
City of Gonzales, Louisiana

Financial Report

May 31, 2013



CITY OF GONZALES, LOUISIANA

FINANCIAL REPORT

MAY 31, 2013

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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 information of the City of Gonzales, Louisiana, as of and for the year then ended, May 31, 2013, 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 statements 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 information of the City of Gonzales, Louisiana, as of May 31, 2013, 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, budgetary comparison information, and schedule of funding progress on pages 3 through 9 and 38 through 40 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 basis financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide 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's basic financial statements. The schedule of per diem paid is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of per diem paid is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 paid is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2013 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 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 City of Gonzales, Louisiana's internal control over financial reporting and compliance.



Gonzales, Louisiana
September 30, 2013

CITY OF GONZALES

MANAGEMENT'S DISCUSSION AND ANALYSIS

MAY 31, 2013

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, 2013.

FINANCIAL HIGHLIGHTS

- The City's combined total net position increased by \$561,024 or 1% over the course of this year's operations. Net position of our governmental activities increased approximately \$45,000 and increased approximately \$516,000 or nearly 1.5% in the net position of our business-type activities.
- During the year, the City's governmental activities expenses were \$45,000 less than the \$16.8 million generated in charges for services, taxes, grants and contributions, and other revenue. In the City's business-type activities revenues decreased approximately \$796,000 and expenses decreased by \$251,000.
- The general fund transferred \$3 million to the capital projects fund, and reported a decrease in fund balance of \$1,171,655.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required 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 government, reporting the City's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services like public safety 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.
 - Fiduciary fund statements are used to account for assets held by the City of Gonzales in a trustee capacity or as an agent for other governmental entities.

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

Figure A-1 summarizes the major features of the 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, 2013

	Government-wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City government (except fiduciary funds)	The activities of the City that are not proprietary or fiduciary, such as police, fire, and parks	Activities the City operates similar to private businesses: the water and sewer system	Activities the City uses to report resources held in custody for other reporting governments
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 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position
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	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	All assets and liabilities
Type of inflow/outflow information	All revenues and expenses during 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 is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All sales tax collections and distributions of those taxes to other governments that own them

CITY OF GONZALES

MANAGEMENT'S DISCUSSION AND ANALYSIS
MAY 31, 2013

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.

The two government-wide statements report the City's net position and 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 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 roads.

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 the police, fire, public works, parks department, and general administration. Property taxes, sales taxes and interest finance most of these activities.
- Business-type activities—the city charges fees to customers to help it cover the costs of certain services it provides. The city's water 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 three 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 at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.

CITY OF GONZALES

MANAGEMENT'S DISCUSSION AND ANALYSIS

MAY 31, 2013

- Proprietary funds—Services for which the City charges customers a fee are 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.

- Fiduciary Funds – Fiduciary Funds are used to account for resources held for the benefit of outside parties. Fiduciary funds are not reflected in the government-wide financial statements because of the resources of those funds are not available to support the City's programs. The sole fiduciary fund of the City is the Agency Fund.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position. The City's combined net position increased between fiscal years 2013 and 2012 from approximately \$561,000 to approximately \$82 million. (See Table A-1.)

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

	Governmental Activities		Business-Type Activities	
	2013	2012	2013	2012
Current and other assets	\$ 12,266,087	\$ 13,277,048	\$ 3,009,754	\$ 2,713,538
Capital assets	36,286,705	34,976,602	33,960,315	34,144,510
Total assets	48,552,792	48,253,650	36,970,069	36,858,048
Current liabilities	880,496	613,106	770,701	738,386
Long term Liabilities	440,208	453,591	1,277,617	1,713,800
Total liabilities	1,320,704	1,066,697	2,048,318	2,452,186
Net position				
Invested in capital assets,				
net of related debt	36,286,705	34,976,602	32,301,251	32,050,446
Restricted	1,189,513	1,296,209	711,325	710,604
Unrestricted	9,755,870	10,914,142	1,909,175	1,644,812
Total net position	\$ 47,232,088	\$ 47,186,953	\$34,921,751	\$34,405,862

Net position of the City's governmental activities increased .1% to approximately \$47.2 million. Net position of the City's business-type activities increased 1.5% to approximately \$34.9 million.

CITY OF GONZALES

MANAGEMENT'S DISCUSSION AND ANALYSIS

MAY 31, 2013

Changes in net position. The City's total revenues decreased by approximately \$1.4 million to \$22 million (See Table A-2.) Approximately 64% of the City's revenue is derived from property and sales tax collections. Fees, fines and charges for services represent 23 percent of revenue. Licenses and permits represent 4 percent of revenue.

The total cost of all programs and services decreased approximately \$142,000 or .7 percent. The City's expenses cover all services performed by its office.

Governmental Activities

Revenues and transfers for the City's governmental activities decreased by 3 percent, and total expenses decreased 2.3 percent.

Business-type Activities

Revenues of the City's business-type activities decreased approximately \$796,000 or 13 percent and expenses increased by approximately \$251,000 or 6 percent.

