives ten percent of average final compensation or \$200 per month whichever is greater. If deceased member had less than ten years of service, beneficiary will receive a refund of employee contributions only.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

13. Defined Benefit Pension Plans (continued)

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

Deferred Retirement Option Plan: A member is eligible to elect to enter the deferred retirement option plan (DROP) when he is eligible for regular retirement based on the members' sub plan participation. Upon filing the application for the program, the employee's active membership in the System is terminated. At the entry date into the DROP, the employee and employer contributions cease. The amount to be deposited into the DROP account is equal to the benefit computed under the retirement plan elected by the participant at date of application. The duration of participation in the DROP is thirty-six months or less. If employment is terminated after the three-year period, the participant may receive his benefits by lump sum payment or a true annuity. If employment is not terminated, active contributing membership into the System shall resume and upon later termination, he shall receive additional retirement benefit based on the additional service. For those eligible to enter DROP prior to January 1, 2004, DROP accounts shall earn interest subsequent to the termination of DROP participation at a rate of half of one percentage point below the percentage rate of return of the System's investment portfolio as certified by the actuary on an annual basis but will never lose money. For those eligible to enter DROP subsequent to January 1, 2004, an irrevocable election is made to earn interest based on the System's investment portfolio return or a money market investment return. This could result in a negative earnings rate being applied to the account. If the member elects a money market investment return, the funds are transferred to a government money market account.

Initial Benefit Option Plan: In 1999, the State Legislature authorized the System to establish an Initial Benefit Option program. Initial Benefit Option is available to members who are eligible for regular retirement and have not participated in DROP. The Initial Benefit Option program provides both a one-time single sum payment of up to 36 months of regular monthly retirement benefit, plus a reduced monthly retirement benefit for life. Interest is computed on the balance based on same criteria as DROP.

Louisiana State Employees' Retirement System (LASERS)

The Louisiana State Employees' Retirement System (LASERS) is the administrator of a cost-sharing multiple-employer defined benefit pension plan established by Section 401 of Title 11 of the Louisiana Revised Statutes (La. R.S. 11:401) to provide retirement allowances and other benefits to eligible state officers, employees, and their beneficiaries.

The following is a description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

13. Defined Benefit Pension Plans (continued)

Louisiana State Employees' Retirement System (LASERS) (continued)

Eligibility Requirements

All state employees, except those specifically excluded by statute, become members of the System's Defined Benefit Plan (DBP) as a condition of employment, unless they elect to continue as a contributing member in any other retirement system for which they remain eligible for membership. Certain elected officials and officials appointed by the Governor may, at their option, become members of LASERS. Also, qualifying unclassified state employees may have made an irrevocable election to participate in the Optional Retirement Plan (ORP) between July 12, 1999 and December 7, 2007, when the plan closed.

Retirement

The age and years of creditable service required in order for a member to retire with full benefits are established by statute, and vary depending on the member to retire with full benefits are established by statute, and vary depending on the member's hire date, employer, and job classification. The majority of our rank and file members may either retire with full benefits at any age upon completing 30 years of creditable service and at age 60 upon completing ten years of creditable service depending on their plan. Additionally, members may choose to retire with 20 years of service at any age, with an actuarially reduced benefit. The basic annual retirement benefit for members is equal to 2.5% to 3.5% of average compensation multiplied by the number of years of credible service.

Average compensation is defined as the member's average annual earned compensation for the highest 36 consecutive months of employment for members employed prior to July 1, 2006. For members hired July 1, 2006 or later, average compensation is based on the member's average annual earned compensation for the highest 60 consecutive months of employment. The maximum annual retirement benefit cannot exceed the lesser of 100% of average compensation or a certain specified dollar amount of actuarially determined monetary limits, which vary depending upon the member's age at retirement. Judges, court officers, and certain elected officials receive an additional annual retirement benefit equal to 1.0% of average compensation multiplied by the number of years of creditable service in their respective capacity. As an alternative to the basic retirement benefits, a member may elect to receive their retirement throughout their life, with certain benefits being paid to their designated beneficiary after their death.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

13. Defined Benefit Pension Plans (continued)

Louisiana State Employees' Retirement System (LASERS) (continued)

Act 992 of the 2010 Louisiana Regular Legislative Session, changed the benefit structure for LASERS members hired on or after January 1, 2011. This resulted in three new plans: regular, hazardous duty, and judges. The new regular plan includes regular members and those members who were formally eligible to participate in specialty plans, excluding hazardous duty and judges. Regular members and judges are eligible to retire at age 60 after five years of creditable service and, may also retire at any age, with reduced benefit, after 20 years of creditable service. Hazardous duty members are eligible to retire with twelve years of creditable service at age 55, 25 years of creditable service at any age or with a reduced benefit after 20 years of creditable service. Average compensation will be based on the member's average annual earned compensation for the highest 60 consecutive months of employment for all three new plans. Members in the regular plan will receive a 2.5% accrual rate, hazardous duty plan a 3.33% accrual rate, hazardous duty plan a 3.33% accrual rate, and judges a 3.5% accrual rate. The extra 1.0% accrual rate for each year of service for court officers, the governor, lieutenant governor, legislators, House clerk, sergeants at arms, or Senate secretary, employed after January 1, 2011, who are hazardous duty employees have the option to transition to the new hazardous duty plan.

A member leaving employment before attaining minimum retirement age, but after completing certain minimum service requirements, becomes eligible for a benefit provided the member lives to the minimum service retirement age, and does not withdraw their accumulated contributions. The minimum service requirement for benefits varies depending upon the member's employer and service classification but generally is ten years of service.

Deferred Benefits

The State Legislature authorized LASERS to establish a Deferred Retirement Option Plan (DROP). When a member enters DROP, their status changes from active member to retiree even though they continue to work and draw their salary for a period of up to three years. The election is irrevocable once participation begins. During DROP participation, accumulated retirement benefits that would have been paid to each retiree are separately tracked. For members who entered DROP prior to January 1, 2004, interest at a rate of one-half percent less than the System's realized return on its portfolio (not to be less than zero) will be credited to the retiree after participation ends. At that time, the member must choose among available alternatives for the distribution of benefits that have accumulated in the DROP account. Members who enter DROP on or after January 1, 2004, are required to participate in LASERS Self-Directed Plan (SDP) which is administered by a third-party provider. The SDP allows DROP participants to choose from a menu of investment options for the allocation of their DROP balances. Participants may diversify their investments by choosing from an approved list of mutual funds with different holdings, management styles, and risk factors.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

13. Defined Benefit Pension Plans (continued)

Louisiana State Employees' Retirement System (LASERS) (continued)

Members eligible to retire and who do not choose to participate in DROP may elect to receive at the time of retirement an initial benefit option (IBO) in an amount up to 36 months of benefits, with an actuarial reduction of their future benefits. For members who selected the IBO option prior to January 1, 2004, such amount may be withdrawn or remain in the IBO account earning interest at a rate of one-half percent less than the System's realized return on its portfolio (not to be less than zero). Those members who select the IBO on or after January 1, 2004, are required to enter the SDP as described.

