
City of Gonzales, Louisiana

Financial Report

May 31, 2018



CITY OF GONZALES, LOUISIANA

FINANCIAL REPORT

MAY 31, 2018

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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, and each major fund of the City of Gonzales, Louisiana (the City), as of and for the year then ended May 31, 2018, and the related notes to the financial statement, 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, and each major fund of the City of Gonzales, Louisiana, as of May 31, 2018, 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 information on pages 54-55, OPEB schedule of funding progress and schedule of employer contributions 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 of Gonzales' basic financial statements. The schedule of per diem paid and schedule of compensation, benefits and other payments to agency head or chief executive officer 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*, are presented for purposes of additional analysis and is also not a required part of the basic financial statements.

The schedule of per diem paid, schedule of compensation, benefits and other payments to agency head or chief executive officer, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of per diem, schedule of compensation, benefits and other payments to agency head or chief executive officer, 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 2, 2018 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 2, 2018
Gonzales, Louisiana

CITY OF GONZALES

MANAGEMENT'S DISCUSSION AND ANALYSIS

MAY 31, 2018

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, 2018.

FINANCIAL HIGHLIGHTS

- The City's combined total net position increased by \$2,406,893 or 3 percent over the course of this year's operations. Net position of our governmental activities increased approximately \$1.8 million and increased approximately \$626,000 of our business-type activities.
- During the year, the City's governmental activities expenses were approximately \$1.8 million less than the \$21.5 million generated in charges for services, taxes, grants and contributions, and other revenue. In the City's business-type activities, revenues decreased approximately \$236,000 and expenses increased by approximately \$145,000.
- The general fund transferred \$500,000 to other funds. \$500,000 was transferred to the capital projects fund. The Utility Fund transferred \$2.9 million to the Capital projects fund. Capital projects transferred \$3.3 million to the Utility Fund. Capital projects reported a decrease in fund balance of \$521,033, and utility fund reported an increase in net position of \$625,976.

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 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, 2018

Table A-1

	Government- Wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire City Government	The activities of the City that are not proprietary or fiduciary, such as general government, police, fire, and recreation	Activities the City operates similar to private businesses: the water 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, 2018

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 is 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 – most of the City's basic services are included here, such as police, fire, public works, park department, and general administration. 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 certain 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 funds – Services for which the City charges customers a fee is generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-and short-term financial information.

In fact, the City's enterprise funds (one type of proprietary fund) are 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, 2018

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position. The City's combined net position increased between fiscal years 2018 and 2017 approximately \$2.4 million to approximately \$80 million. (See Table A-2.)

Table A-2
City's Net Position

	Governmental Activities		Business-Type Activities	
	2018	2017	2018	2017
Current and other assets	\$ 17,642,278	\$ 17,280,048	\$ 3,670,846	\$ 3,695,245
Capital assets	40,551,593	38,258,056	41,608,684	39,434,093
Total assets	58,193,871	55,538,104	45,279,530	43,129,338
Deferred outflows of resources	4,410,160	6,175,428	848,562	790,889
Total assets and deferred outflows of resources	62,604,031	61,713,532	46,128,092	43,920,227
Current and other liabilities	1,032,720	1,210,223	1,181,713	1,154,505
Long-term liabilities	17,131,391	18,019,687	8,015,939	6,469,912
Total liabilities	18,164,111	19,229,910	9,197,652	7,624,417
Deferred inflows of resources	927,244	751,863	129,717	121,063
Total liabilities and deferred inflows of resources	19,091,355	19,981,773	9,327,369	7,745,480
Net position				
Net investment in capital assets	40,551,593	38,258,056	35,379,265	34,758,713
Restricted	2,716,715	2,168,011	954,319	946,541
Unrestricted	244,368	1,305,692	467,139	469,493
Total net position	<u>\$ 43,512,676</u>	<u>\$ 41,731,759</u>	<u>\$ 36,800,723</u>	<u>\$ 36,174,747</u>

Net position of the City's governmental activities increased 4.3 percent to approximately \$43.5 million. Net position of the City's business-type activities increased nearly 2 percent to approximately \$37 million.

The net position for governmental activities increased \$1,780,917 in the current year. The net position for business-type activities increased \$625,976 in the current year.

CITY OF GONZALES

MANAGEMENT'S DISCUSSION AND ANALYSIS

MAY 31, 2018

Changes in net position. The City's total revenues increased by approximately \$782,000 to \$27 million (see Table A-3). Approximately 61 percent of the City's revenue is derived from property and sales tax collections. Fees, fines and charges for services represent 24 percent of revenue. Capital and Operating Grants and Contributions represent 7 percent. Licenses and permits represent 5.5 percent of revenue.

The total cost of all programs and services increased approximately \$314,000 or 1.3 percent. The City's expenses cover all services performed by its office.

Governmental Activities

Revenues and transfers for the City's governmental activities increased by 5 percent, and total expenses increased 1 percent.

Business-type Activities

Revenues of the City's business-type activities decreased approximately \$236,000 or 4 percent and expenses increased by approximately \$145,000 or 3 percent.

Table A-3
Changes in City's Net Position

	Governmental Activities		Business-Type Activities	
	2018	2017	2018	2017
Revenues				
Program revenues				
Charges for services	\$ 2,194,584	\$ 2,100,314	\$ 4,415,835	\$ 4,249,568
Grants & contributions	1,942,750	1,127,728	-	-
General revenues				
Taxes	15,879,209	16,370,569	718,705	746,991
Licenses and permits	1,521,733	1,405,439	-	-
Miscellaneous	330,540	253,762	204,309	167,691
Intergovernmental	-	-	-	-
Investment earnings (losses)	52,918	76,651	9,477	(10,333)
Transfers in (out)	(392,589)	(823,576)	392,589	823,576
Total revenues and transfers	21,529,145	20,510,887	5,740,915	5,977,493
Expenses				
General government	4,966,728	3,060,791	5,114,939	4,969,243
Public safety	10,220,375	10,046,962	-	-
Streets/Water/Wastewater	2,151,604	2,418,509	-	-
Sanitation	976,255	1,010,481	-	-
Recreation	307,745	1,684,430	-	-
Civic center	34,383	49,326	-	-
Code enforcement	358,031	549,453	-	-
Economic development	733,107	760,356	-	-
Total expenses	19,748,228	19,580,308	5,114,939	4,969,243
Change in net position	\$ 1,780,917	\$ 930,579	\$ 625,976	\$ 1,008,250

CITY OF GONZALES

MANAGEMENT'S DISCUSSION AND ANALYSIS

MAY 31, 2018

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed the year, its governmental funds reported a combined fund balance of approximately \$17 million, an increase of approximately \$540,000 or 3.4 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 and Grounds, and Code Enforcement expenditures increased, in total, by \$123,292 to reflect increases in costs of living adjustments for salaries and benefits. There was no amendment in the current year to the special revenue fund budget.

CAPITAL ASSETS

At the end of 2018, the City had invested approximately \$82 million in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, vehicles, and water and sewer lines. (See Table A-4) This amount represents a net increase (including additions and deductions) of approximately \$6 million over last year.

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

	Governmental Activities		Business Activities	
	2018	2017	2018	2017
Land	\$ 2,758,905	\$ 2,758,905	\$ 118,828	\$ 118,828
Buildings & Equipment	9,803,466	10,159,199	91,480	63,630
Other improvements	26,089,001	24,438,224	-	-
Lines, meters, & plants	-	-	41,375,033	35,192,564
Vehicles	767,833	881,448	23,343	47,993
Construction in Progress	1,132,388	20,280	-	4,011,078
Total	\$ 40,551,593	\$ 38,258,056	\$ 41,608,684	\$ 39,434,093

This year's major capital asset additions included:

- Utility fund improvements and construction in progress to lines and meters in the amount of \$3,246,715 for costs associated with the ongoing wastewater improvement project.
- Improvements to building and new equipment in the amount of \$314,258.
- Improvements to parks, bridges, sidewalks, streets and drainage in amounts totaling \$3,215,404.
- New vehicles totaled \$284,220.
- General fund construction in progress of \$1,112,108.

This year's major disposals include:

- Disposals of vehicles and equipment totaling \$73,573.

CITY OF GONZALES
MANAGEMENT'S DISCUSSION AND ANALYSIS
MAY 31, 2018

LONG TERM DEBT

Long term debt consists of:

2014 Series 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 will make draws against the line of credit only after work has been completed and invoiced to the City. 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 \$6,229,419, maturing in 2035. During the year, the City made a principal payment of \$340,000.

Other Post-Employment Benefits

At May 31, 2018, the City reported a net OPEB obligation in the amount of \$401,814.

Net Pension Liability

At May 31, 2018, the City reported a total NPL obligation in the amount of \$18,726,094.

Compensated Absences

At May 31, 2018, the City reported a total compensated absences obligation in the amount of \$535,003.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City is dependent on sales tax collections for 69% of its general and capital project fund revenues. The City's Administration has projected a 1.4% increase in sales taxes for the upcoming fiscal year. Expenditures budgeted in the general fund reflect a decrease of 1% compared to the previous year. This decrease results primarily from decreases in salaries and benefits for various departments. The special revenue budget projects to collect \$1.06 million of sales tax and distribute out \$1.05 million to the Tanger Properties Limited Partnership, which is slightly lower than in 2018. The cost of operation within the Gas Department will remain at \$7.09 per MCF in accordance with City Ordinances. The City believes that the 3 percent increase in water and sewer 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 Mrs. Resa Tureau, 120 South Irma Boulevard, Gonzales, LA 70737.