**Table A-2
Changes in City's Net Position**

	Governmental Activities		Business-Type Activities	
	2013	2012	2013	2012
Revenues				
Program revenues				
Charges for services	\$ 1,399,792	\$ 1,497,769	\$ 3,590,687	\$ 3,255,287
Grants & contributions	303,015	1,255,801	-	-
General revenues				
Taxes	13,954,169	13,230,231	-	-
Licenses and permits	887,749	851,197	-	-
Miscellaneous	739,425	744,980	149,617	156,902
Intergovernmental	-	-	873,706	2,272,239
Interest	52,298	51,739	2,509	2,749
Transfers	(500,000)	(225,000)	500,000	225,000
Total revenues and transfers	16,836,448	17,406,717	5,116,519	5,912,177
Expenses				
General government	1,909,572	1,946,601	4,600,630	4,349,639
Public safety	8,424,882	7,784,889	-	-
Streets/Water/Wastewater	3,134,546	4,443,799	-	-
Sanitation	849,728	889,601	-	-
Recreation	1,907,196	1,580,524	-	-
Civic Center	49,709	45,810	-	-
Code enforcement	515,680	493,467	-	-
Total expenses	16,791,313	17,184,691	4,600,630	4,349,639
Change in net position	\$ 45,135	\$ 222,026	\$ 515,889	\$ 1,562,538

CITY OF GONZALES

MANAGEMENT'S DISCUSSION AND ANALYSIS

MAY 31, 2013

Change in net position (continued)

The change in net position for all governmental activities increased \$45,135 in the current year. The change in net position for business activities increased this year by approximately \$516,000.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed the year, its governmental funds reported a combined fund balance of \$11.4 million, decrease of \$1.3 million or 10 percent from last year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, an amendment made to general fund revenues for a \$167,340 increase and to expenses for a \$136,623 increase. An amendment was made to the capital projects fund budget. Total expenditures increased \$992,500 over the course of the year.

CAPITAL ASSETS

At the end of 2013, the City had invested approximately \$70 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-3) This amount represents a net increase (including additions and deductions) of approximately \$1 million over last year.

Table A-3
City's Capital Assets
(net of depreciation)

	Governmental Activities		Business Activities	
	2013	2012	2013	2012
Land	\$ 2,057,988	\$ 2,057,988	\$ 118,828	\$ 118,828
Buildings	9,558,609	8,231,755	-	-
Other improvements	23,009,053	22,746,954	-	-
Lines, meters, & plants	-	-	33,466,670	33,706,406
Equipment	1,049,697	1,243,405	274,476	224,308
Vehicles	611,358	696,500	100,341	94,968
Total	\$ 36,286,705	\$ 34,976,602	\$ 33,960,315	\$ 34,144,510

This year's major capital asset additions included:

- Improvements to the water system in the amount of \$724,644.
- Building improvements totaled \$1,616,754.
- Improvements to parks, roads, sidewalks and tennis courts in amounts totaling \$1,464,970.
- New vehicles and equipment totaled \$465,615.

This year's major disposals include:

- Disposals of vehicles totaling \$34,181.

CITY OF GONZALES

MANAGEMENT'S DISCUSSION AND ANALYSIS

MAY 31, 2013

LONG TERM DEBT

At the end of the current fiscal year end, the City had bonds outstanding in the amount of \$1,659,064, maturing in 2017. During the year, principal pay downs on the bonds totaled \$435,000.

At May 31, 2013, the City reported a net OPEB obligation in the amount of \$70,670.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City is dependent on sales tax collections for 72% of its general and capital project fund revenues. The City's Administration has projected a 4.2% increase in sales taxes for the upcoming fiscal year. Expenditures budgeted in the general fund reflect an increase of 4.23% compared to the previous year. This increase results primarily from a 2 percent cost of living increase for all city employees, as well as from increased retirement system premiums. Retirement premiums will remain the same in the Municipal Police Retirement System and increase .25% in the Municipal Employees System. The capital outlay budget projects to spend \$7.4 million for various projects including the streets and drainage, road improvements, facilities and recreation, and various utility improvements. The cost of operation within the Gas Department has been set at \$6.36 per MCF in accordance with City Ordinances. The City believes that the 10 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 Mr. Clay Stafford, 120 South Irma Boulevard, Gonzales, LA 70737.

CITY OF GONZALES
STATEMENTS OF NET POSITION
MAY 31, 2013

<u>ASSETS</u>	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Cash	\$ 3,266,583	\$ 1,339,761	\$ 4,606,344
Investments	6,470,540	1,143,136	7,613,676
Due from other funds	2,744	127,648	130,392
Receivables	2,474,960	393,755	2,868,715
Other Assets	51,260	5,454	56,714
Capital assets, net of accumulated depreciation	36,286,705	33,960,315	70,247,020
TOTAL ASSETS	<u>48,552,792</u>	<u>36,970,069</u>	<u>85,522,861</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 137,113	\$ 13,162	\$ 150,275
Accrued expenses	145,793	34,212	180,005
Cash bonds	467,198	-	467,198
Due to other funds	130,392	-	130,392
Payable from restricted assets:			
Customer deposits	-	288,327	288,327
Current portion of Long term debt	-	445,000	445,000
Long-term liabilities:			
Other post retirement benefit liability	70,670	-	70,670
Compensated absences	369,538	53,553	423,091
Bonds payable	-	1,214,064	1,214,064
TOTAL LIABILITIES	<u>1,320,704</u>	<u>2,048,318</u>	<u>3,369,022</u>
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	36,286,705	32,301,251	68,587,956
Restricted for capital projects	1,189,513	-	1,189,513
Restricted for debt service	-	701,325	701,325
Unrestricted	9,755,870	1,919,175	11,675,045
TOTAL NET POSITION	<u>\$ 47,232,088</u>	<u>\$ 34,921,751</u>	<u>\$ 82,153,839</u>