Disability Benefits

All members with ten or more years of credited service who become disabled may receive a maximum disability retirement benefit equivalent to the regular retirement formula without reduction by reason of age.

Upon reaching age 60, the disability retiree may receive a regular retirement benefit by making application to the Board of Trustees.

For injuries sustained in the line of duty, hazardous duty personnel in the Hazardous Duty Services Plan will receive a disability benefit equal to 75% of final average compensation.

Survivor's Benefit

Certain eligible surviving dependents receive benefits based on the deceased member's compensation and their relationship to the deceased. The deceased member who was in state service at the time of death must have a minimum of five years of service credit, at least two of which were earned immediately prior to death, or who had a minimum of twenty years of service credit regardless of when earned in order for a benefit to be paid to a minor or handicapped child. Benefits are payable to an unmarried child until age 18, or age 23 if the child remains a full-time student. The aforementioned minimum service credit requirement is ten years for a surviving spouse with no minor children, and benefits are to be paid for life to the spouse or qualified handicapped child.

Funding Policy

Article X, Section 29 (E) (2) (a) of the Louisiana Constitution of 1974 assigns the Legislature the authority to determine employee contributions. Employer contributions are actuarially determined using statutorily established methods on an annual basis and are constitutionally required to cover the employer's portion of the normal cost and provide for the amortization of the unfunded accrued liability. Employer contributions are adopted by the Legislature annually upon recommendation of the Public Retirement Systems' Actuarial Committee (PRSAC).

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

13. Defined Benefit Pension Plans (continued)

Contributions to the plans are required and determined by State statute (which may be amended) and are expressed as a percentage of covered payroll. The contribution rates in effect for the year ended May 31, 2021, for the City and covered employees were as follows:

	<u>City</u>	<u>Employees</u>
Municipal Employees' Retirement System – Plan A	29.50%	10.00%
Municipal Police Employees' Retirement System		
All employees hired prior to 01/01/2013 and all		
hazardous duty employees hired after 01/01/2013	33.75%	10.00%
Non-hazardous duty hired after 01/01/2013	33.75%	8.00%
Employees receiving compensation below poverty		
Guidelines of US Department of Health	36.25%	7.50%
Louisiana State Employees' Retirement System -		
Judges hired prior to 01/01/2011	43.60%	13.00%

The contributions made to the Systems for the past three years ending on May 31, were as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Municipal Employees' Retirement			
System: Plan A	\$ 1,475,691	\$ 1,364,968	\$ 1,221,843
Municipal Police Employees'			
Retirement System	\$ 1,036,911	\$ 909,915	\$ 832,665
Louisiana State Employees'			
Retirement System	\$ 3,076	\$ 2,965	\$ 2,819
	<u>\$ 2,515,678</u>	<u>\$ 2,277,848</u>	<u>\$ 2,057,327</u>

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

The following schedule lists the City's proportionate share of the Net Pension Liability allocated by each of the pension plans based on the June 30, 2020 measurement date. The City uses this measurement to record its Net Pension Liability and associated amounts as of May 31, 2021 in accordance with GASB Statement 68. The schedule includes the proportionate share allocation rate used at June 30, 2019 along with the change compared to the June 30, 2019 rate. The City's proportion of the Net Pension Liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

13. Defined Benefit Pension Plans (continued)

	<u>Net Pension Liability at June 30, 2020</u>	<u>Rate at June 30, 2020</u>	<u>Increase (Decrease) to June 30, 2019 Rate</u>
Governmental Activities:			
Municipal Employees' Retirement System of Louisiana:			
Plan A	\$ 8,520,749	2.593211%	0.022053%
Municipal Police Employees' Retirement System	9,027,058	0.976708%	0.113041%
Louisiana State Employees' Retirement System	<u>30,519</u>	0.00037%	0.000000%
	<u>\$ 17,578,326</u>		
Business-type Activities:			
Municipal Employees' Retirement System of Louisiana:			
Plan A	<u>\$ 2,690,763</u>	2.593211%	0.022053%

The following schedule lists each pension plan's recognized pension expense (benefit) of the City for the year ended May 31, 2021:

	<u>Pension Expense (Benefit)</u>
Municipal Employees' Retirement System of Louisiana:	
Plan A	\$ 613,272
Municipal Police Employees' Retirement System	(212,895)
Louisiana State Employees' Retirement System	<u>(299)</u>
	<u>\$ 400,078</u>

At May 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 5,199	\$ (418,832)
Change of assumptions	403,216	(222,775)
Net difference between projected and actual earnings on pension plan investments	2,206,228	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	770,974	(149,537)
Differences between allocated and actual contributions	-	(71,151)
Employer contributions subsequent to the measurement date	2,515,678	-
Total	<u>\$ 5,901,295</u>	<u>\$ (862,295)</u>

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

13. Defined Benefit Pension Plans (continued)

Summary totals of deferred outflows of resources and deferred inflows of resources by pension plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Municipal Employees' Retirement System of Louisiana: Plan A	\$ 2,860,415	\$ (80,009)
Municipal Police Employees' Retirement System	3,033,245	(782,485)
Louisiana State Employees' Retirement System	7,635	199
	\$ 5,901,295	\$ (862,295)

The following table lists the City's contributions to each retirement system that is reported as deferred outflow of resources related to pension contributions made subsequent to the measurement period of June 30, 2020 which will be recognized as a reduction in Net Pension Liability in the year ended May 31, 2021. The following schedule list the pension contributions made subsequent to the measurement period for each pension plan:

	Subsequent Contributions
Municipal Employees' Retirement System of Louisiana: Plan A	\$ 1,475,691
Municipal Police Employees' Retirement System	1,036,911
Louisiana State Employees' Retirement System	3,076
	\$ 2,515,678

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

Year	MERS	MPERS	LASERS	Total
2021	\$ 510,132	\$ 155,710	\$ 634	\$ 666,475
2022	381,585	444,558	1,435	827,578
2023	251,047	416,768	1,538	669,353
2024	161,952	196,814	1,151	359,916
	\$ 1,304,715	\$ 1,213,849	\$ 4,758	\$ 2,523,322

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

13. Defined Benefit Pension Plans (continued)

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability for each pension plan as of June 30, 2020 are as follows:

	MERS	MPERS	LASERS
Valuation Date	June 30, 2020	June 30, 2020	June 30, 2020
Actuarial Cost Method	Entry Age Normal Cost	Entry Age Normal Cost	Entry Age Normal
Actuarial Assumptions: Expected Remaining Service Lives	3 years-Plan A	4 years	2 years
Investment Rate of Return	6.95% net of pension plan investment expense, including inflation	6.95% net of investment expenses	7.55% per annum, net of investment expense
Inflation Rate	2.50%	2.50%	2.30%
Mortality	PubG-2010(B) Healthy Retiree Table set equal to 120% for males and females, each adjusted using their respective male and female MP2018 scales. PubG-2010(B) Employee Table set equal to 120% for males and females, each adjusted using their respective male and female MP2018 scales. PubNS-2010(B) Disabled Retiree table set equal to 120% for males and females with the full generational MP2018 scale.	Pub-2010 Public Retirement Plan Mortality Table for Safety Below-Median Healthy Retirees multiplied by 115% for males and 125% for females, each with full generational projection using the MP2019 scale was used. Pub-2010 Public Retirement Plans Mortality Table for Safety Disable Retirees multiplied by 105% for males and 115% for females, each with full generational projection using the MP2019 scale was used. Pub-2010 Public Retirement Plans Mortality Table for Safety Below-Median Employees multiplied by 115% for males and 125% for females, each with full generational projection using the MP2019 scales was used. The mortality rate assumption used was set based upon an experience study performed by the prior actuary on plan data for the period of July 1, 2014 through June 30, 2019, and review of similar law enforcement mortality.	Non-disabled members-mortality rates for 2020 were based on the RP-2014 Blue Collar (males/females) and White Collar (females) Healthy Annuitant Tables projected on a fully generational basis by Mortality Improvement Scale MP-2018. Disabled members - mortality rates based on the RP-2000 Disabled Retiree Mortality Table, with no projection for mortality improvement.
Termination, Disability, and Retirement			Termination, disability, and retirement assumptions were projected based on a five-year (2014-2018) experience study of the System's members.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

13. Defined Benefit Pension Plans (continued)

Actuarial Assumptions (continued)

	<u>MERS</u>	<u>MPERS</u>	<u>LASERS</u>																		
Salary Increases	Plan A 1-4 years of service - 6.4% More than 4 years of service - 4.5%	Years of Service <hr/> 1-2 Above 2	Salary Growth Rate <hr/> 12.30% 4.70%																		
			Salary increases were projected based on a 2014-2018 experience study of the System's members. The salary increase ranges for specific types of members are:																		
			<table border="0"> <thead> <tr> <th align="center"><u>Member Type</u></th> <th align="center"><u>Lower Range</u></th> <th align="center"><u>Upper Range</u></th> </tr> </thead> <tbody> <tr> <td align="center">Regular</td> <td align="center">3.0%</td> <td align="center">12.8%</td> </tr> <tr> <td align="center">Judges</td> <td align="center">2.6%</td> <td align="center">5.1%</td> </tr> <tr> <td align="center">Corrections</td> <td align="center">3.6%</td> <td align="center">13.8%</td> </tr> <tr> <td align="center">Hazardous Duty</td> <td align="center">3.6%</td> <td align="center">13.8%</td> </tr> <tr> <td align="center">Wildlife</td> <td align="center">3.6%</td> <td align="center">13.8%</td> </tr> </tbody> </table>	<u>Member Type</u>	<u>Lower Range</u>	<u>Upper Range</u>	Regular	3.0%	12.8%	Judges	2.6%	5.1%	Corrections	3.6%	13.8%	Hazardous Duty	3.6%	13.8%	Wildlife	3.6%	13.8%
<u>Member Type</u>	<u>Lower Range</u>	<u>Upper Range</u>																			
Regular	3.0%	12.8%																			
Judges	2.6%	5.1%																			
Corrections	3.6%	13.8%																			
Hazardous Duty	3.6%	13.8%																			
Wildlife	3.6%	13.8%																			
Cost of Living Adjustments	The System is authorized under state law to grant a cost of living increase to members who have been retired for a least one year. The adjustment cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement and may only be granted if sufficient funds are available from investment income in excess of normal requirements. State law allows the System to grant additional cost of living increases to all retirees and beneficiaries who are age sixty-five and above equal to 2% of the benefit being received on October 1, 1977 or the original benefit, if retirement commenced after that date.	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost-of-living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted costs of living increases. The projected benefit payments do not include provisions for potential future increases not yet authorized by the Board of Trustees as they were deemed not to be substantively automatic.																		

MERS - The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an experience study for the period July 2013 through June 30, 2018.

MPERS - The actuarial assumptions used in the June 30, 2020 valuation were based on the assumptions used in the June 30, 2019 actuarial funding valuation and were based on the results of an actuarial experience study for the period of July 1, 2014 through June 30, 2019.

LASERS - The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an experience study for the period July 1, 2014 through June 30, 2018.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

13. Defined Benefit Pension Plans (continued)

Actuarial Assumptions (continued)

The following table provides a summary of the best estimates of arithmetic/geometric real rates of return for each major asset class included in each of the Retirement Systems target asset allocations as of June 30, 2020:

Asset Class	Target Allocation			Long-Term Expected Real Rate of Return		
	MERS	MPERS	LASERS	MERS	MPERS	LASERS
Public equity	53%	-	0%	2.33%	-	-
Equities	-	49%	55%	-	3.08%	10.62%
Public fixed income	38%	-	-	1.67%	-	-
Fixed income	-	34%	16%	-	0.54%	5.75%
Alternatives	9%	18%	29%	0.40%	1.02%	6.69%
Cash	-	-	-	-	-	(0.59)%
Other	-	-	-	-	-	4.20%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	4.40%	4.64%	5.81%
Inflation				2.60%	2.55%	2.30%
Expected Arithmetic Nominal Return				<u>7.00%</u>	<u>7.19%</u>	<u>8.11%</u>

Discount Rate

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate used to measure the total pension liability for MERS, MPERS and LASERS was 6.95%, 6.95% and 7.55%, respectively for the year ended June 30, 2020.

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

The following table presents the City's proportionate share of the Net Pension Liability (NPL) using the discount rate of each Retirement System as well as what the City's proportionate share of the NPL would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate used by each of the Retirement Systems:

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

13. Defined Benefit Pension Plans (continued)

	<u>1.0% Decrease</u>	<u>Current Discount Rate</u>	<u>1.0% Increase</u>
MERS A			
Rates	5.95%	6.95%	7.95%
City's Share of NPL	\$ 14,584,948	\$ 11,211,512	\$ 8,359,129
MPERS			
Rates	5.95%	6.95%	7.95%
City's Share of NPL	\$ 12,682,054	\$ 9,027,058	\$ 5,971,633
LASERS			
Rates	6.55%	7.55%	8.55%
City's Share of NPL	\$ 37,503	\$ 30,519	\$ 24,592

Payables to the Pension Plan

The City had the following amounts due to each of the retirement systems at May 31, 2021:

MERS	\$157,270
MPERS	\$108,845
LASERS	\$ -

Support of Non-employer Contributing Entities

Contributions received by a pension plan from non-employer contributing entities that are not in a special funding situation are recorded as revenue by the respective pension plan. The City recognizes revenue in an amount equal to their proportionate share of the total contributions to the pension plan from these non-employer contributing entities. The City recognized revenue as a result of support received from MERS of \$175,924 and MPERS of \$212,895.