CITY OF GONZALES
STATEMENT OF NET POSITION
MAY 31, 2018

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash	\$ 5,693,997	\$ 1,097,427	\$ 6,791,424
Investments	7,717,987	900,096	8,618,083
Due from other funds	3,980	-	3,980
Receivables	3,002,709	719,004	3,721,713
Restricted assets:			
Cash	1,223,605	113,181	1,336,786
Investments	-	841,138	841,138
Non-depreciable capital assets	3,891,293	-	3,891,293
Capital assets, net of accumulated depreciation	36,660,300	41,608,684	78,268,984
TOTAL ASSETS	<u>58,193,871</u>	<u>45,279,530</u>	<u>103,473,401</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension related	4,410,160	848,562	5,258,722
Total deferred outflows of resources	<u>4,410,160</u>	<u>848,562</u>	<u>5,258,722</u>
Total assets and deferred outflows of resources	<u><u>\$ 62,604,031</u></u>	<u><u>\$ 46,128,092</u></u>	<u><u>\$ 108,732,123</u></u>
<u>LIABILITIES</u>			
Accounts payable	\$ 790,097	\$ 76,263	\$ 866,360
Retainage payable	144,842	-	144,842
Accrued expenses	53,531	4,342	57,873
Cash Bonds	44,250	-	44,250
Due to other funds	-	3,980	3,980
Payable from restricted assets:			
Customer deposits	-	352,128	352,128
Current portion of long-term debt	-	755,000	755,000
Long-term liabilities:			
Other post retirement benefit liability	401,814	-	401,814
Compensated absences	460,432	74,571	535,003
Net pension liability	16,269,145	2,456,949	18,726,094
Bonds payable	-	5,474,419	5,474,419
TOTAL LIABILITIES	<u>18,164,111</u>	<u>9,197,652</u>	<u>27,361,763</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension related	927,244	129,717	1,056,961
Total deferred inflows of resources	<u>927,244</u>	<u>129,717</u>	<u>1,056,961</u>
<u>NET POSITION</u>			
Net investment in capital assets	40,551,593	35,379,265	75,930,858
Restricted	2,716,715	954,319	3,671,034
Unrestricted	244,368	467,139	711,507
TOTAL NET POSITION	<u>43,512,676</u>	<u>36,800,723</u>	<u>80,313,399</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 62,604,031</u></u>	<u><u>\$ 46,128,092</u></u>	<u><u>\$ 108,732,123</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, 2018

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines, and Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
ACTIVITIES							
Governmental:							
General government	\$ 4,966,728	\$ 1,464,827	\$ 1,578,691	\$ 205,319	\$ (1,717,891)	\$ -	\$ (1,717,891)
Public safety:							
Police	6,154,779	185,694	-	146,240	(5,822,845)	-	(5,822,845)
Fire	4,065,596	544,063	-	12,500	(3,509,033)	-	(3,509,033)
Streets/Water/Wastewater	2,151,604	-	-	-	(2,151,604)	-	(2,151,604)
Sanitation	976,255	-	-	-	(976,255)	-	(976,255)
Recreation	307,745	-	-	-	(307,745)	-	(307,745)
Civic center	34,383	-	-	-	(34,383)	-	(34,383)
Code enforcement	358,031	-	-	-	(358,031)	-	(358,031)
Economic Development	733,107	-	-	-	(733,107)	-	(733,107)
Total governmental activities	19,748,228	2,194,584	1,578,691	364,059	(15,610,894)	-	(15,610,894)
Business-type:							
Utility	5,114,939	4,415,835	-	-	-	(699,104)	(699,104)
Total business-type activities	5,114,939	4,415,835	-	-	-	(699,104)	(699,104)
Total City of Gonzales	\$ 24,863,167	\$ 6,610,419	\$ 1,578,691	\$ 364,059	(15,610,894)	(699,104)	(16,309,998)
General Revenues:							
Taxes					15,879,209	718,705	16,597,914
Licenses and permits					1,521,733	-	1,521,733
Miscellaneous					330,540	204,309	534,849
Transfers, net					(392,589)	392,589	-
Investment earnings					52,918	9,477	62,395
Total general revenues and transfers					17,391,811	1,325,080	18,716,891
Change in net position					1,780,917	625,976	2,406,893
Net position - beginning					41,731,759	36,174,747	77,906,506
Net position - ending					\$ 43,512,676	\$ 36,800,723	\$ 80,313,399

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

CITY OF GONZALES
BALANCE SHEET
GOVERNMENTAL FUNDS
MAY 31, 2018

	General Fund	Special Revenue	Capital Projects	Total Governmental Funds
<u>ASSETS</u>				
Cash	\$ 1,995,591	\$ 1,035,996	\$ 2,662,410	\$ 5,693,997
Investments	7,717,987	1,223,605	-	8,941,592
Receivables	2,257,599	165,337	579,773	3,002,709
Due from other funds	3,980	-	-	3,980
Total assets	\$ 11,975,157	\$ 2,424,938	\$ 3,242,183	\$ 17,642,278
<u>LIABILITIES</u>				
Accounts payable	\$ 167,228	\$ 115,737	\$ 507,132	\$ 790,097
Retainage payable	-	-	144,842	144,842
Cash bonds	44,250	-	-	44,250
Accrued expenses	53,531	-	-	53,531
Total liabilities	265,009	115,737	651,974	1,032,720
<u>FUND BALANCES</u>				
Committed:				
Capital projects	-	-	2,590,209	2,590,209
Restricted	172,804	2,309,201	-	2,482,005
Assigned	234,710	-	-	234,710
Unassigned	11,302,634	-	-	11,302,634
Total fund balances	11,710,148	2,309,201	2,590,209	16,609,558
Total liabilities and fund balances	\$ 11,975,157	\$ 2,424,938	\$ 3,242,183	\$ 17,642,278

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, 2018

Total fund balances - Governmental Funds	\$	16,609,558
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Amounts reported for governmental activities in the statement of net position is different because:

Deferred outflows - pension related		4,410,160
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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, 2018	82,390,861	
Less: accumulated depreciation as of May 31, 2018	(41,839,268)	40,551,593

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		(16,269,145)
Deferred inflows - pension related		(927,244)
Other post retirement benefits		(401,814)
Compensated absences		(460,432)

Total net position at May 31, 2018 - Governmental Activities	\$	43,512,676
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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, 2018

	General	Special Revenue	Capital Projects	Total Governmental Funds
<u>REVENUES</u>				
Taxes	\$ 11,957,106	\$ 1,047,285	\$ 2,874,818	\$ 15,879,209
Franchise fees	1,119,792	-	-	1,119,792
Licenses and permits	1,521,733	-	-	1,521,733
Fees, fines and forfeitures	185,694	-	-	185,694
Miscellaneous	338,995	-	-	338,995
Wastewater impact fees	-	-	345,035	345,035
Fire department revenue	544,063	-	-	544,063
Intergovernmental revenues:				
Federal grants	668,865	-	389,182	1,058,047
State and local grants	217,819	-	666,884	884,703
Interest	21,524	15,813	15,581	52,918
Total revenues	<u>16,575,591</u>	<u>1,063,098</u>	<u>4,291,500</u>	<u>21,930,189</u>
<u>EXPENDITURES</u>				
Current:				
General government	2,713,186	-	981,919	3,695,105
Public safety:				
Police	5,715,398	-	343,177	6,058,575
Fire	3,523,375	-	437,218	3,960,593
Streets and drainage	1,271,722	-	1,874,888	3,146,610
Sanitation	942,863	-	-	942,863
Recreation, building and grounds	781,260	-	143,497	924,757
Civic Center	35,758	-	1,116,853	1,152,611
Code enforcement	361,254	-	22,392	383,646
Economic development	-	733,107	-	733,107
Total expenditures	<u>15,344,816</u>	<u>733,107</u>	<u>4,919,944</u>	<u>20,997,867</u>
Excess of revenues over (under) expenditures	1,230,775	329,991	(628,444)	932,322
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer in	-	-	3,394,040	3,394,040
Transfer out	(500,000)	-	(3,286,629)	(3,786,629)
Total other financing sources (uses)	<u>(500,000)</u>	<u>-</u>	<u>107,411</u>	<u>(392,589)</u>
Net change in fund balances	730,775	329,991	(521,033)	539,733
Fund Balance, Beginning of Year	10,979,373	1,979,210	3,111,242	16,069,825
Fund Balance, End of Year	<u>\$ 11,710,148</u>	<u>\$ 2,309,201</u>	<u>\$ 2,590,209</u>	<u>\$ 16,609,558</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, 2018

Total change in net fund balances - Governmental funds	\$	539,733
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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	4,925,990	
Depreciation expense for the year ended May 31, 2018	(2,623,998)	2,301,992

Loss on disposal of capital assets	(8,455)
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Long term liabilities are not due and payable in the current period and; therefore, are not reported in the governmental funds.