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

CITY OF GONZALES
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2013

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
ACTIVITIES							
Governmental:							
General government	\$ 1,909,572	\$ 982,379	\$ -	\$ 257,318	\$ (669,875)	\$ -	\$ (669,875)
Public safety:							
Police	5,257,220	257,359	39,637	-	(4,960,224)	-	(4,960,224)
Fire	3,167,662	160,054	6,060	-	(3,001,548)	-	(3,001,548)
Streets/Water/Wastewater	3,134,546	-	-	-	(3,134,546)	-	(3,134,546)
Sanitation	849,728	-	-	-	(849,728)	-	(849,728)
Recreation	1,907,196	-	-	-	(1,907,196)	-	(1,907,196)
Civic Center	49,709	-	-	-	(49,709)	-	(49,709)
Code enforcement	515,680	-	-	-	(515,680)	-	(515,680)
Total governmental activities	16,791,313	1,399,792	45,697	257,318	(15,088,506)	-	(15,088,506)
Business-type:							
Utility	4,600,630	3,590,687	-	-	-	(1,009,943)	(1,009,943)
Total business-type activities	4,600,630	3,590,687	-	-	-	(1,009,943)	(1,009,943)
Total City of Gonzales	\$ 21,391,943	\$ 4,990,479	\$ 45,697	\$ 257,318	(15,088,506)	(1,009,943)	(16,098,449)
General Revenues:							
Taxes					13,954,169	-	13,954,169
Licenses and permits					887,749	-	887,749
Miscellaneous					739,425	149,617	889,042
Intergovernmental					-	873,706	873,706
Transfers					(500,000)	500,000	-
Interest					52,298	2,509	54,807
Total general revenues					15,133,641	1,525,832	16,659,473
Change in net position					45,135	515,889	561,024
Net position - June 1, 2012					47,186,953	34,405,862	81,592,815
Net position - May 31, 2013					\$ 47,232,088	\$ 34,921,751	\$ 82,153,839

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

CITY OF GONZALES
BALANCE SHEETS
GOVERNMENTAL FUNDS
MAY 31, 2013

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash	\$ 2,335,690	\$ 930,893	\$ 3,266,583
Investments	6,470,540	-	6,470,540
Receivables	2,154,154	320,806	2,474,960
Other Asset	51,260	-	51,260
Due from other funds	-	2,744	2,744
Total assets	<u>\$ 11,011,644</u>	<u>\$ 1,254,443</u>	<u>\$ 12,266,087</u>
LIABILITIES			
Accounts payable	\$ 72,183	\$ 64,930	\$ 137,113
Due to other funds	130,392	-	130,392
Cash bonds	467,198	-	467,198
Accrued expenses	145,793	-	145,793
Total liabilities	<u>815,566</u>	<u>64,930</u>	<u>880,496</u>
FUND BALANCES			
Committed:			
Capital projects	-	1,189,513	1,189,513
Assigned	1,574,732	-	1,574,732
Unassigned	8,621,346	-	8,621,346
Total fund balances	<u>10,196,078</u>	<u>1,189,513</u>	<u>11,385,591</u>
 Total liabilities and fund balances	 <u>\$ 11,011,644</u>	 <u>\$ 1,254,443</u>	 <u>\$ 12,266,087</u>

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

CITY OF GONZALES
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEETS
TO THE STATEMENTS OF NET POSITION
MAY 31, 2013

Total fund balances - Governmental Funds		\$ 11,385,591
Cost of capital assets at May 31, 2013	\$ 67,761,335	
Less: accumulated depreciation as of May 31, 2013	<u>(31,474,630)</u>	36,286,705
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.		
Other post retirement benefits		(70,670)
Compensated Absences		<u>(369,538)</u>
Total net position at May 31, 2013 - Governmental Activities		<u><u>\$ 47,232,088</u></u>

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

CITY OF GONZALES
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUND TYPES
YEAR ENDED MAY 31, 2013

	General	Capital Projects	Total Governmental Funds
REVENUES			
Taxes	\$ 12,121,851	\$ 1,832,318	\$ 13,954,169
Franchise fees	968,131	-	968,131
Licenses and permits	887,749	-	887,749
Fines and forfeitures	257,359	-	257,359
Miscellaneous	739,425	-	739,425
Charges for services	14,248	-	14,248
Fire department revenue	160,054	-	160,054
Intergovernmental revenues:			
Federal grants	222,883	-	222,883
State grants	80,132	-	80,132
Interest	52,298	-	52,298
Total revenues	<u>15,504,130</u>	<u>1,832,318</u>	<u>17,336,448</u>
EXPENDITURES			
Current:			
General government	1,680,963	131,030	1,811,993
Public safety:			
Police	4,970,811	1,753,520	6,724,331
Fire	2,924,176	198,833	3,123,009
Streets and drainage	1,173,102	2,620,864	3,793,966
Sanitation	847,760	-	847,760
Recreation	1,020,591	177,096	1,197,687
Civic Center	49,709	29,148	78,857
Code enforcement	508,673	28,523	537,196
Total expenditures	<u>13,175,785</u>	<u>4,939,014</u>	<u>18,114,799</u>
Excess of Revenues over (under) expenditures	2,328,345	(3,106,696)	(778,351)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	3,000,000	3,000,000
Transfers out	(3,500,000)	-	(3,500,000)
Total other financing sources (uses)	<u>(3,500,000)</u>	<u>3,000,000</u>	<u>(500,000)</u>
Net change in fund balances	(1,171,655)	(106,696)	(1,278,351)
Fund Balance, Beginning of Year	11,367,733	1,296,209	12,663,942
Fund Balance, End of Year	<u>\$ 10,196,078</u>	<u>\$ 1,189,513</u>	<u>\$ 11,385,591</u>