14. Other Post-Employment Benefits (OPEB)

General Information about the OPEB Plan

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

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

14. Other Post-Employment Benefits (OPEB) (continued)

Benefits Provided – Medical benefits are provided through a comprehensive medical plan and are made available to employees upon actual retirement. The employees are covered by a retirement system whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 25 years of service at any age; or, age 60 and 10 years of service.

Employees covered by benefit terms – At May 31, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	20
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>119</u>
	<u>139</u>

Total OPEB Liability

The City’s total OPEB liability of \$10,555,853 was measured as of May 31, 2021 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and other inputs – The total OPEB liability in the May 31, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary increases	4.0%, including inflation
Discount rate	2.48% annually (Beginning of Year to Determine ADC) 2.26% annually (As of End of Year Measurement Date)
Healthcare cost trend rates	Flat 4.0% annually
Mortality	SOA RP-2000 Table

The discount rate was based on the average of the Bond Buyers' 20 Year General Obligation municipal bond index as of May 31, 2021, the end of the applicable measurement period.

The actuarial assumptions used in the May 31, 2021 valuation were based on the results of ongoing evaluations of the assumptions from June 1, 2009 to May 31, 2021.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

14. Other Post-Employment Benefits (OPEB) (continued)
Changes in the Total OPEB Liability

Balance at May 31, 2020	\$ 10,865,011
Changes for the year:	
Service cost	304,550
Interest	266,230
Differences between expected and actual experience	(1,088,074)
Changes in assumptions	467,986
Benefit payments and net transfers	(259,850)
Net changes	(309,158)
Balance at May 31, 2021	\$ 10,555,853

Sensitivity of the total OPEB liability to changes in the discount rate – The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.26%) or 1-percentage-point higher (3.26%) than the current discount rate:

	1.0% Decrease (1.26%)	Current Discount Rate (2.26%)	1.0% Increase (3.26%)
Total OPEB liability	\$ 12,757,311	\$ 10,555,853	\$ 8,856,611

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates – The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (3.0%) or 1-percentage-point higher (5.0%) than the current healthcare trend rates:

	1.0% Decrease (3.0%)	Current Trend (4.0%)	1.0% Increase (5.0%)
Total OPEB liability	\$ 9,070,359	\$ 10,555,853	\$ 12,497,871

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

For the year ended May 31, 2021, the City recognized OPEB expense of \$689,704. At May 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 390,214	\$ (958,289)
Changes in assumptions	2,138,430	-
Total	\$ 2,528,644	\$ (958,289)

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

14. Other Post-Employment Benefits (OPEB) (continued)

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

<u>Years ending May 31:</u>	
2022	\$ 118,924
2023	118,924
2024	118,924
2025	118,924
2026	118,924
Thereafter	<u>975,749</u>
Total	<u>\$ 1,570,369</u>

15. Contingencies & Commitments

Commitments

At May 31, 2021, the City had outstanding commitments resulting from construction contracts in progress of \$439,152.

Litigation

Various lawsuits are pending against the City. In the opinion of the City management, the potential loss on lawsuits will not be material to the City's basic financial statements.

Grant Compliance

The City receives state and federal assistance through various grant programs. Management is confident that all significant grant conditions have been met; however, grantor agencies routinely review grant activity and could request reimbursement if a dispute occurs regarding compliance with grant conditions.

16. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is a member of two separate trust funds established by the Louisiana Municipal Association that encompasses self-insurance of (1) Municipal professional liability and comprehensive general liability, and (2) Statutory workers' compensation. The City carries commercial insurance for all other risk of loss.

The trust funds for professional liability/comprehensive general liability and statutory workers compensation are pooling arrangements whereby there is sharing a risk among the participants of the trust funds. The City reports its premiums as insurance expenditures and expenses these premiums over the pro rata periods involved.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

17. Concentration of Credit Risk-Proprietary Fund

Accounts receivable from utility customers were comprised of the following sources: residential – 64%, commercial – 42%; other governmental agencies – 4%. Outstanding balances are partially secured by deposits made when service is requested.

18. Tax Abatement

The City entered into an agreement with the Industrial Development Board of the City of Gonzales, Louisiana (IDB) pursuant to Part II of chapter 27 of Title 33 of the Louisiana Revised Statutes of the 1950, as amended (La. R.S. 33:9038.31 to 33:9038.42, inclusive) (the “Tax Increment Development Act”). These statutes grant the City the authority to create economic development districts, and through itself or certain other issuers of bonds, including local industrial development boards, to issue bonds and pledge to the payment of such bonds the incremental increases in sales taxes derived from the project or development located in the economic district and financed with such bonds. The City has agreed to abate 1.5 cents of its 2 cents sales tax collected within the economic development district. The State of Louisiana agreed to abate 1.5 cents of its sales tax collected within the district up to a maximum of \$10,500,000. The IDB issued Tax Increment Revenue Bonds to assist Cabela’s Retail LA, LLC and Carlisle Resort, L.L.C. with the acquisition of land, construction and equipping of a Cabela’s retail outlet and certain infrastructure. The entire amount of the sales tax is dedicated to the payment of the Tax Increment Revenue Bonds issued by the Industrial Development Board of the City of Gonzales. For the year ended May 31, 2021 the City abated \$927,485 of sales taxes.

The City created the Tanger Mall Economic Development District, (the District) pursuant to La. R.S. 33:9038.32. La L.S. 33:9038.39 permits economic development districts to levy sales and use taxes up to 2%. The City of Gonzales adopted Ordinance No. 2999 to levy a 1% sales tax in the District for twenty years. The City of Gonzales, Tanger Mall Economic District, and Tanger Properties Limited Partnership entered into a Cooperative Endeavor Agreement whereby 70% of the proceeds of the tax will be used to reimburse Tanger Properties Limited Partnership for documented construction cost to enlarge the buildings, tenant allowances and improvements to the infrastructure up to \$14,836,092. The remaining 30% of the tax may be expended by the City or the District to pay for economic development projects in the City, whether inside or outside of the District. For the year ended May 31, 2021 the City abated \$763,599.

The City created the Conway Economic Development District pursuant to La. R.S. 33:9038.32. La L.S. 33:9038.39 permits economic development districts to levy sales and use taxes up to 2% and to levy occupancy taxes up to 2%. The City of Gonzales adopted Ordinance No. 4065 to levy 1% sales and 1% hotel tax in the District for twenty-five years. The City of Gonzales, Conway Economic District, State of Louisiana and Conway Development LLC entered into a Cooperative Endeavor Agreement whereby the proceeds of the tax collections in the District will be used to reimburse Conway Development LLC for Phase 1 & 2 infrastructure improvements. For the year ended May 31, 2021, the City abated \$58,213.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

19. Subsequent Events

Management has evaluated subsequent events through October 13, 2021, the date that the financial statements were available to be issued, noting the following subsequent events have been evaluated for inclusion in these financial statements.