Net effects of change in net pension liability and deferrals	(829,280)
Other post retirement benefits	(232,463)
Less: Excess of compensated absences earned over compensated absences used	9,390

Changes in net position of governmental activities	\$	1,780,917
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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, 2018

	Enterprise Fund
<u>ASSETS</u>	
Current assets:	
Cash	\$ 1,097,427
Investments	900,096
Receivables (net of allowance)	719,004
Total current assets	<u>2,716,527</u>
Noncurrent assets:	
Restricted assets:	
Cash	113,181
Investments	841,138
Capital assets, net of accumulated depreciation	41,608,684
Total noncurrent assets	<u>42,563,003</u>
TOTAL ASSETS	<u>45,279,530</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Pension related	848,562
Total deferred outflows of resources	<u>848,562</u>
 Total assets and deferred outflows of resources	<u>\$ 46,128,092</u>
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	\$ 76,263
Accrued expenses	4,342
Due to other funds	3,980
Current portion of long term debt	755,000
Customer deposits	352,128
Total current liabilities	<u>1,191,713</u>
Noncurrent liabilities:	
Compensated absences	74,571
Net pension liability	2,456,949
Series 2014 bonds payable	5,474,419
Total noncurrent liabilities	<u>8,005,939</u>
TOTAL LIABILITIES	<u>9,197,652</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Pension related	129,717
Total deferred inflows of resources	<u>129,717</u>
<u>NET POSITION</u>	
Net investment in capital assets	35,379,265
Restricted to debt service and customer deposits	954,319
Unrestricted	467,139
TOTAL NET POSITION	<u>36,800,723</u>
 Total liabilities, deferred inflows of resources and net position	<u>\$ 46,128,092</u>

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, 2018

	<u>Enterprise Fund</u>
<u>OPERATING REVENUES</u>	
Charges for service:	
Gas sales	\$ 1,668,079
Sewer service charges	1,273,454
Water sales	1,474,302
Miscellaneous	204,309
Total operating revenues	<u>4,620,144</u>
<u>OPERATING EXPENSES</u>	
Gas department	1,287,383
General and administrative	729,378
Depreciation	1,112,038
Water department	1,140,832
Sewer department	792,641
Total operating expenses	<u>5,062,272</u>
OPERATING LOSS	(442,128)
<u>NONOPERATING REVENUES (EXPENSES)</u>	
Investment earnings	9,477
Sales tax revenue	718,705
Interest on bonds payable	<u>(52,667)</u>
Net nonoperating revenues	<u>675,515</u>
Income before transfers	233,387
<u>TRANSFERS IN</u>	3,286,629
<u>TRANSFERS OUT</u>	<u>(2,894,040)</u>
Changes in net position	625,976
Total net position - beginning	<u>36,174,747</u>
Total net position - ending	<u>\$ 36,800,723</u>

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

CITY OF GONZALES
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED MAY 31, 2018

	Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 4,559,524
Payments to suppliers	(2,604,892)
Payments to employees	(1,313,993)
Net cash provided by operating activities	640,639
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to other funds	(2,894,040)
Intergovernmental revenue	718,705
Net cash used in noncapital financing activities	(2,175,335)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(3,286,629)
Transfers from other funds	3,286,629
Payments on long term debt	(340,000)
Interest paid	(52,667)
Proceeds from long term debt	1,894,039
Net cash provided by capital and related financing activities	1,501,372
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	324,712
Purchases of investments	(287,262)
Investment earnings	26,661
Net cash provided by investing activities	64,111
Net increase in cash and cash equivalents	30,787
Cash and restricted cash - June 1, 2017	1,179,821
Cash and restricted cash - May 31, 2018	\$ 1,210,608
CASH FLOWS FROM OPERATING ACTIVITIES	
Operating loss	\$ (442,128)
Adjustments to reconcile operating loss to net cash provided by operating activities -	
Depreciation and amortization	1,112,038
Unrealized loss on investments	17,184
Bad debt expense	14,583
Pension expense adjustment	(19,109)
Net changes in operating assets and liabilities	
Accounts receivable	(31,215)
Due to/from other funds	2,218
Deferred inflow on pension plans	8,654
Deferred outflow on pension plans	(57,673)
Accounts payable	56,076
Accrued liabilities	(31,086)
Compensated absences	11,097
Net cash provided by operating activities	\$ 640,639

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

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 City does not exercise control over their operations.

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. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. 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. *Special Revenue Fund* - Special Revenue Fund is used to account for taxes collected for a specified purpose to be used for purposes that deal with economic development.
- c. *Capital Projects Funds* – Capital Projects Funds are 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 funds:

- 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.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

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.

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, 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, 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.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

- 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.
- 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.

Interfund receivables/payables – During the course of operations, transactions may occur between individual funds. Those related to short-term borrowings are classified as “due from other funds” or “due to other funds” on the balance sheet.

Investments – Investments are reported at fair value.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

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. General infrastructure 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.

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

<u>Asset Class</u>	<u>Estimates Useful Lives</u>
Infrastructure	30
Buildings	40
Building Improvements	20-25
Other Improvements	15-40
Vehicles	5-15
Equipment	3-40

The proprietary fund is accounted for on a cost of service or "capital maintenance" measurement focus, and all assets and liabilities (whether current or non-current) associated with its activity are included on its balance sheet.

Depreciation of all exhaustible fixed assets used by proprietary funds 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, & sewer system	15-50
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.

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.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

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.

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 assets displayed in three components:

Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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

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

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

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

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.

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 one item that qualifies for this category; pension 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 only one item that qualifies for this category; pension related deferrals. The amounts deferred are recognized as an inflow of resources in the period that the amounts become available.

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.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

2. Capital Assets

Capital assets and depreciation activity as of and for the year ended May 31, 2018, are as follows:

Governmental Activities:

	Land	Building & Equipment	Other Improvements	Vehicles	Construction In Progress	Total
Cost of Capital Assets						
May 31, 2017	\$ 2,758,905	\$ 18,717,798	\$ 51,639,359	\$ 4,386,879	\$ 20,280	\$ 77,523,221
Additions	-	314,258	3,215,404	284,220	1,112,108	4,925,990
Deletions	-	(15,252)	-	(43,098)	-	(58,350)
Costs of Capital Assets						
May 31, 2018	2,758,905	19,016,804	54,854,763	4,628,001	1,132,388	82,390,861
Accumulated depreciation						
May 31, 2017	-	8,558,599	27,201,135	3,505,431	-	39,265,165
Additions	-	661,536	1,564,627	397,835	-	2,623,998
Deletions	-	(6,797)	-	(43,098)	-	(49,895)
Accumulated depreciation						
May 31, 2018	-	9,213,338	28,765,762	3,860,168	-	41,839,268
Capital assets, net of accumulated depreciation						
May 31, 2018	<u>\$ 2,758,905</u>	<u>\$ 9,803,466</u>	<u>\$ 26,089,001</u>	<u>\$ 767,833</u>	<u>\$ 1,132,388</u>	<u>\$ 40,551,593</u>

For the year ended May 31, 2018, depreciation expense of \$2,623,998 was charged to the following governmental functions:

Code Enforcement	\$ 8,455
Streets and Sanitation	1,245,083
Fire	341,631
General	242,389
Police	367,913
Recreation	418,527
	<u>\$ 2,623,998</u>

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

2. Capital Assets (continued)

Business-Type Activities:

	Land	Building & Equipment	Lines, Meters, and plants	Vehicles	Construction In Progress	Total
Cost of Capital Assets						
May 31, 2017	\$ 118,828	\$ 677,285	\$ 54,701,844	\$ 452,507	\$ 4,011,078	\$ 59,961,542
Additions	-	39,914	7,257,793	-	1,940,966	9,238,673
Deletions	-	-	-	(15,223)	(5,952,044)	(5,967,267)
Costs of Capital Assets						
May 31, 2018	118,828	717,199	61,959,637	437,284	-	63,232,948
Accumulated depreciation						
May 31, 2017	-	613,655	19,509,280	404,514	-	20,527,449
Additions	-	12,064	1,075,324	24,650	-	1,112,038
Deletions	-	-	-	(15,223)	-	(15,223)
Accumulated depreciation						
May 31, 2018	-	625,719	20,584,604	413,941	-	21,624,264
Capital assets, net of accumulated depreciation						
May 31, 2018	\$ 118,828	\$ 91,480	\$ 41,375,033	\$ 23,343	\$ -	\$ 41,608,684

For the year ended May 31, 2018, depreciation expense was \$1,112,038.

3. Accounts Receivable and Due to/from Other Governments

At May 31, 2018, accounts receivable for the City's funds consisted of the following:

	General Fund	Special Revenue Fund	Capital Projects Fund	Utility Fund
Receivables:				
Accounts	\$ -	\$ -	\$ -	\$ 405,462
Unbilled accounts	-	-	-	286,321
Other receivables	247,596	-	-	-
Due from other governments	2,010,003	165,337	579,773	122,507
Gross receivables	2,257,599	165,337	579,773	814,290
Less: allowance for uncollectible	-	-	-	(95,286)
Net total receivables	\$ 2,257,599	\$ 165,337	\$ 579,773	\$ 719,004

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

4. Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At May 31, 2018, the City's bank balance of \$5,433,727 was not exposed to custodial credit risk.