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

CITY OF GONZALES
RECONCILIATION OF THE STATEMENTS OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
MAY 31, 2013

Net change in fund balances - Governmental funds		\$ (1,278,351)
The change in net position reported for governmental activities in the statement of activities is different because:		
Capital assets:		
Capital outlay capitalized	3,398,276	
Depreciation expense for the year ended May 31, 2013	<u>(2,088,173)</u>	1,310,103
Other post retirement benefits		56,578
Less: Excess of compensated absences earned over compensated absences used		<u>(43,195)</u>
Change in net position of governmental activities		<u>\$ 45,135</u>

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

CITY OF GONZALES
STATEMENT OF NET POSITION
PROPRIETARY FUND
MAY 31, 2013

	<u>Enterprise Fund</u>
<u>ASSETS</u>	
Cash	\$ 1,339,761
Investments	1,143,136
Due from other funds	127,648
Receivables (net of allowance)	393,755
Other receivables	5,454
Capital assets, net of accumulated depreciation	<u>33,960,315</u>
TOTAL ASSETS	<u>36,970,069</u>
<u>LIABILITIES</u>	
Accounts payable	13,162
Accrued expenses	34,212
Current portion of long term debt	445,000
Customer deposits	288,327
Long-term liabilities:	
Compensated absences	53,553
Series 1996 bonds payable	<u>1,214,064</u>
TOTAL LIABILITIES	<u>2,048,318</u>
<u>NET POSITION</u>	
Invested in capital assets, net of related debt	32,301,251
Restricted to debt service	701,325
Unrestricted	<u>1,919,175</u>
TOTAL NET POSITION	<u><u>\$ 34,921,751</u></u>

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

CITY OF GONZALES
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED MAY 31, 2013

	Enterprise Fund
OPERATING REVENUES	
Charges for service:	
Gas sales	\$ 1,437,275
Sewer service charges	1,065,130
Water sales	1,088,282
Miscellaneous	149,617
Total operating revenues	3,740,304
 OPERATING EXPENSES	
Gas department	1,152,553
General and administrative	743,467
Depreciation	1,057,902
Water department	881,644
Sewer department	703,289
Total operating expenses	4,538,855
 OPERATING LOSS	(798,551)
 NONOPERATING REVENUES (EXPENSES)	
Interest income	2,509
Intergovernmental	873,706
Interest on bonds payable	(61,775)
Transfers in	500,000
Net nonoperating revenues	1,314,440
 Change in net position	515,889
 Total net position - beginning	34,405,862
 Total net position - ending	\$ 34,921,751

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

CITY OF GONZALES
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED MAY 31, 2013

	Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 3,620,719
Payments to suppliers	(3,449,821)
Net cash provided by operating activities	170,898
CASH FLOWS FROM NONCAPITAL FINANCING	
Transfers from other funds	500,000
Net cash provided by noncapital financing	500,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payments on long term debt	(435,000)
Interest paid	(61,775)
Net cash used in capital and related financing activities	(496,775)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of capital assets	(873,707)
Intergovernmental revenue	873,706
Purchases of investments	(1,787)
Interest received	2,509
Net cash provided by investing activities	721
Net increase in cash and cash equivalents	174,844
Cash and cash equivalents - June 1, 2012	1,164,917
Cash and cash equivalents - May 31, 2013	\$ 1,339,761
CASH FLOWS FROM OPERATING ACTIVITIES	
Operating loss	\$ (798,551)
Adjustments to reconcile operating loss to net cash provided by operating activities -	
Depreciation and amortization	1,057,902
Bad Debt Expense	56,023
Net changes in operating assets and liabilities:	
Accounts Receivable	(49,196)
Other Assets	(126,412)
Accounts Payable	3,674
Accrued Liabilities	28,641
Compensated Absences	(1,183)
Net cash provided by operating activities	\$ 170,898

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

CITY OF GONZALES
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
MAY 31, 2013

AGENCY FUND
TANGER MALL
ECONOMIC
DEVELOPMENT
DISTRICT

ASSETS

Cash and Cash Equivalents	\$	757,676
Accounts Receivable		199,889
 TOTAL ASSETS	 \$	 <u>957,565</u>

LIABILITIES

Due to others	\$	957,565
 TOTAL LIABILITIES	 \$	 <u>957,565</u>

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, 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.

Financial Reporting Entity – This report includes all funds and account groups, 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.

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 or 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.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

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

The City reports the following major governmental funds:

- a. General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. Capital Projects 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 and agency funds).

The City reports the following proprietary funds:

- a. Utility 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 or 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.

The City reports the following fiduciary funds:

- a. Agency Funds – are used to account for assets held for other funds and/or other governments. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.
 - a. Tanger Mall Economic Development District – This fund is used to report sales tax collections and distributions of those taxes to other funds that own them.

Measurement Focus, Basis of Accounting -

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

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

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, claims and judgments, 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 resource 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 receives and gives up essentially equal values. Non-operating revenues, such as investment earnings, result from nonexchange transactions or ancillary activities.

Fiduciary Fund Financial Statements. Agency Funds have no measurement focus but are accounted for on the full accrual basis of accounting.

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 certain pronouncements issued by FASB and its predecessors on or before November 30, 1989.

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

Budgets and Budgetary Accounting – The City follows these procedures in establishing the budgetary data reflected in these financial statements:

- 1) The City's Mayor and Clerk prepare a proposed budget message and budget and submit it to the City Council prior to the beginning of each fiscal year.
- 2) A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
- 3) A public hearing is held on the proposed budget at least two weeks after publication of the call for the hearing.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

- 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) 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.
- 6) 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.
- 7) All budgetary appropriations lapse at the end of each fiscal year.
- 8) The budget for the General Fund is adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). The budget for the Enterprise Fund is adopted under a basis consistent with GAAP, except for depreciation, amortization, and bad debt expense, which are not considered. The budget for the Capital Projects Fund is adopted on a project by project basis. Budgeted amounts are as originally adopted, or as 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 payors.