On June 15, 2021, the City was issued a \$4.5 million Taxable Hotel Occupancy Tax Bond, Series 2021 for the purpose of construction of a new performing arts, conference, and events center.

On August 20, 2021, the City received \$2,026,236 of the American Recue Plan Act funding. Management will spend funds in accordance with the compliance program requirements.

In September 2021, the City incurred costs from Hurricane Ida related to debris monitoring and removal, and various structural repairs. The City estimates the costs from this event to be approximately \$2 million.

CITY OF GONZALES
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED MAY 31, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
REVENUES			
Taxes	\$ 12,203,000	\$ 12,503,000	\$ 13,875,111
Franchise fees	1,050,000	1,050,000	1,170,348
Licenses and permits	1,486,000	1,486,000	1,596,791
Fees, fines and forfeitures	150,000	150,000	354,242
Miscellaneous	342,250	342,250	553,222
Intergovernmental	14,940	14,940	-
Fire department revenue	583,000	583,000	631,717
Grant revenue	325,000	3,015,000	1,425,137
Interest	75,000	75,000	33,423
Total revenues	<u>16,229,190</u>	<u>19,219,190</u>	<u>19,639,991</u>
EXPENDITURES			
Current:			
General government	2,119,030	2,144,978	2,051,050
Public safety:			
Police	5,903,000	6,116,966	6,323,309
Fire	3,635,000	3,676,166	3,766,042
Streets and drainage	1,472,100	1,489,460	1,380,598
Sanitation	1,100,400	1,151,985	1,226,999
Recreation, building and grounds	1,549,160	1,570,875	1,474,179
Civic center	66,000	79,600	56,042
Code enforcement	369,500	380,350	330,407
Total expenditures	<u>16,214,190</u>	<u>16,610,380</u>	<u>16,608,626</u>
Excess of revenues over expenditures	15,000	2,608,810	3,031,365
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	122,721
Transfers out	<u>(3,000,000)</u>	<u>(3,000,000)</u>	<u>(3,202,611)</u>
Total other financing uses	<u>(3,000,000)</u>	<u>(3,000,000)</u>	<u>(3,079,890)</u>
Net change in fund balance	(2,985,000)	(391,190)	(48,525)
Fund Balance, Beginning of year	<u>11,467,162</u>	<u>11,467,162</u>	<u>14,529,838</u>
Fund Balance, End of Year	<u>\$ 8,482,162</u>	<u>\$ 11,075,972</u>	<u>\$ 14,481,313</u>

CITY OF GONZALES
SCHEDULE IN CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED MAY 31, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total OPEB Liability			
Service cost	\$ 304,550	\$ 216,941	\$ 201,657
Interest	266,230	295,234	297,987
Differences between expected and actual experience	(1,088,074)	468,258	(32,650)
Changes of assumptions	467,986	1,700,314	407,746
Benefit payments	<u>(259,850)</u>	<u>(217,678)</u>	<u>(226,957)</u>
Net change in total OPEB liability	<u>(309,158)</u>	<u>2,463,069</u>	<u>647,783</u>
Total OPEB liability - beginning	<u>10,865,011</u>	<u>8,401,942</u>	<u>7,754,159</u>
Total OPEB liability - ending	<u><u>\$ 10,555,853</u></u>	<u><u>\$ 10,865,011</u></u>	<u><u>\$ 8,401,942</u></u>
Covered-employee payroll	\$ 7,183,737	\$ 6,525,888	\$ 6,274,892
Net OPEB liability as a percentage of covered-employee payroll	146.94%	166.49%	133.90%
Notes to Schedule:			
<i>Benefit Changes:</i>	None	None	None
<i>Changes of Assumptions:</i>			
<i>Discount rate:</i>	2.26%	2.48%	3.56%
<i>Mortality:</i>	RP-2000	RP-2000	RP-2000
<i>Trend:</i>	4.00%	4.00%	4.00%

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

CITY OF GONZALES
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED MAY 31, 2021 (*)

	2021	2020	2019	2018	2017	2016
MERS (Plan A)						
Employer's Proportion of the Net Pension Liability (Asset)	2.59321%	2.57116%	2.55685%	2.55351%	2.62655%	2.57570%
Employer's Proportionate Share of the Net Pension Liability (Asset):						
Governmental Activities	\$ 8,520,749	\$ 8,165,439	\$ 7,940,313	\$ 8,225,439	\$ 8,289,410	\$ 7,176,519
Business-type Activities	\$ 2,690,763	\$ 2,578,560	\$ 2,646,771	\$ 2,456,949	\$ 2,476,058	\$ 2,024,146
Employer's Covered-Employee Payroll	\$ 4,956,325	\$ 4,728,538	\$ 4,660,826	\$ 4,637,341	\$ 4,692,636	\$ 4,399,294
Employer's Proportionate Share of the Net Pension Liability (Asset): as a percentage of its Covered-Employee Payroll	226.2062%	227.2161%	227.1504%	230.3559%	229.4120%	209.1396%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	64.5200%	64.6800%	63.9400%	62.4940%	62.1103%	66.1792%
MPERS						
Employer's Proportion of the Net Pension Liability (Asset)	0.97671%	0.86367%	0.88568%	0.91809%	0.09666%	0.94190%
Employer's Proportionate Share of the Net Pension Liability (Asset):						
Governmental Activities	\$ 9,027,058	\$ 7,843,543	\$ 7,487,593	\$ 8,015,340	\$ 9,059,615	\$ 7,378,794
Employer's Covered-Employee Payroll	\$ 2,801,533	\$ 2,593,846	\$ 2,608,319	\$ 2,589,029	\$ 2,730,300	\$ 2,517,759
Employer's Proportionate Share of the Net Pension Liability (Asset): as a percentage of its Covered-Employee Payroll	322.2185%	302.3905%	287.0658%	309.5887%	331.8176%	293.0699%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.9450%	71.0078%	71.8871%	70.0815%	66.0422%	70.7303%
LASERS						
Employer's Proportion of the Net Pension Liability (Asset)	0.00037%	0.00037%	0.00039%	0.00040%	0.00040%	0.00038%
Employer's Proportionate Share of the Net Pension Liability (Asset):						
Governmental Activities	\$ 30,519	\$ 26,734	\$ 26,530	\$ 28,366	\$ 31,489	\$ 26,118
Employer's Covered-Employee Payroll	\$ 7,110	\$ 6,778	\$ 7,110	\$ 7,110	\$ 7,110	\$ 7,110
Employer's Proportionate Share of the Net Pension Liability (Asset): as a percentage of its Covered-Employee Payroll	429.2405%	394.4231%	373.1364%	398.9592%	442.8833%	367.3418%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	58.0000%	62.9000%	64.3000%	62.5437%	57.7280%	62.6632%

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

(*) The amounts presented have a measurement date of the previous fiscal year end of the respective retirement system.