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, 2018, 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	\$ 4,568,085	\$ 1,160,045	\$ 3,024,057	\$ 383,983
U.S. Treasuries	298,242	139,842	158,400	-
Municipal Bonds	<u>2,851,660</u>	<u>395,529</u>	<u>2,456,131</u>	<u>-</u>
Total General Fund Investments	<u>\$ 7,717,987</u>	<u>\$ 1,695,416</u>	<u>\$ 5,638,588</u>	<u>\$ 383,983</u>
<i>Enterprise Fund</i>				
U.S. Agencies	\$ 1,666,674	\$ 782,848	\$ 883,826	\$ -
U.S. Treasuries	<u>74,560</u>	<u>34,960</u>	<u>39,600</u>	<u>-</u>
Total Enterprise Fund Investments	<u>\$ 1,741,234</u>	<u>\$ 817,808</u>	<u>\$ 923,426</u>	<u>\$ -</u>
Total Investments	<u>\$ 9,459,221</u>	<u>\$ 2,513,224</u>	<u>\$ 6,562,014</u>	<u>\$ 383,983</u>

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.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

5. Investments (continued)

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, 2018, the City's investments in U.S. Agencies were rated AA+ by S&P's Investors Service. The City's investments in U.S. Treasuries were rated AA+ by S&P's Investors Services. The City's investments in Municipal Bonds were rated AAA, AA+, A+, AA, A, and AA- by S&P's Investors Services. A portion of the City's investments in U.S. Agencies and Municipal Bonds were unrated. These investments made up 9.5% of U.S. Agencies and 16% of Municipal Bonds.

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 Home Loan Bank, Federal Home Loan Mortgage Corp, Federal National Mortgage Association, Municipal Bonds, and Federal Farm Credit Bank. These investments are 18%, 8%, 21%, 30%, 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, 2018 taxes of 8.55 mills were levied on property with taxable assessed valuations totaling \$135,692,720 and were dedicated as follows:

General corporate purposes	5.28 mills
Fire department	3.27 mills

Total taxes levied were \$1,160,173. At May 31, 2018, only a minor amount of taxes was uncollected and adjudicated to the City.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

7. Transfers to/from Other Funds

Transfers to/from Other Funds at May 31, 2018 consist of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 500,000
Capital Projects Fund	3,394,040	3,286,629
Enterprise Fund	3,286,629	2,894,040
	<u>\$ 6,680,669</u>	<u>\$ 6,680,669</u>

Transfers from the general fund to other funds are to provide supplemental funds for fund operations.

8. Due to/from Other Funds

Individual balances due to and from other funds at May 31, 2018, are as follows:

	<u>Due to Other Funds</u>	<u>Due From Other Funds</u>
General Fund	\$ -	\$ 3,980
Enterprise Fund	3,980	-
	<u>\$ 3,980</u>	<u>\$ 3,980</u>

9. Restricted Assets

Restricted assets, which consist of cash and investments at May 31, 2018 were applicable to the following:

	<u>Enterprise Fund</u>
Customer Deposits	\$ 352,128
Debt Service	602,191
Total restricted assets	<u>\$ 954,319</u>

10. Concentration of Credit Risk-Proprietary Fund

Accounts receivable from utility customers were comprised of the following sources: residential – 54%, commercial – 33%; other governmental agencies – 3%. Outstanding balances are partially secured by deposits made when service is requested.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

11. Changes in Long-Term Debt

The following is a summary of long term debt transactions of the City of Gonzales for the year ended May 31, 2018:

	Balance at June 1, 2017	Additions	Reductions	Balance at May 31, 2018	Due Within One Year
Governmental activities:					
Compensated absences	\$ 469,822	\$ 18,586	\$ (27,976)	\$ 460,432	\$ -
Other post-employment benefits	169,351	232,463	-	401,814	-
Net pension liability	17,380,514	-	(1,111,369)	16,269,145	-
Total	<u>\$ 18,019,687</u>	<u>\$ 251,049</u>	<u>\$ (1,139,345)</u>	<u>\$ 17,131,391</u>	<u>\$ -</u>
Business-type activities:					
Compensated absences	\$ 63,474	\$ 11,097	\$ -	\$ 74,571	\$ -
Net pension liability	2,476,058	-	(19,109)	2,456,949	-
Bonds payable	4,675,380	1,894,039	(340,000)	6,229,419	755,000
Total	<u>\$ 7,214,912</u>	<u>\$ 1,905,136</u>	<u>\$ (359,109)</u>	<u>\$ 8,760,939</u>	<u>\$ 755,000</u>

Bonds payable at May 31, 2018, are 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 \$745,000 to \$860,000 through March 1, 2035,
interest at 0.95%, secured by collection of sales tax.

\$ 6,229,419

Total long-term debt from business-type activities

\$ 6,229,419

The annual requirements to amortize all debts outstanding as of May 31, 2018, including interest payments of \$123,756 are as follows:

<u>Years ending May 31</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 755,000	\$ 27,989
2020	760,000	24,635
2021	770,000	21,215
2022	775,000	17,750
2023	785,000	14,262
Thereafter	2,384,420	17,905
	<u>\$ 6,229,420</u>	<u>\$ 123,756</u>

Under the terms of the bonds, the City is required to establish a Bond Reserve and Sinking fund. As of May 31, 2018, the City is in compliance with this requirement.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

12. Sales and Use Tax

The City has the following sales and use taxes in existence as of May 31, 2018:

On September 10, 1966, a 1 percent sales tax was passed to be used for streets, sidewalks, drainage, garbage, utilities, parks & 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.

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, Louisiana
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

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

13. Defined Benefit Pension Plans (continued)

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:

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, 2017, there were 84 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 individual 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 entitles to a vested deferred benefit under any provision of this section, if the member had continued service to the age

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

13. Defined Benefit Pension Plans (continued)

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

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.

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.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

13. Defined Benefit Pension Plans (continued)

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. 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.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

13. Defined Benefit Pension Plans (continued)

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

Funding Policy

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

Contributions to the plans are required and determined by State statute (which may be amended) and are expressed as a percentage of covered payroll. The contribution rates in effect for the year ended May 31, 2018, for the City and covered employees were as follows:

	<u>City</u>	<u>Employees</u>
Municipal Employees' Retirement System – Plan A	24.75%	9.50%
Municipal Police Employees' Retirement System		
All employees hired prior to 01/01/2013 and all		
hazardous duty employees hired after 01/01/2013	30.75%	10.00%
Non-hazardous duty hired after 01/01/2013	30.75%	8.00%
Employees receiving compensation below poverty		
Guidelines of US Department of Health	33.25%	7.50%
Louisiana State Employees' Retirement System -		
Judges hired prior to 01/01/2011	40.10%	11.50%

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Municipal Employees' Retirement			
System: Plan A	\$ 1,189,210	\$ 1,032,373	\$ 892,729
Municipal Police Employees'			
Retirement System	\$ 834,390	\$ 813,739	\$ 778,522
Louisiana State Employees'			
Retirement System	\$ 2,851	\$ 2,702	\$ 2,729
	<u>\$ 2,026,451</u>	<u>\$ 1,848,814</u>	<u>\$ 1,673,980</u>

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

13. Defined Benefit Pension Plans (continued)

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, 2017 measurement date. The City uses this measurement to record its Net Pension Liability and associated amounts as of May 31, 2018 in accordance with GASB Statement 68. The schedule includes the proportionate share allocation rate used at June 30, 2017 along with the change compared to the June 30, 2016 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.

	Net Pension Liability at June 30, 2017	Rate at June 30, 2017	Increase (Decrease) to June 30, 2016 Rate
Governmental Activities:			
Municipal Employees' Retirement System of Louisiana:			
Plan A	\$ 8,225,439	2.553505%	(0.073045)%
Municipal Police Employees' Retirement System	8,015,340	0.918093%	(0.048491)%
Louisiana State Employees' Retirement System	28,366	0.00040%	0.000000%
	<u>\$ 16,269,145</u>		
Business-type Activities:			
Municipal Employees' Retirement System of Louisiana:			
Plan A	<u>\$ 2,456,949</u>	2.553505%	(0.073045)%

The following schedule list each pension plan's recognized pension expense of the City for the year ended May 31, 2018:

	Pension Expense
Municipal Employees' Retirement System of Louisiana:	
Plan A	\$ 832,244
Municipal Police Employees' Retirement System	1,663,592
Louisiana State Employees' Retirement System	2,690
	<u>\$ 2,498,526</u>

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

13. Defined Benefit Pension Plans (continued)

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

At May 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 52,484	\$ (386,429)
Change of assumptions	749,067	-
Net difference between projected and actual earnings on pension plan investments	2,505,926	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	142,221	(473,833)
Employer contributions subsequent to the measurement date	1,809,024	(195,987)
Total	<u>\$ 5,258,722</u>	<u>\$ (1,056,961)</u>

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	\$ 3,448,795	\$ (563,986)
Municipal Police Employees' Retirement System	1,806,280	(492,619)
Louisiana State Employees' Retirement System	3,647	(356)
	<u>\$ 5,258,722</u>	<u>\$ (1,056,961)</u>