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 become available which indicates 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. The General Fund owed the Utility Fund \$127,648 at May 31, 2013.

Investments – Investments are reported at fair value. The state investment pool (LAMP) operates in accordance with state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

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 value at the date of donation. The municipality maintains a threshold level of \$5,000 or more for capitalizing 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>Estimated Useful Lives</u>
Infrastructure	30
Buildings	40
Building Improvements	20
Other Improvements	20-40
Vehicles	5-15
Equipment	3-15

The proprietary fund is accounted for on a cost of service or “capital maintenance” measurement focus, and all assets and all 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	40-50
Equipment	4-10
Vehicles	4

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 sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

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

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Statement of Cash Flows – For purposes of the statement of cash flows, the Utility 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.

Restricted Net Position – For the government-wide statement of net position, net position is reported as restricted when constraints placed on net position use either:

Externally imposed by creditors (such as debt covenants), grants, contributors, laws, or regulations of other governments; or

Imposed by law through constitutional provisions or enabling legislation.

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.

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 or contractually required to be maintained intact.

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

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

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

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

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

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Principles

In June 2011, the GASB issued Statement 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and included four components assets, deferred outflows of resources, liabilities and deferred inflows of resources. The City adopted GASB Statement 63 in 2013.

2. Capital Assets

Capital assets and depreciation activity as of and for the year ended May 31, 2013, are as follows:

Governmental activities:

	<u>Land</u>	<u>Building</u>	<u>Other Improvements</u>	<u>Equipment</u>	<u>Vehicles</u>	<u>Total</u>
Cost of Capital Assets						
May 31, 2012	\$2,057,988	\$10,811,209	\$ 43,496,239	\$4,525,635	\$3,492,421	\$64,383,492
Additions	-	1,616,754	1,464,970	201,579	114,973	3,398,276
Deletions	-	-	-	-	(20,433)	(20,433)
Costs of Capital Assets						
May 31, 2013	<u>2,057,988</u>	<u>12,427,963</u>	<u>44,961,209</u>	<u>4,727,214</u>	<u>3,586,961</u>	<u>67,761,335</u>
Accumulated depreciation						
May 31, 2012	-	2,579,454	20,749,285	3,282,230	2,795,921	29,406,890
Additions	-	289,900	1,202,871	395,287	200,115	2,088,173
Deletions	-	-	-	-	(20,433)	(20,433)
Accumulated depreciation, May 31, 2013	<u>-</u>	<u>2,869,354</u>	<u>21,952,156</u>	<u>3,677,517</u>	<u>2,975,603</u>	<u>31,474,630</u>
Capital assets, net of accumulated depreciation at May 31, 2013	<u>\$2,057,988</u>	<u>\$9,558,609</u>	<u>\$ 23,009,053</u>	<u>\$1,049,697</u>	<u>\$611,358</u>	<u>\$36,286,705</u>

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

2. Capital Assets (continued)

Governmental Activities (continued): For the year ended May 31, 2013, depreciation expense of \$2,088,173 was charged to the following governmental functions:

Code Enforcement	\$ 4,415
Drainage	39,933
Fire	234,847
General	280,004
Police	267,835
Recreation	382,017
Sanitation	1,104
Streets	<u>878,018</u>
	<u>\$ 2,088,173</u>

Business-Type Activities:

	<u>Land</u>	<u>Building</u>	<u>Lines, Meters, and plants</u>	<u>Equipment</u>	<u>Vehicles</u>	<u>Total</u>
Cost of Capital Assets						
May 31, 2012	\$118,828	\$22,474	\$48,218,988	\$441,304	\$553,253	\$49,354,847
Additions	-	-	724,644	107,724	41,339	873,707
Deletions	-	-	-	-	(13,748)	(13,748)
Costs of Capital Assets, May 31, 2013	<u>118,828</u>	<u>22,474</u>	<u>48,943,632</u>	<u>549,028</u>	<u>580,844</u>	<u>50,214,806</u>
Accumulated depreciation						
May 31, 2012	-	22,474	14,512,582	216,996	458,285	15,210,337
Additions	-	-	964,380	57,556	35,966	1,057,902
Deletions	-	-	-	-	(13,748)	(13,748)
Accumulated depreciation, May 31, 2013	<u>-</u>	<u>22,474</u>	<u>15,476,962</u>	<u>274,552</u>	<u>480,503</u>	<u>16,254,491</u>
Capital assets, net of accumulated depreciation at May 31, 2013	<u>\$118,828</u>	<u>\$ -</u>	<u>\$33,466,670</u>	<u>\$274,476</u>	<u>\$100,341</u>	<u>\$33,960,315</u>

For the year ended May 31, 2013, depreciation expense was \$1,057,902.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

3. Accounts Receivable and Due to Other Governments

At May 31, 2013, accounts receivable for the City's funds consisted of the following:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Utility Fund</u>
Receivables:			
Accounts	\$ -	\$ -	\$ 381,782
Unbilled accounts	-	-	94,913
Other receivables	195,633	-	-
Due from other governments	1,958,521	320,806	-
Gross receivables	<u>2,154,154</u>	<u>320,806</u>	<u>476,695</u>
Less: allowance for uncollectible	-	-	(82,940)
Net total receivables	<u>\$ 2,154,154</u>	<u>\$ 320,806</u>	<u>\$ 393,755</u>

Due from other governments in the General Fund and Capital Projects Fund consisted of sales and use taxes. Other receivables in the General Fund consisted mainly of franchise fees.