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

- MERS (Plan A) = Municipal Employees' Retirement System
- MPERS = Municipal Police Employees' Retirement System
- LASERS = Louisiana State Employees' Retirement System

See accompanying notes to the schedule of proportionate share of the net pension liability

CITY OF GONZALES
SCHEDULE OF PENSION CONTRIBUTIONS
FOR THE YEAR ENDED MAY 31, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
MERS (Plan A)						
Contractually Required Contribution ¹	\$ 1,477,406	\$ 1,364,049	\$ 1,219,703	\$ 1,190,290	\$ 1,032,373	\$ 892,729
Contributions in Relation to Contractually Required Contribution ²	<u>1,475,691</u>	<u>1,364,968</u>	<u>1,221,843</u>	<u>1,189,210</u>	<u>1,032,373</u>	<u>892,729</u>
Contribution Deficiency (Excess)	\$ 1,715	\$ (919)	\$ (2,140)	\$ 1,080	\$ -	\$ -
Employer's Covered Employee Payroll ³	\$ 5,025,192	\$ 4,942,205	\$ 4,708,024	\$ 4,853,118	\$ 4,608,662	\$ 4,520,147
Contributions as a % of Covered Employee Payroll	29.4000%	27.6000%	25.9069%	24.5263%	22.4007%	19.7500%
MPERS						
Contractually Required Contribution ¹	\$ 1,017,982	\$ 892,695	\$ 813,414	\$ 816,586	\$ 803,082	\$ 763,876
Contributions in Relation to Contractually Required Contribution ²	<u>1,018,364</u>	<u>892,167</u>	<u>815,866</u>	<u>818,259</u>	<u>797,594</u>	<u>763,876</u>
Contribution Deficiency (Excess)	\$ (382)	\$ 528	\$ (2,452)	\$ (1,673)	\$ 5,488	\$ -
Employer's Covered Employee Payroll ³	\$ 3,025,207	\$ 2,746,754	\$ 2,531,566	\$ 2,646,164	\$ 2,550,579	\$ 2,576,055
Contributions as a % of Covered Employee Payroll	33.6500%	32.5000%	32.1309%	30.8592%	31.4863%	29.6529%
MPERS- NON_HAZARDOUS						
Contractually Required Contribution ¹	\$ 18,544	\$ 17,759	\$ 16,740	\$ 16,131	\$ 16,145	\$ 14,646
Contributions in Relation to Contractually Required Contribution ²	<u>18,546</u>	<u>17,748</u>	<u>16,799</u>	<u>16,131</u>	<u>16,145</u>	<u>14,646</u>
Contribution Deficiency (Excess)	\$ (2)	\$ 11	\$ (59)	\$ -	\$ -	\$ -
Employer's Covered Employee Payroll ³	\$ 55,108	\$ 54,642	\$ 52,089	\$ 51,904	\$ 48,206	\$ 46,274
Contributions as a % of Covered Employee Payroll	33.6503%	32.5006%	32.1373%	31.0785%	33.4917%	31.6506%
LASERS						
Contractually Required Contribution ¹	\$ 3,079	\$ 2,972	\$ 2,718	\$ 2,851	\$ 2,702	\$ 2,729
Contributions in Relation to Contractually Required Contribution ²	<u>3,076</u>	<u>2,965</u>	<u>2,819</u>	<u>2,851</u>	<u>2,702</u>	<u>2,729</u>
Contribution Deficiency (Excess)	\$ 3	\$ 7	\$ (101)	\$ -	\$ -	\$ -
Employer's Covered Employee Payroll ³	\$ 7,110	\$ 7,110	\$ 6,778	\$ 7,110	\$ 7,110	\$ 7,110
Contributions as a % of Covered Employee Payroll	43.3052%	41.8003%	40.1003%	40.0985%	38.0028%	38.3826%

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

For reference only:

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

² Actual employer contributions remitted to Retirement Systems

³ Employer's covered employee payroll amount for the year ended May 31 of each year

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

MERS (Plan A) = Municipal Employees' Retirement System

MPERS = Municipal Police Employees' Retirement System

LASERS = Louisiana State Employees' Retirement System

See accompanying notes to the schedule of pension contributions

CITY OF GONZALES
NOTES TO SCHEDULE OF PROPORTIONATE SHARE OF THE NET
PENSION LIABILITY AND SCHEDULE OF PENSION CONTRIBUTIONS
FOR THE YEAR ENDED MAY 31, 2021

CHANGES IN BENEFIT TERMS AND ASSUMPTIONS RELATED TO
DEFINED PENSION PLANS

Changes of Benefit Terms include:

Municipal Employees' Retirement System - Plan A

There were no changes of benefit terms for the year ended May 31, 2021.

Municipal Police Employees' Retirement System

There were no changes of benefit terms for the year ended May 31, 2021.

Louisiana State Employees' Retirement System

There were no changes of benefit terms for the year ended May 31, 2021.

Changes of Assumptions:

Municipal Employees' Retirement System - Plan A

There were no changes of assumptions for the year ended May 31, 2021.

Municipal Police Employees' Retirement System

There were no changes of assumptions for the year ended May 31, 2021.

Louisiana State Employees' Retirement System

There were no changes of assumptions for the year ended May 31, 2021.

CITY OF GONZALES

NON-MAJOR GOVERNMENTAL FUNDS DESCRIPTIONS

SPECIAL REVENUE FUNDS

The Special Revenue Funds are used to account for sales tax collections within the Tanger Mall Economic Development District, Conway Economic Development District, and the PACE Center Economic Development District.

TANGER MALL ECONOMIC DEVELOPMENT DISTRICT

This fund accounts for funding used in economic development projects selected by the District through sales tax revenues collected in the district.

CONWAY ECONOMIC DEVELOPMENT DISTRICT

This fund accounts for the funding dedicated to infrastructure improvements in the District through a sales tax and hotel occupancy tax collected in the district.

PACE CENTER ECONOMIC DEVELOPMENT DISTRICT

This fund accounts for the funding purpose of financing, construction, maintenance and operation of an event and conference center for the City through a hotel occupancy tax collected in the district.