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, 2017 which will be recognized as a reduction in Net Pension Liability in the year ended May 31, 2018. 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	\$ 1,065,713
Municipal Police Employees' Retirement System	740,698
Louisiana State Employees' Retirement System	2,613
	<u>\$ 1,809,024</u>

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

13. Defined Benefit Pension Plans (continued)

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

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 A	MPERS	LASERS	Total
2018	\$ 537,145	\$ 208,285	\$ (155)	\$ 745,274
2019	743,308	359,950	1,101	1,104,359
2020	446,382	162,448	490	609,320
2021	92,261	(157,720)	(758)	(66,216)
	<u>\$ 1,819,096</u>	<u>\$ 572,963</u>	<u>\$ 678</u>	<u>\$ 2,392,737</u>

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, 2017 are as follows:

	MERS	MPERS	LASERS
Valuation Date	June 30, 2017	June 30, 2017	June 30, 2017
Actuarial Cost Method	Entry Age Normal Cost	Entry Age Normal Cost	Entry Age Normal
Actuarial Assumptions:			
Expected Remaining Service Lives	3 years	4 years	3 years
Investment Rate of Return	7.40% net of investment expenses	7.325% net of investment expenses	7.70% per annum.
Inflation Rate	2.775%	2.70%	2.75% per annum
Mortality	RP-2000 Employees Sex Distinct Table set back 2 years for males and females. RP-2000 Healthy Annuitant Sex Distinct Mortality Tables set forward 2 years for males and 1 year for females projected to 2028 using scale AA. RP-2000 Disabled Lives Mortality Tables for disabled annuitants set back 5 years for males and 3 years for females. The actuarial assumptions used in the June 30, 2017 valuation was based on the results of an experience study for the period July 2009 through June 30, 2014.	Mortality assumptions were set based upon an experience study performed by the prior actuary on plan data for the period July 1, 2009 through June 30, 2014. RP-2000 Combined Health with Blue Collar Adjustment Sex Distinct Tables projected to 2029 by Scale AA (set back 1 year for females) for healthy annuitants and beneficiaries. RP-2000 Disabled Lives Table set back 5 years for males and 3 years for females for disabled annuitants. RP-2000 Employee Table set back 4 years for males and 3 years for females for active members.	For Non-disabled members, the mortality rates were based on the RP-2000 Combined Healthy Mortality Table with mortality improvement projected to 2015. For disabled members, the mortality rates were based on the RP-2000 Disabled Retiree Mortality Table, with no projection for mortality improvement. Termination, disability, and retirement assumptions were projected based on a five-year (2009-2013) experience study of the System's members.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

13. Defined Benefit Pension Plans (continued)

Actuarial Assumptions (continued)

	MERS	MPERS	LASERS																										
Salary Increases	5.0% (including Inflation and Merit)	<table><tr><td>Years of Service</td><td>Salary Growth Rate</td></tr><tr><td>1-2</td><td>9.75%</td></tr><tr><td>3-23</td><td>4.75%</td></tr><tr><td>23 & Over</td><td>4.25%</td></tr></table>	Years of Service	Salary Growth Rate	1-2	9.75%	3-23	4.75%	23 & Over	4.25%	<p>Salary increases were projected based on a 2009-2013 experience study of the System’s members. The salary increase ranges for specific types of members are:</p> <table><tr><td>Member Type</td><td>Lower Range</td><td>Upper Range</td></tr><tr><td>Regular</td><td>3.8%</td><td>12.8%</td></tr><tr><td>Judges</td><td>2.8%</td><td>5.3%</td></tr><tr><td>Corrections</td><td>3.4%</td><td>14.3%</td></tr><tr><td>Hazardous Duty</td><td>3.4%</td><td>14.3%</td></tr><tr><td>Wildlife</td><td>3.4%</td><td>14.3%</td></tr></table>	Member Type	Lower Range	Upper Range	Regular	3.8%	12.8%	Judges	2.8%	5.3%	Corrections	3.4%	14.3%	Hazardous Duty	3.4%	14.3%	Wildlife	3.4%	14.3%
Years of Service	Salary Growth Rate																												
1-2	9.75%																												
3-23	4.75%																												
23 & Over	4.25%																												
Member Type	Lower Range	Upper Range																											
Regular	3.8%	12.8%																											
Judges	2.8%	5.3%																											
Corrections	3.4%	14.3%																											
Hazardous Duty	3.4%	14.3%																											
Wildlife	3.4%	14.3%																											
Cost of Living Adjustments	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 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 cost 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.																										

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

13. Defined Benefit Pension Plans (continued)

Actuarial Assumptions (continued)

	MERS	MPERS	LASERS
Discount Rate	The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rates of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing or diversification. The resulting expected long-term rate of return was 7.4% for the year ended June 30, 2017.	The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The resulting expected long-term rate of return is 7.325% for the year ended June 30, 2017.	The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rates of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 3.25% and an adjustment for the effect of rebalancing or diversification. The resulting expected long-term rate of return was 7.7% for the year ended June 30, 2017.

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, 2017:

Asset Class	Target Allocation			Long-Term Expected Real Rate of Return		
	MERS	MPERS	LASERS	MERS	MPERS	LASERS
Public equity	50%	-	0%	2.30%	-	-
Equities	-	53%	57%	-	3.66%	9.66%
Public fixed income	35%	-	-	1.60%	-	-
Fixed income	-	21%	14%	-	0.52%	4.22%
Alternatives	15%	20%	22%	0.70%	1.10%	7.41%
Cash	-	-	-	-	-	-0.24%
Other	-	6%	7%	-	0.16%	2.84%
Total	100%	100%	100%	4.60%	5.44%	5.26%
Inflation				2.60%	2.75%	3.25%
Expected Arithmetic Nominal Return				7.20%	8.19%	8.69%

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

13. Defined Benefit Pension Plans (continued)

Actuarial Assumptions (continued)

Discount Rate

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, 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 7.40%, 7.325% and 7.70%, respectively for the year ended June 30, 2017.

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

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

	<u>1.0% Decrease</u>	<u>Current Discount Rate</u>	<u>1.0% Increase</u>
MERS A			
Rates	6.4%	7.4%	8.4%
City's Share of NPL	\$ 13,612,914	\$ 10,682,388	\$ 8,182,730
MPERS			
Rates	6.325%	7.325%	8.325%
City's Share of NPL	\$ 11,073,965	\$ 8,015,340	\$ 5,449,374
LASERS			
Rates	6.7%	7.7%	8.7%
City's Share of NPL	\$ 35,611	\$ 28,366	\$ 22,207

Payables to the Pension Plan

The City recorded accrued liabilities to each of the Retirement Systems for the year ended May 31, 2018 mainly due to the accrual for payroll at the end of each of the fiscal years. The amounts due are included in liabilities under the amounts reported as accrued expenses. The City had no amounts due to each of the retirement systems at May 31, 2018.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

13. Defined Benefit Pension Plans (continued)

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 there 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 \$157,170 and MPERS of \$175,266.

14. Other Post-Employment Benefits (OPEB)

Plan Description – The City of Gonzales’s 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.

Contribution Rates – Employees do not contribute to their post-employment benefits costs until they become retirees and begin receiving those benefits. The plan provisions and contribution rates are contained in the official plan documents.

Fund Policy – Until 2008, the City of Gonzales recognized the cost of providing post-employment medical benefits (the City of Gonzales’s portion of the retiree medical benefit premiums) as an expense when the benefit premiums were due and thus financed the cost of the post-employment benefits on a pay-as-you-go basis. As of May 31, 2018, and 2017, the City of Gonzales’s portion of health care funding cost for retired employees totaled \$439,592 and \$260,721, respectively.

Effective June 1, 2008, the City of Gonzales implemented Government Accounting Standards Board Codification Section P50, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions* (GASB Codification Section P50). This amount was applied toward the Net OPEB Benefit Obligation as shown in the following table.

Annual Required Contribution – The City of Gonzales’s Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB Codification Section P50. The ARC is the sum of the Normal Cost plus the contribution to amortize the Unfunded Actuarial Accrued Liability (UAAL). A level dollar, open amortization period of 30 years (the maximum amortization period allowed by GASB Codification Section P50) has been used for the post-employment benefits. The actuarially computed ARC is as follows:

	2018	2017
Normal cost	\$ 297,354	\$ 101,445
30-year UAL amortization amount	377,720	176,232
Annual required contribution (ARC)	<u>\$ 675,074</u>	<u>\$ 277,677</u>

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

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

Net Post-employment Benefit Obligations (Asset) – The table below shows the City of Gonzales's Net Other Post-Employment Benefit (OPEB) Obligation for fiscal years ending May 31:

	2018	2017
Beginning Net OPEB Obligation	\$ 169,351	\$ 155,162
Annual required contribution	675,074	277,677
Interest on Net OPEB Obligation	6,775	6,204
ARC Adjustment	(9,794)	(8,973)
OPEB Cost	672,055	274,910
Contribution to Irrevocable Trust	-	-
Current year retiree premium	(439,592)	(260,721)
Change in Net OPEB Obligation	232,463	14,189
Ending Net OPEB Obligation	\$ 401,814	\$ 169,351

The following table shows the City of Gonzales's annual post-employment benefits (PEB) cost, percentage of the cost contributed, and the net unfunded post-employment benefits (PEB) liability for last year and this year:

Fiscal Year Funded	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Liability (Asset)
May 31, 2018	\$ 672,055	65.41%	\$ 401,814
May 31, 2017	\$ 274,910	94.84%	\$ 169,351
May 31, 2016	\$ 264,645	91.22%	\$ 155,162

Funded Status and Funding Progress – In 2018 and 2017 the City of Gonzales made no contributions to its post-employment benefits plan. The plan is not funded, has no assets, and hence has a funded ratio of zero. Based on the June 1, 2017 actuarial valuation, the most recent valuation, the Actuarial Accrued Liability (AAL) at the end of the year May 31, 2018 was \$6,792,855 which is defined as that portion, as determined by a particular actuarial cost method (the City of Gonzales uses the Projected Unit Credit Cost Method), of the actuarial present value of post-employment plan benefits and expenses which is not provided by normal cost.