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. The City's bank balances were not exposed to custodial credit risk at May 31, 2013.

5. Investments

Statutes authorize the City to invest in United States bonds, treasury notes or certificates, time certificates of deposit of Louisiana state banks and national banks having the principal office in the State of Louisiana.

As of May 31, 2013, the city had the following investments and maturities.

INVESTMENT MATURITIES (IN YEARS)

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5</u>
U.S. Agencies	\$ 6,126,558	\$ 1,564,074	\$ 4,562,484
LAMP Funds	<u>1,487,118</u>	<u>1,487,118</u>	<u>-</u>
Total Investments	<u>\$ 7,613,676</u>	<u>\$ 3,051,192</u>	<u>\$ 4,562,484</u>

The investment in LAMP funds had a weighted average maturity of 3.5 months as of May 31, 2013; therefore, it was presented as an investment with maturity of less than one year.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

5. Investments (continued)

Interest Rate Risk

The City's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State law limits investments in securities issued, or backed by the United States Treasury obligations, and U.S. Government instrumentalities, which are federally sponsored. The City's investment policy does not further limit its investment choices. As of May 31, 2013, the City's investment in LAMP was rated AAA by Standard & Poor's. All of the City's investments in U.S. Agencies were rated AAA by Moody's Investors Service.

Concentration of Credit Risk

The City's investment policy does not limit 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, Federal Farmers Credit Bank, and other political subdivisions. These investments are 29%, 12%, 34%, 13% and 10%, respectively of the City's total investments.

6. Ad Valorem Taxes

Ad valorem taxes attach an enforceable lien on property as 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 City bills and collects its own property taxes using the assessed values determined by the tax assessor of Ascension Parish.

For the year ended May 31, 2013 taxes of 8.55 mills were levied on property with assessed valuations totaling \$111,803,510 and were dedicated as follows:

General corporate purposes	5.28 mills
Fire department	3.27 mills

Total taxes levied were \$955,920. At May 31, 2013, only a minor amount of taxes were 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, 2013 consist of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 3,500,000
Capital Projects Fund	3,000,000	-
Utility Fund	500,000	-
	<u>\$ 3,500,000</u>	<u>\$ 3,500,00</u>

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

8. Restricted Assets

Restricted assets, which consist of cash and investments at May 31, 2013 were applicable to the following:

	<u>Utility Fund</u>
Customer Deposits	\$ 288,327
Debt Service	1,146,325
Total restricted assets	<u>\$ 1,434,652</u>

9. Concentration of Credit Risk-Proprietary Fund

Accounts receivable from utility customers were comprised of the following sources: residential – 64%, commercial – 33%; other governmental agencies – 3%. Outstanding balances are partially secured by deposits made when service is requested.

10. 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, 2013:

Compensated Absences

	Governmental Activities	Business-Type Activities
Balance at June 1, 2012	\$ 326,343	\$ 54,736
Increases	118,482	11,097
Decreases	(75,287)	(12,280)
Balance at May 31, 2013	<u>\$ 369,538</u>	<u>\$ 53,553</u>

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

10. Changes in Long-Term Debt (continued)

Business-Type Activities:

Bonds payable June 1, 2012	\$ 2,094,064
Debt Matured	<u>(435,000)</u>
Bonds payable May 31, 2013	<u>\$ 1,659,064</u>

Debts payable at May 31, 2013, are comprised of the following individual issues:

Utility obligation bonds:

\$7,500,000 Public Improvement Sales Tax Bonds dated May 28, 1997,
due in annual installments of \$280,000 to \$485,000 through March 1, 2017,
interest at 2.95%, secured by collection of sales tax. \$ 1,659,064

The annual requirements to amortize all debts outstanding as of May 31, 2013, including interest payments of \$115,234 are as follows:

<u>Years ending May 31</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 445,000	\$ 48,942
2015	460,000	35,815
2016	475,000	22,245
2017	<u>279,064</u>	<u>8,232</u>
	<u>\$1,659,064</u>	<u>\$115,234</u>

11. Sales and Use Tax

The City has the following sales and use taxes in existence as of May 31, 2013:

On September 10, 1966, a 1% 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% 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. The tax is set to expire on April 1, 2010 or until the retirement of the Public Improvement Sales Tax Bonds on March 1, 2017.

On July 1, 2001, an additional ½% 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% sales and use tax authorized on April 1, 1989 collected within the Gonzales Economic Development District No. 1 were dedicated to the Industrial Development Board of the City of Gonzales, Louisiana, Inc. to promote economic development.

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

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

12. Pension Plan

Substantially all employees of the City of Gonzales are members of the following statewide retirement systems: Municipal Employees Retirement System of Louisiana or Municipal Police Employees Retirement System of Louisiana. These systems are cost sharing, multiple-employer defined benefit pension plans administered by separate bonds of trustees. Pertinent information relative to each plan follows:

A. Municipal Employees Retirement System of Louisiana (System)

Plan Description. The system is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the City in this System are members of Plan A.

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, at any age with at least 25 years of creditable service, are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final-average salary for each year of creditable service.

Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 925-4810.