CITY OF GONZALES
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
MAY 31, 2021

SPECIAL REVENUE FUNDS

	Tanger Mall Economic Development District	Conway Economic Development District	PACE Center Economic Development District	Total Special Revenue Funds
<u>ASSETS</u>				
Cash and cash equivalents	\$ 1,414,870	\$ -	\$ 919,964	\$ 2,334,834
Receivables	199,176	13,804	87,454	300,434
Due from other funds	-	111,880	-	111,880
Restricted cash:				
Cash and cash equivalents	1,794,894	-	-	1,794,894
Total assets	\$ 3,408,940	\$ 125,684	\$ 1,007,418	\$ 4,542,042
<u>LIABILITIES</u>				
Accounts payable	\$ 139,423	\$ -	\$ 85	\$ 139,508
Total liabilities	139,423	-	85	139,508
<u>FUND BALANCES</u>				
Restricted	3,269,517	125,684	1,007,333	4,402,534
Total fund balances	3,269,517	125,684	1,007,333	4,402,534
Total liabilities and fund balances	\$ 3,408,940	\$ 125,684	\$ 1,007,418	\$ 4,542,042

CITY OF GONZALES
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED MAY 31, 2021

SPECIAL REVENUE FUNDS

	Tanger Mall Economic Development District	Conway Economic Development District	PACE Center Economic Development District	Total Special Revenue Funds
<u>REVENUES</u>				
Taxes	\$ 1,090,857	\$ 58,214	\$ 455,036	\$ 1,604,107
Interest	2,508	-	-	2,508
Total revenues	<u>1,093,365</u>	<u>58,214</u>	<u>455,036</u>	<u>1,606,615</u>
<u>EXPENDITURES</u>				
Economic development	763,600	-	8,465	772,065
Total expenditures	<u>763,600</u>	<u>-</u>	<u>8,465</u>	<u>772,065</u>
Excess of revenues over expenditures	329,765	58,214	446,571	834,550
<u>OTHER FINANCING SOURCES</u>				
Transfer in	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	329,765	58,214	446,571	834,550
Fund Balance, Beginning of Year	2,939,752	67,470	560,762	3,567,984
Fund Balance, End of Year	<u>\$ 3,269,517</u>	<u>\$ 125,684</u>	<u>\$ 1,007,333</u>	<u>\$ 4,402,534</u>

CITY OF GONZALES
SCHEDULE OF PER DIEM PAID
YEAR ENDED MAY 31, 2021

Councilmen:	<u>MONTHLY</u>	<u>ANNUAL</u>
Tyler Turner	\$ 1,000	\$ 12,000
David Guitreau	\$ 1,000	7,000
Harold Stewart	\$ 1,000	12,000
Kirk Boudreaux	\$ 1,000	12,000
Neal Bourque	\$ 1,000	7,000
John Berthelot	\$ 1,000	5,000
Timothy Riley	\$ 1,000	<u>5,000</u>
		<u><u>\$ 60,000</u></u>

CITY OF GONZALES
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS
TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER
MAY 31, 2021

Agency Head Name/Title: Barney Arceneaux, Mayor

Purpose	Amount
Salary	\$ 143,624
Benefits - health insurance	12,040
Benefits - retirement	40,325
Clothing allowance	650
Per diems	-
Travel	-
Conference fees	60
	<u>\$ 196,699</u>

CITY OF GONZALES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MAY 31, 2021

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Expenditures</u>
U.S. Department of Transportation			
Passed-through Louisiana Department of Transportation and Development National Priority Safety Programs	20.616	2021-30-63	\$ 6,649
Total U.S. Department of Transportation			<u>6,649</u>
U.S. Department of Justice			
Direct Program Law Enforcement Assistance Narcotics and Dangerous Drugs Laboratory Analysis	16.001		15,473
Equitable Sharing Program	16.922	LA0030200	34,776
Passed- through Louisiana Commission on Law Enforcement Edward Byrne Justice Assistance Grant Program	16.738	2018-MU-BX-0441	3,000
Total U.S. Department of Justice			<u>53,249</u>
U.S. Department of Agriculture			
Direct Program Emergency Watershed Protection Program	10.923	NR217217	203,667
Emergency Watershed Protection Program-Floodplain Easements-Disaster Relief Appropriations Act	10.928	68-7217-17-209	10,672
Total U.S. Department of Agriculture			<u>214,339</u>
U.S. Department of Homeland Security			
Pass-through Louisiana Governor's Office of Homeland Security Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	GOHSEP, 4277-PA-LA	14,276
Total U.S. Department of Homeland Security			<u>14,276</u>
U.S. Department of Treasury			
Pass-through Louisiana Division of Administration COVID-19 Coronavirus Relief Fund	21.019	COVID-19-CRF-014634	1,052,187
Total U.S. Department of Treasury			<u>1,052,187</u>
U.S. Department of Health and Human Services			
Pass-through Louisiana Hospital Association National Bioterrorism Hospital Preparedness Program	93.889		40,393
Total U.S. Department of Health and Human Services			<u>40,393</u>
Total Federal Assistance Expended			<u>\$ 1,381,093</u>

See accompanying notes to the schedule of expenditures of federal awards.

CITY OF GONZALES

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Gonzales under programs of the federal government for the year ended May 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Gonzales, it is not intended to and does not present the financial position, changes in financial position, or where applicable cash flows of the City of Gonzales.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual and modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement.

INDIRECT COST RATE

The City of Gonzales has not elected to use the 10 percent de minimis indirect cost as allowed under the Uniform Guidance.

SUBRECIPIENTS

There were no awards passed through to subrecipients.

RECONCILIATION OF FEDERAL EXPENDITURES TO THE FINANCIAL STATEMENTS

Federal revenues as reported on the Schedule of Revenues, Expenditures, and Changes in Fund Balances-Governmental Fund Types	\$ 1,435,349
Add: Equitable sharing revenues received in prior year	34,776
Less: FEMA expenditures included in prior year	<u>(89,032)</u>
Federal grant expenditures as reported on the Schedule of Expenditures of Federal Awards	<u>\$ 1,381,093</u>

CITY OF GONZALES
JUSTICE SYSTEM FUNDING SCHEDULE - COLLECTING/DISBURSING ENTITY
AS REQUIRED BY ACT 87 OF THE 2020 REGULAR LEGISLATIVE SESSION
MAY 31, 2021