	2018	2017
Actuarial Accrued Liability (AAL)	\$ 6,792,855	\$ 3,169,232
Actuarial Value of Plan Assets (AVP)	-	-
Unfunded Act. Accrued Liability (UAAL)	\$ 6,792,855	\$ 3,169,232
Funded Ratio (AVP/AAL)	0.00%	0.00%
Covered Payroll (active plan members)	\$ 7,728,885	\$ 7,154,564
UAAL as a percentage of covered payroll	87.89%	44.30%

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

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

Actuarial Methods and Assumptions – Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarial valuation for post-employment benefits includes estimates and assumptions regarding (1) turnover ratio; (2) retirement rate; (3) health care cost trend rate; (4) mortality rate; (5) discount rate (investment return assumption); and (6) the period to which the costs apply (past, current, or future years of service by employees). Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the City of Gonzales and its employees plan members) at the time of the valuation and on the pattern of sharing costs between the City of Gonzales and its plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the City of Gonzales and plan members in the future. Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets.

Actuarial Cost Method – The ARC is determined using the Projected Unit Credit Cost Method. The employer portion of the cost for retiree medical care in each future year is determined by projecting the current cost levels using the healthcare cost trend rate and discounting the projected amount to the valuation date using the other described pertinent actuarial assumptions, including the investment return assumption (discount rate), mortality and turnover.

Actuarial Value of Plan Assets – There are not any plan assets. It is anticipated that in future valuations, should funding take place, a smoothed market value consistent with Actuarial Standards Board ASOP 6, as provided in paragraph number 125 of GASB Codification Section P50.

Turnover Rate – An age-related turnover scale based on actual experience has been used. The rates, when applied to the active employee census, produce a composite average annual turnover of approximately 5%. It has also been assumed that 5% of future eligible retirees will decline coverage because of the retiree contributions required.

Post-employment Benefit Plan Eligibility Requirements – Based on past experience, it has been assumed that entitlement to benefits will commence four years after the earliest retirement (D. R. O. P. entry) eligibility, as described above under “Plan Description”. The four years consists of the three year D. R. O. P. period plus one additional year. Medical benefits are provided to employees upon actual retirement.

Investment Return Assumption (Discount Rate) – GASB Codification Section P50 states that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits (that is, for a plan which is funded). Based on the assumption that the ARC will not be funded, a 4% annual investment return has been used in this valuation.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

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

Health Care Cost Trend Rate - The expected rate of increase in medical cost is based on a graded schedule beginning with 8% annually, down to an ultimate annual rate of 5.0% for ten years out and later.

Mortality Rate – The 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rates and 50% of the unloaded female mortality rates, is used. This is a recently published mortality table which has been used in determining the value of accrued benefits in defined benefit pension plans. Projected future mortality improvement has not been used since it is our opinion that this table contains sufficiently conservative margin for the population involved in this valuation.

Method of Determining Value of Benefits – The “value of benefits” has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. The City pays a portion of the retiree premium (the blended active/retired rate) before Medicare eligibility, but does not pay any portion of the premium after the retiree’s eligibility for Medicare (age 65), except for three “grandfathered” retirees. The City also pays a stipend of \$200 per month to all retirees after age 65 (other than the “grandfathered” retirees) for the purpose of procuring a Medicare Supplement Plan. The portion paid by retiree prior to age 65 varies by years of service at time of retirement: 70% for less than 20 years; 60% for 20 to 25 years; and, 50% for 25 or more years. Since GASB Codification Section P50 mandates that “unblended” rates applicable to the coverage provided to retirees be used, we have estimated the “unblended” rates for retirees before Medicare eligibility. It has been assumed that the total retiree rat before Medicare eligibility is 130% of the blended active/retired rate and, for the “grandfathered” retirees, that the retiree rate after Medicare eligibility is 80% of the blended premium. The employer unblended premium was the determined as the total unblended premium less the retiree premium.

Inflation Rate – Included in both the Investment Return Assumption and the Healthcare Cost Trend rates above is an implicit inflation assumption of 2.50% annually.

Projected Salary Increases – This assumption is not applicable since neither the benefit structure nor the valuation methodology involves salary.

Post-retirement Benefit Increases – The plan benefit provisions in effect for retirees as of the valuation date have been used and it has been assumed for valuation purposes that there will not be any changes in the future.

15. Contingencies

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.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

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.

17. 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, 2018 the City abated \$876,497 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, 2018 the City abated \$733,085.

18. Subsequent Events

Management has evaluated subsequent events through October 2, 2018, the date that the financial statements were available to be issued, and determined that no additional disclosures are necessary.

CITY OF GONZALES

DESCRIPTION OF MAJOR FUNDS

General Fund – The General Fund accounts for the operations of the City's office.

Special Revenue Fund – The Special Revenue Fund is used to account for sales tax collections within the Tanger Mall Economic Development.

Capital Projects Fund - The Capital Projects Fund are 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).

CITY OF GONZALES
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED MAY 31, 2018

	Original Budget	Final Budget	Actual
REVENUES			
Taxes	\$ 11,890,000	\$ 11,890,000	\$ 11,957,106
Franchise fees	962,000	962,000	1,119,792
Licenses and permits	959,000	959,000	1,521,733
Fees, fines and forfeits	125,000	125,000	185,694
Miscellaneous	251,750	251,750	338,995
Intergovernmental	14,900	14,900	-
Fire department revenue	844,000	844,000	544,063
Grant revenue	370,000	370,000	886,684
Interest	40,000	40,000	21,524
Total revenue	<u>15,456,650</u>	<u>15,456,650</u>	<u>16,575,591</u>
EXPENDITURES			
Current:			
General government	2,137,913	2,140,876	2,713,186
Public safety:			
Police	5,670,700	5,708,466	5,715,398
Fire	3,371,000	3,428,053	3,523,375
Streets and drainage	1,421,400	1,430,575	1,271,722
Sanitation	973,800	974,475	942,863
Recreation, building and grounds	1,452,350	1,464,120	781,260
Civic center	40,700	40,700	35,758
Code enforcement	388,787	392,677	361,254
Total expenditures	<u>15,456,650</u>	<u>15,579,942</u>	<u>15,344,816</u>
Excess of revenues over (under) expenditures	-	(123,292)	1,230,775
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	<u>(3,000,000)</u>	<u>(3,000,000)</u>	<u>(500,000)</u>
Net change in fund balance	(3,000,000)	(3,123,292)	730,775
Fund Balance, Beginning of year	<u>10,634,134</u>	<u>10,634,134</u>	<u>10,979,373</u>
Fund Balance, End of Year	<u>\$ 7,634,134</u>	<u>\$ 7,510,842</u>	<u>\$ 11,710,148</u>

CITY OF GONZALES
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE YEAR ENDED MAY 31, 2018

	Original Budget	Final Budget	Actual
REVENUES			
Taxes	\$ 1,060,000	\$ 1,060,000	\$ 1,047,285
Interest	-	-	15,813
Total revenue	<u>1,060,000</u>	<u>1,060,000</u>	<u>1,063,098</u>
EXPENDITURES			
Current:			
Economic Development	<u>1,060,000</u>	<u>1,060,000</u>	<u>733,107</u>
Total expenditures	<u>1,060,000</u>	<u>1,060,000</u>	<u>733,107</u>
Excess of revenues over expenditures	-	-	329,991
 Fund Balance, Beginning of year	 <u>1,645,486</u>	 <u>1,645,486</u>	 <u>1,979,210</u>
 Fund Balance, End of Year	 <u><u>\$ 1,645,486</u></u>	 <u><u>\$ 1,645,486</u></u>	 <u><u>\$ 2,309,201</u></u>

CITY OF GONZALES

OTHER POST-EMPLOYMENT BENEFITS PLAN
RETIREE HEALTH INSURANCE PROGRAM
YEAR ENDED MAY 31, 2018

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a/c) UAAL as a Percentage of Covered Payroll
6/1/2015	\$ -	\$ 3,047,339	\$ 3,047,339	0.00%	\$ 7,677,547	39.69%
6/1/2016	\$ -	\$ 3,169,232	\$ 3,169,232	0.00%	\$ 7,154,564	44.30%
6/1/2017	\$ -	\$ 6,792,855	\$ 6,792,855	0.00%	\$ 7,728,885	87.89%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ending	Annual OPEB Cost	Amount Contributed	Percentage of Annual OPEB Cost Contributed	Increase to Net OPEB Obligation	Net OPEB Obligation
5/31/2016	\$ 264,645	\$ 241,408	91.22%	\$ 23,237	\$ 155,162
5/31/2017	\$ 274,910	\$ 260,721	94.84%	\$ 14,189	\$ 169,351
5/31/2018	\$ 672,055	\$ 439,592	65.41%	\$ 232,463	\$ 401,814