Funding Policy. Under Plan A, members are required by state statute to contribute 9.25 percent of their annual covered salary and the City of Gonzales is required to contribute at an actuarially determined rate. The current rate is 17 percent of annual covered payroll. Contributions to the System also include one-fourth of one percent (except Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and City of Gonzales are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The contributions of the City of Gonzales to the System under Plan A for the year ending May 31, 2013, 2012, and 2011 were \$712,966, \$675,275, and \$549,154, respectively.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

12. Pension Plan (continued)

B. Municipal Police Employees Retirement System of Louisiana (System)

Plan Description. All full-time police department employees engaged in law enforcement are required to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3 percent of their final-average salary of each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified previously and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (225) 929-7411.

Funding Policy. Plan members are required by state statute to contribute 10 percent of their annual covered salary and the City of Gonzales is required to contribute at an actuarially determined rate. The current rate is 31 percent of annual covered payroll. The contribution requirements of plan members and the City of Gonzales are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The contributions of the City of Gonzales for the year ending May 31, 2013, 2012, and 2011 were \$789,662, \$675,372, and \$602,302, respectively.

13. Other Post-Employment Benefits (OPEB)

Plan Description. The City of Gonzales' 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. Complete plan provisions are included in the official plan documents.

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' 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. In 2013 and 2012, the City of Gonzales' portion on health care funding cost for retired employees totaled \$161,309 and \$151,418, respectively.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

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

Effective June 1, 2008, the City of Gonzales implemented Government Accounting Standards Board Statement Number 45, *Accounting and Financial Reporting by Employers for Post employment Benefits Other than Pensions (GASB 45)*. This amount was applied toward the Net OPEB Benefit Obligation as shown in the following table.

Annual Required Contribution. The City of Gonzales' Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. 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 43/45) has been used for the post-employment benefits. The actuarially computed ARC is as follows:

	2013	2012
Normal Cost	\$ 34,853	\$ 32,740
30-year UAL amortization amount	107,036	102,870
Annual required contribution (ARC)	\$ 141,889	\$ 135,610

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

	2013	2012
Beginning Net OPEB Obligation	\$ 127,248	\$ 109,487
Annual required contribution	141,889	135,610
Interest on Net OPEB Obligation	3,669	4,379
ARC Adjustment	(40,827)	29,190
OPEB Cost	104,731	169,179
Contribution to Irrevocable Trust	-	-
Current year retiree premium	(161,309)	(151,418)
Change in Net OPEB Obligation	(56,578)	17,761
Ending Net OPEB Obligation	\$ 70,670	\$ 127,248

The following table shows the City of Gonzales' annual post employment benefits (PEB) cost, percentage of the cost contributed, and the net unfunded post employment benefits (PEB) liability (asset):

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation (Asset)
May 31, 2013	\$104,731	154.02%	\$70,670
May 31, 2012	\$169,179	89.50%	\$127,248

Funded Status and Funding Progress. In 2013 and 2012, the City of Gonzales made no contributions to its post employment benefits plan. The plan was not funded at all, has no assets, and hence has a funded ratio of zero. As of June 1, 2012, the most recent valuation, the Actuarial Accrued Liability (AAL) at the end of May 31, 2013 was \$1,850,943 which is defined as that portion, as determined by a particular actuarial cost method (the City of Gonzales uses the

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

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

Projected Unit Credit Cost Method), of the actuarial present value of post employment plan benefits and expenses which is not provided by normal cost.

	<u>2013</u>	<u>2012</u>
Actuarial Accrued Liability (AAL)	\$ 1,850,943	\$ 1,778,740
Actuarial Value of Plan Assets(AVP)	-	-
Unfunded Act. Accrued Liability (UAAL)	<u>\$ 1,850,943</u>	<u>\$ 1,778,740</u>
Funded Ratio (Act. Val. Assets/AAL)	0.00%	0.00%
Covered Payroll (active plan members)	7,728,642	7,557,620
UAAL as a percentage of covered payroll	23.95%	23.54%

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 rate; (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 employee 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 this 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 Statement 45.

Turnover Rate. An age-related turnover scale based on actual experience as described by administrative staff has been used. The rates, when applied to the active employee census, produce an 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.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

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

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 Statement 45 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.

Health Care Cost Trend Rate. Since the City of Gonzales has frozen the amount of the employer contribution for retiree medical benefits at the current level and all future increases will be passed on to the retirees, we have not used any trend increase assumption in this valuation.

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 six "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 the employer prior to age 65 varies by years of service at time of retirement: 30% for less than 20 years; 40% for 20 to 25 years; and, 50% for 25 or more years. Since GASB 45 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 rate 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.

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.

CITY OF GONZALES

NOTES TO FINANCIAL STATEMENTS

14. Contingencies

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

15. 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 a sharing of 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.

16. Subsequent Events

Management has evaluated subsequent events through the date the financial statements were available to be issued, September 30, 2013, and determined that there were no events that required disclosure.