Cash Basis Presentation	First Six Month Period Ended 11/30/20	Second Six Month Period Ended 5/31/21
Beginning Balance of Amounts Collected (i.e. cash on hand)	\$ 19,862	\$ 22,909
Add: Collections		
Bond Fees	4,140	13,500
Criminal Court Costs/Fees	96,891	122,012
Criminal Fines - Contempt	14,720	20,875
Restitution	114	1,011
Other	-	69
Subtotal Collections	<u>115,865</u>	<u>157,467</u>
Less: Disbursements To Governments & Nonprofits:		
Ascension Parish Clerk of Court Criminal/Court Costs/Fees	3,680	5,225
Ascension Parish Court Fund/Criminal Court Costs/Fees	19,246	6,135
23rd Judicial District Public Defender's Office/Criminal Court Costs/Fees	16,425	18,405
Parish of Ascension Witness Fund/Criminal Court Costs/Fees	12,410	13,906
LDHH Traumatic Head & Spinal Cord Injury Trust Fund/Criminal Court Costs/Fees	745	700
LA State Police Academy Applied Technology-Intoxilyzer/Criminal Court Costs/Fees	550	525
Treasurer, State of Louisiana-CMIS/Criminal Court Costs/Fees	1,095	1,227
Ascension Clerk Fund/Criminal Court Costs/Fees	8,695	10,650
Ascension Parish Court/Criminal Fines - Contempt	11,040	15,650
District Attorney's Office 23rd JDC/Criminal Court Costs/Fees	7,300	8,180
Crime Stoppers/Criminal Court Costs/Fees	730	818
Louisiana Supreme Court/Criminal Court Costs/Fees	174	204
LA Commission of Law Enforcement/Criminal Court Costs/Fees	1,655	1,919
Less: Amounts Retained by Collecting Agency		
Collection Fee for Collecting/Disbursing to Others Based on Percentage of Collection	11,756	16,373
Less: Disbursements to Individuals/3rd Party Collection or Processing Agencies		
Bond Fee Refunds	13,348	2,158
Restitution Payments to Individuals (additional detail is not required)	1,773	2,367
Other Disbursements to Individuals (additional detail is not required)	-	-
Payments to 3rd Party Collection/Processing Agencies	2,196	2,170
Subtotal Disbursements/Retainage	<u>112,818</u>	<u>106,612</u>
Total: Ending Balance of Amounts Collected but not Disbursed/Retained (i.e. cash on hand)	<u>\$ 22,909</u>	<u>\$ 73,764</u>



**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 Honorable Mr. Barney Arceneaux, Mayor
and the Members of the City Council
City of Gonzales, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gonzales, Louisiana, as of and for the year ended May 31, 2021, and the related notes to the financial statements, which collectively comprise the City of Gonzales, Louisiana's basic financial statements and have issued our report thereon dated October 13, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Gonzales, Louisiana's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Gonzales, Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Gonzales, Louisiana'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 City of Gonzales, Louisiana'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our 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
October 13, 2021



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable Mr. Barney Arceneaux, Mayor
and the Members of the City Council
City of Gonzales, Louisiana

Report on Compliance for Each Major Federal Program

We have audited City of Gonzales, Louisiana's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Gonzales, Louisiana's major federal programs for the year ended May 31, 2021. City of Gonzales, Louisiana's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of City of Gonzales, Louisiana's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Gonzales, Louisiana's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Gonzales, Louisiana's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Gonzales, Louisiana complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended May 31, 2021.

Report on Internal Control Over Compliance

Management of City of Gonzales, Louisiana is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Gonzales, Louisiana's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Gonzales, Louisiana's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Gonzales, Louisiana
October 13, 2021

CITY OF GONZALES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED MAY 31, 2021

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

1. The auditors’ report expresses an unmodified opinion on whether the financial statements of City of Gonzales were prepared in accordance with GAAP.
2. No significant deficiencies or material weaknesses 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 City of Gonzales, which would be required to be reported in accordance with *Government Auditing Standards*, was disclosed during the audit.

Federal Awards

4. No significant deficiencies or material weaknesses relating to the audit over the major federal award programs were reported.
5. The auditors’ report on compliance for the major federal award programs for City of Gonzales expresses an unmodified opinion on the major federal program.
6. There are no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) in this schedule.
7. The following programs were tested as a major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.923	Emergency Watershed Protection Program
21.019	Coronavirus Relief Fund

8. The threshold used for distinguishing between types A & B was \$750,000.
9. City of Gonzales did qualify as a low-risk auditee.

SECTION II – FINDINGS – FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III – NON-COMPLIANCE WITH LAWS AND REGULATIONS

None noted.

SECTION IV – FINDINGS – MAJOR FEDERAL AWARDS PROGRAM AUDIT

None noted.

CITY OF GONZALES
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED MAY 31, 2021

A. FINDINGS – FINANCIAL STATEMENT AUDIT

None noted.

B. FINDINGS – NON-COMPLIANCE WITH LAWS AND REGULATIONS

None noted.

C. FINDINGS – MAJOR FEDERAL AWARDS PROGRAM AUDIT

None noted.



October 13, 2021

To the Management of
City of Gonzales, Louisiana

In planning and performing our audit of the financial statements of the City of Gonzales, Louisiana (the City) as of and for the year ended May 31, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Gonzales, Louisiana's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

However, during our audit we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses and matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. We previously communicated to you about the City's internal control in our letter dated June 11, 2021. This letter does not affect our report dated October 13, 2021, on the financial statements of the City of Gonzales, Louisiana.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with City personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, City Council Members, and others within the City, and is not intended to be, and should not be, used by anyone other than those specified parties.

Sincerely,

ML 2020-001

Reconciliation and Review

Condition: During the course of the audit, instances of unreconciled accounts were noted which resulted in various adjustments.

Recommendation: Management should ensure that those charged with review of transactions and account balances understand their role in the internal control process and are performing an effective review to confirm that transactions are properly recorded and balanced in the financial records at year end. Evidence of the review as well as the proper timing of the review should be documented.



City of Gonzales

120 SOUTH IRMA BOULEVARD • GONZALES, LOUISIANA 70737 • PHONE (225) 647-2841 • FAX (225) 647-9557

BARNEY D. ARCENEUX
MAYOR/ADMINISTRATOR

TIMOTHY R. RILEY-Division A
COUNCILMAN
DRAINAGE
MAYOR'S YOUTH COUNCIL

October 13, 2021

KIRK J. BOUDREAUX-Division B
COUNCILMAN
MAYOR PRO-TEMPORE
TREASURER/FINANCE
STREETS
AEDC LIAISON

HAROLD L. STEWART-Division C
COUNCILMAN
SANITATION
TOURISM

The following is the City of Gonzales response to the Management Letter Comment:

TYLER J. TURNER-Division D
COUNCILMAN
ASSISTANT TREASURER
UTILITIES
ORDINANCE

City of Gonzales Finance Department will review the City's accounting policies and procedures with the City Clerk to ensure proper internal controls are maintained and will make improvements to those policies and procedures to ensure effective reviews are completed and to confirm transactions are properly recorded and balanced in the financial records at year end.

JOHNNY A. BERTHELOT-Division E
COUNCILMAN
RECREATION
ENGINEERING
PUBLIC SAFETY

SHERMAN D. JACKSON
CHIEF OF POLICE

TRACEY N. NORMAND
FIRE CHIEF

SCOT BYRD
CITY CLERK / CAO

MATTHEW I. PERCY
CITY ATTORNEY

Prepared By:

A handwritten signature in blue ink that reads "Brandon Boylan".

Brandon Boylan
Finance Director