CITY OF GONZALES
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED MAY 31, 2018 (*)

	2017	2016	2015
MERS (Plan A)			
Employer's Proportion of the Net Pension Liability (Asset)	2.55351%	2.62655%	2.57570%
Employer's Proportionate Share of the Net Pension Liability (Asset):			
Governmental Activities	\$ 8,225,439	\$ 8,289,410	\$ 7,176,519
Business-type Activities	\$ 2,456,949	\$ 2,476,058	\$ 2,024,146
Employer's Covered-Employee Payroll	\$ 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	230.3559%	229.4120%	209.1396%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.4940%	62.1103%	66.1792%
MPERS			
Employer's Proportion of the Net Pension Liability (Asset)	0.91809%	0.09666%	0.94190%
Employer's Proportionate Share of the Net Pension Liability (Asset):			
Governmental Activities	\$ 8,015,340	\$ 9,059,615	\$ 7,378,794
Business-type Activities	\$ -	\$ -	\$ -
Employer's Covered-Employee Payroll	\$ 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	309.5887%	331.8176%	293.0699%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.0815%	66.0422%	70.7303%
LASERS			
Employer's Proportion of the Net Pension Liability (Asset)	0.00040%	0.00040%	0.00038%
Employer's Proportionate Share of the Net Pension Liability (Asset):			
Governmental Activities	\$ 28,366	\$ 31,489	\$ 26,118
Business-type Activities	\$ -	\$ -	\$ -
Employer's Covered-Employee Payroll	\$ 7,110	\$ 7,110	\$ 7,110
Employer's Proportionate Share of the Net Pension Liability (Asset):			
as a percentage of its Covered-Employee Payroll	398.9592%	442.8833%	367.3418%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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, 2018

	2018	2017	2016
MERS (Plan A)			
Contractually Required Contribution ¹	\$ 1,190,290	\$ 1,032,373	\$ 892,729
Contributions in Relation to Contractually Required Contribution ²	1,189,210	1,032,373	892,729
Contribution Deficiency (Excess)	\$ 1,080	\$ -	\$ -
Employer's Covered Employee Payroll ³	\$ 4,853,118	\$ 4,608,662	\$ 4,520,147
Contributions as a % of Covered Employee Payroll	24.5263%	22.4007%	19.7500%
MPERS			
Contractually Required Contribution ¹	\$ 816,586	\$ 803,082	\$ 763,876
Contributions in Relation to Contractually Required Contribution ²	818,259	797,594	763,876
Contribution Deficiency (Excess)	\$ (1,673)	\$ 5,488	\$ -
Employer's Covered Employee Payroll ³	\$ 2,646,164	\$ 2,550,579	\$ 2,576,055
Contributions as a % of Covered Employee Payroll	30.8592%	31.4863%	29.6529%
MPERS- NON_HAZARDOUS			
Contractually Required Contribution ¹	\$ 16,131	\$ 16,145	\$ 14,646
Contributions in Relation to Contractually Required Contribution ²	16,131	16,145	14,646
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Employer's Covered Employee Payroll ³	\$ 51,904	\$ 48,206	\$ 46,274
Contributions as a % of Covered Employee Payroll	31.0785%	33.4917%	31.6506%
LASERS			
Contractually Required Contribution ¹	\$ 2,851	\$ 2,702	\$ 2,729
Contributions in Relation to Contractually Required Contribution ²	2,851	2,702	2,729
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Employer's Covered Employee Payroll ³	\$ 7,110	\$ 7,110	\$ 7,110
Contributions as a % of Covered Employee Payroll	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, 2018

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, 2018.

Municipal Police Employees' Retirement System

There were no changes of benefit terms for the year ended May 31, 2018.

Louisiana State Employees' Retirement System

There were no changes of benefit terms for the year ended May 31, 2018.

Changes of Assumptions:

Municipal Employees' Retirement System - Plan A

There were no changes of assumptions for the year ended May 31, 2018.

Municipal Police Employees' Retirement System

There were no changes of assumptions for the year ended May 31, 2018.

Louisiana State Employees' Retirement System

There were no changes of assumptions for the year ended May 31, 2018.

CITY OF GONZALES
SCHEDULE OF PER DIEM PAID
YEAR ENDED MAY 31, 2018

	<u>MONTHLY</u>	<u>ANNUAL</u>
Tyler Turner	\$ 800	\$ 9,600
David Guitreau	\$ 800	9,600
Harold Stewart	\$ 800	9,600
Kirk Boudreaux	\$ 800	9,600
Neal Bourque	\$ 800	<u>9,600</u>
		<u>\$ 48,000</u>

CITY OF GONZALES
SCHEDULE OF COMPENSATION, BENEFITS, & OTHER PAYMENTS
TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER
MAY 31, 2018

Agency Head Name/Title: Barney Arceneaux, Mayor

Purpose	Amount
Salary	\$ 130,373
Benefits - health insurance	11,254
Benefits - retirement	31,980
Clothing allowance	650
Per diems	1,000
Travel	435
Conference fees	1,405
	<u>\$ 177,097</u>

CITY OF GONZALES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MAY 31, 2018

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
<u>U.S. Department of Transportation</u>			
Passed- through Louisiana Highway Safety Commission			
State and Community Highway Safety	20.600	2018-30-23	\$ 30,263
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	2018-30-23	27,157
Total Pass-through Louisiana Highway Safety Commission			<u>57,420</u>
Passed-through Louisiana Supreme Court			
Commercial Driver's License Program Implementation Grant	20.232	n/a	<u>43,564</u>
Total Pass-through Louisiana Supreme Court			<u>43,564</u>
Total U.S. Department of Transportation			<u>100,984</u>
<u>U.S. Department of Justice</u>			
Passed- through Louisiana Commission on Law Enforcement			
Edward Byrne Justice Assistance Grant Program	16.738	2016-DJ-06-4052	3,137
Direct Pass through US Department of Justice			
Equitable Sharing Program	16.922	n/a	<u>45,106</u>
Total U.S. Department of Justice			<u>48,243</u>
<u>U.S. Department of Homeland Security</u>			
Passed-through the State of Louisiana Governor's Office			
of the Homeland Security and Emergency Preparedness			
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	PA-06-LA-4722	911,808
Homeland Security Grant Program	97.067	EMW-2017-SS-00058-S01	<u>25,024</u>
Total U.S. Department of Homeland Security			<u>936,832</u>
<u>U.S. Environmental Protection Agency</u>			
Pass-through Louisiana Department of Environmental Quality			
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS-221906-01	<u>395,340</u>
Total U.S. Environmental Protection Agency			<u>395,340</u>
Total Federal Assistance Expended			<u>\$ 1,481,399</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, 2018. 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 net assets, or 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	\$1,058,047
Add: Loan proceeds	395,340
Add: Expenditures included in prior year	<u>28,012</u>
Federal grant expenditures as reported on the Schedule of Expenditures of Federal Awards	<u>\$1,481,399</u>

CLEAN WATER STATE REVOLVING FUND LOAN

This loan is partially reimbursed from the LA DEQ and partially from the U.S. EPA. Due to the fact that this loan is not 100% federal funds, subrecipients should not report expenditures until the audit year that reimbursement is made and confirmed that funds are federal.



**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, and each major fund of the City of Gonzales, Louisiana, as of and for the year ended May 31, 2018, 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 2, 2018.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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.

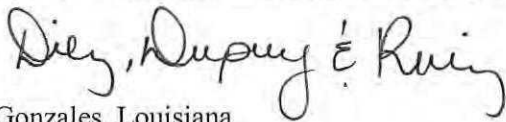
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Gonzales, Louisiana
October 2, 2018



DDR

DIEZ, DUPUY & RUIZ, LLC

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' 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' major federal programs for the year ended May 31, 2018. City of Gonzales' major federal programs are identified in the summary of auditor's 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' 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' 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' compliance.

Opinion on Each Major Federal Program

In our opinion, City of Gonzales 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, 2018.

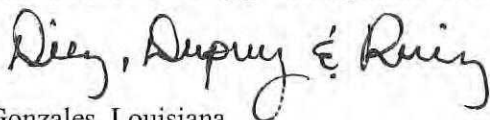
Report on Internal Control Over Compliance

Management of City of Gonzales 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' 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' 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 2, 2018

CITY OF GONZALES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED MAY 31, 2018

Section I – Summary of Auditors’ Result

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 relating to the audit of the financial statements are reported.
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 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 all major federal programs.
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 program was tested as a major program:

CFDA Numbers

97.036

Name of Federal Program or Cluster

Disaster Grants-Public Assistance (Presidentially Declared Disasters)-PA-06-LA-4722

8. The threshold used for distinguishing between types A & B was \$750,000.
9. City of Gonzales did not qualify as a low-risk auditee.