CITY OF GONZALES
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED MAY 31, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
REVENUES			
Taxes	\$ 9,880,000	\$ 9,880,000	\$ 12,121,851
Franchise fees	940,000	940,000	968,131
Licenses and permits	951,000	951,000	887,749
Fines and forfeits	185,000	185,000	257,359
Miscellaneous	120,100	120,100	739,425
Charges for services	81,000	81,000	14,248
Intergovernmental	141,900	309,240	303,015
Fire department revenue	560,000	560,000	160,054
Interest	20,000	20,000	52,298
Total revenues	<u>12,879,000</u>	<u>13,046,340</u>	<u>15,504,130</u>
EXPENDITURES			
Current:			
General government	1,709,000	1,709,000	1,680,963
Public safety			
Police	4,747,500	4,783,622	4,970,811
Fire	2,758,000	2,790,924	2,924,176
Streets and drainage	1,183,200	1,205,978	1,173,102
Sanitation	831,200	845,922	847,760
Recreation	1,010,900	1,029,871	1,020,591
Civic center	48,000	48,000	49,709
Code enforcement	530,200	532,994	508,673
Miscellaneous	61,000	69,312	-
Total expenditures	<u>12,879,000</u>	<u>13,015,623</u>	<u>13,175,785</u>
Excess of revenues over expenditures	-	30,717	2,328,345
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(5,000,000)</u>	<u>(5,000,000)</u>	<u>(3,500,000)</u>
Net change in fund balance	(5,000,000)	(4,969,283)	(1,171,655)
Fund Balance, Beginning of year	<u>11,367,733</u>	<u>11,367,733</u>	<u>11,367,733</u>
Fund Balance, End of year	<u><u>\$ 6,367,733</u></u>	<u><u>\$ 6,398,450</u></u>	<u><u>\$ 10,196,078</u></u>

CITY OF GONZALES
BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED MAY 31, 2013

	Original Budget	Final Budget	Actual
REVENUES			
Sales tax	\$ 1,600,000	\$ 1,600,000	\$ 1,832,318
Total revenues	<u>1,600,000</u>	<u>1,600,000</u>	<u>1,832,318</u>
EXPENDITURES			
Capital Outlays:			
Street overlay project	1,650,000	1,650,000	1,191,672
W. edenborne parkway	500,000	500,000	137
Street department acquisitions	230,000	230,000	185,613
Bulkhead Improvement	112,500	112,500	-
Sidewalk construction	50,000	50,000	39,530
Cornerview Turn Lane	250,000	250,000	110,802
Bridge Rehabilitation	75,000	75,000	73,700
Recreation capital	187,300	172,300	143,120
City room	5,000	5,000	-
T. joe museum	2,000	2,000	23,900
Jambalaya park	30,000	30,000	20,816
Lamendola trails	250,000	250,000	13,160
Property acquisition	50,000	50,000	-
Civic center	95,000	95,000	29,148
Code enforcement capital	55,000	55,000	28,523
General administration	110,000	110,000	107,130
Fire department capital outlay	300,000	307,500	198,833
Police department capital outlay	310,000	310,000	299,444
Police department station	1,000,000	2,000,000	1,454,076
Gas System Capital Improvements	180,000	180,000	122,067
Wastewater improvements	815,200	815,200	453,892
Water improvements	380,000	380,000	443,451
Total expenditures	<u>6,637,000</u>	<u>7,629,500</u>	<u>4,939,014</u>
Excess of expenditures over revenues	(5,037,000)	(6,029,500)	(3,106,696)
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>5,000,000</u>	<u>6,000,000</u>	<u>3,000,000</u>
Net change in fund balance	(37,000)	(29,500)	(106,696)
Fund Balance, Beginning of year	<u>1,296,209</u>	<u>1,296,209</u>	<u>1,296,209</u>
Fund Balance, End of year	<u>\$ 1,259,209</u>	<u>\$ 1,266,709</u>	<u>\$ 1,189,513</u>

CITY OF GONZALES

OTHER POST RETIREMENT BENEFITS PLAN
RETIREE HEALTH INSURANCE PROGRAM
YEAR ENDED MAY 31, 2013

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
6/1/2010	-	\$ 1,778,740	\$ 1,778,740	0%	\$ 7,258,430	24.51%
6/1/2011	-	\$ 1,778,740	\$ 1,778,740	0%	\$ 7,557,620	23.54%
6/1/2012	-	\$ 1,850,943	\$ 1,850,943	0%	\$ 7,728,642	23.95%

Fiscal Year Ending	Annual OPEB Cost	Amount Contributed	Percentage of Annual OPEB Costs Contributed	Increase (Decrease) to Net OPEB Obligation	Net OPEB Obligation
5/31/2011	\$ 133,657	\$ 151,740	113.53%	\$ (18,083)	\$ 109,487
5/31/2012	\$ 169,179	\$ 151,418	89.50%	\$ 17,761	\$ 127,248
5/31/2013	\$ 104,731	\$ 161,309	154.02%	\$ (56,578)	\$ 70,670

CITY OF GONZALES
SCHEDULE OF PER DIEM PAID
YEAR ENDED MAY 31, 2013

	<u>MONTHLY</u>	<u>ANNUAL</u>
Terance Irvin	\$ 800	\$ 9,600
Kenneth Matassa	800	9,600
Ronald Waguespack (term ended 12/31/2012)	800	5,600
Timothy Vessel (term began 1/1/2013)	800	4,000
Kirk Boudreaux	800	9,600
John Cagnolatti (term ended 12/31/2012)	800	5,600
Gary Lacombe (term began 1/1/2013)	800	4,000
		<u>\$ 48,000</u>

CITY OF GONZALES, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MAY 31, 2013

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of the City of Gonzales as of and for the year ended May 31, 2013.
2. No significant deficiencies were reported during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the City of Gonzales were reported in Part C of this Schedule.

B. FINDINGS-FINANCIAL STATEMENT AUDIT

None

C. COMPLIANCE WITH STATE LAWS AND REGULATIONS

None

CITY OF GONZALES, LOUISIANA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED MAY 31, 2012

A. FINDINGS – FINANCIAL STATEMENTS AUDIT

None

B. COMPLIANCE

None

**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 information of City of Gonzales, Louisiana, as of and for the year ended May 31, 2013, 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 dated September 30, 2013.

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 a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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.

Postlethwaite + Nettinall

Gonzales, Louisiana
September 30, 2013