SECTION II – FINDINGS – FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III – NON-COMPLIANCE WITH STATE 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, 2018

A. FINDINGS – FINANCIAL STATEMENT AUDIT

None noted.

B. FINDINGS – COMPLIANCE

None noted.

CITY OF GONZALES
GONZALES, LOUISIANA
STATEWIDE AGREED UPON PROCEDURES
MAY 31, 2018



INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Honorable Mayor Barney Arceneaux, City Council Members, and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the City of Gonzales (the City) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period June 1, 2017 through May 31, 2018. The City's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Written policies and procedures were obtained and address the functions noted above, as it applies to the City's current debt requirements.

Board or Finance Committee

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

Obtained and reviewed minutes of the managing board for the fiscal period noting that the board met with a quorum monthly.

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.

Obtained and reviewed minutes of the managing board for the fiscal period noting that the minutes included monthly budget-to-actual comparisons for the major funds for seven out of twelve months.

Management's response: The Council began including monthly budget-to-actual comparisons on general fund and major special revenue funds in January 2018 and have consistently reported in minutes since that time.

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

The general fund reported a positive unrestricted fund balance in the prior year audit report..

Bank Reconciliations

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

Obtained listing of client bank accounts from management and management's representation that listing is complete.

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

Obtained bank statement and reconciliation for selected month in the fiscal period for the selected account noting that the reconciliation has been prepared within two months of the related statement closing date.

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

The bank reconciliation prepared for the selected account includes evidence that a member of management has reviewed the bank reconciliation.

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

Obtained bank statement and reconciliation for selected month in the fiscal period noting management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date.

Collections

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

Obtained listing of deposit sites and management's representation that listing is complete.

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

Obtained listing of collection locations and management's representation that listing is complete.

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

Employees at 2 of the 3 collection locations share the same cash drawer.

Management's response: Efforts will be made to segregate duties in the collection process to the extent possible with the limited number of employees involved.

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

No exception noted.

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

No exception noted.

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

No exception noted.

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

No employees responsible for collecting cash are bonded.

Management's response: The City has changed their existing insurance policy to include theft coverage on employees who have access to cash.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

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

Sequentially numbered receipts were used.

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

Collection documentation and deposit slip supported the cash collections.

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

Deposit slips agree to the actual deposit per the bank statement without exception.

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

Deposits were made without exception.

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

Deposits per bank statement agree to the general ledger without exception.

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

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

Based on terms of the Agreed Upon Procedures, we are allowed to remove procedures because part of the entity's public funds are federal major program funds tested under the entity's Single Audit during the fiscal period. Management agrees these procedures do not need to be performed under the LLA's Statewide Agreed-Upon Procedures.

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

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

Based on terms of the Agreed Upon Procedures, we are allowed to remove procedures because part of the entity's public funds are federal major program funds tested under the entity's Single Audit during the fiscal period. Management agrees these procedures do not need to be performed under the LLA's Statewide Agreed-Upon Procedures.

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

Based on terms of the Agreed Upon Procedures, we are allowed to remove procedures because part of the entity's public funds are federal major program funds tested under the entity's Single Audit during the fiscal period. Management agrees these procedures do not need to be performed under the LLA's Statewide Agreed-Upon Procedures.

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

Based on terms of the Agreed Upon Procedures, we are allowed to remove procedures because part of the entity's public funds are federal major program funds tested under the entity's Single Audit during the fiscal period. Management agrees these procedures do not need to be performed under the LLA's Statewide Agreed-Upon Procedures.

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

Based on terms of the Agreed Upon Procedures, we are allowed to remove procedures because part of the entity's public funds are federal major program funds tested under the entity's Single Audit during the fiscal period. Management agrees these procedures do not need to be performed under the LLA's Statewide Agreed-Upon Procedures.

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

- a) Observe that the disbursement matched the related original invoice/billing statement.

Based on terms of the Agreed Upon Procedures, we are allowed to remove procedures because part of the entity's public funds are federal major program funds tested under the entity's Single Audit during the fiscal period. Management agrees these procedures do not need to be performed under the LLA's Statewide Agreed-Upon Procedures.

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

Based on terms of the Agreed Upon Procedures, we are allowed to remove procedures because part of the entity's public funds are federal major program funds tested under the entity's Single Audit during the fiscal period. Management agrees these procedures do not need to be performed under the LLA's Statewide Agreed-Upon Procedures.

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

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

Obtained listing of credit cards/debit cards/fuel cards and management's representation that listing is complete.

- 12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
 - a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]

On the months selected, supporting documentation was reviewed and approved, in writing by someone other than the authorized card holder without exception.

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

No finance charges and/or late fees were assessed on the months selected.

- 13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

No exception noted.

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

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

Obtained listing of all travel and related expense reimbursements, by person, and management's representation that listing is complete.

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

The City utilizes a standard per diem rate per day for meals and incidental expenses and mileage rate for travel reimbursements that is applicable with GSA rates.

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

Original itemized receipts that identified what was purchased were noted for reimbursements using actual costs without exception.

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

Each expense was supported by documentation of the business purpose and names of those individuals participating, if applicable. Documentation obtained was in accordance with written policy without exception.

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

Each reimbursement selected was supported by documentation of review and approval in writing by someone other than the traveler without exception.

Contracts

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

Based on terms of the Agreed Upon Procedures, we are allowed to remove procedures because part of the entity's public funds are federal major program funds tested under the entity's Single Audit during the fiscal period. Management agrees these procedures do not need to be performed under the LLA's Statewide Agreed-Upon Procedures.

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

Based on terms of the Agreed Upon Procedures, we are allowed to remove procedures because part of the entity's public funds are federal major program funds tested under the entity's Single Audit during the fiscal period. Management agrees these procedures do not need to be performed under the LLA's Statewide Agreed-Upon Procedures.

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

Based on terms of the Agreed Upon Procedures, we are allowed to remove procedures because part of the entity's public funds are federal major program funds tested under the entity's Single Audit during the fiscal period. Management agrees these procedures do not need to be performed under the LLA's Statewide Agreed-Upon Procedures.

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

Based on terms of the Agreed Upon Procedures, we are allowed to remove procedures because part of the entity's public funds are federal major program funds tested under the entity's Single Audit during the fiscal period. Management agrees these procedures do not need to be performed under the LLA's Statewide Agreed-Upon Procedures.

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

Based on terms of the Agreed Upon Procedures, we are allowed to remove procedures because part of the entity's public funds are federal major program funds tested under the entity's Single Audit during the fiscal period. Management agrees these procedures do not need to be performed under the LLA's Statewide Agreed-Upon Procedures.

Payroll and Personnel

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

Based on terms of the Agreed Upon Procedures, we are allowed to remove procedures because part of the entity's public funds are federal major program funds tested under the entity's Single Audit during the fiscal period. Management agrees these procedures do not need to be performed under the LLA's Statewide Agreed-Upon Procedures.

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

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

Based on terms of the Agreed Upon Procedures, we are allowed to remove procedures because part of the entity's public funds are federal major program funds tested under the entity's Single Audit during the fiscal period. Management agrees these procedures do not need to be performed under the LLA's Statewide Agreed-Upon Procedures.

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

Based on terms of the Agreed Upon Procedures, we are allowed to remove procedures because part of the entity's public funds are federal major program funds tested under the entity's Single Audit during the fiscal period. Management agrees these procedures do not need to be performed under the LLA's Statewide Agreed-Upon Procedures.

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

Based on terms of the Agreed Upon Procedures, we are allowed to remove procedures because part of the entity's public funds are federal major program funds tested under the entity's Single Audit during the fiscal period. Management agrees these procedures do not need to be performed under the LLA's Statewide Agreed-Upon Procedures.

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

Based on terms of the Agreed Upon Procedures, we are allowed to remove procedures because part of the entity's public funds are federal major program funds tested under the entity's Single Audit during the fiscal period. Management agrees these procedures do not need to be performed under the LLA's Statewide Agreed-Upon Procedures.

19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Based on terms of the Agreed Upon Procedures, we are allowed to remove procedures because part of the entity's public funds are federal major program funds tested under the entity's Single Audit during the fiscal period. Management agrees these procedures do not need to be performed under the LLA's Statewide Agreed-Upon Procedures.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:

- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

Documentation obtained supported each employee/official completed one hour of ethics training during the fiscal period without exception.

- b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Documentation obtained supported each employee/official attested through signature verification that he or she has read the City's ethics policy during the fiscal year without exception.

Debt Service

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

No new bonds/notes were issued during the fiscal period.

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

Obtained listing of bonds/notes outstanding and management's representation that listing was complete. Documentation obtained supported the actual reserve balances and payment agreed to those required by debt covenants without exception.

Other

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

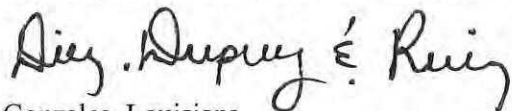
Management asserted that the entity did not have any misappropriations of public funds or assets.

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

Required notice was posted on the City's premises and website.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

A handwritten signature in black ink, reading "Dey Dupuy E. Ruiz". The signature is written in a cursive style with a large, stylized 'D' and 'R'.

Gonzales, Louisiana
October 2, 2018