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**CITY OF WESTLAKE, LOUISIANA**  
**ANNUAL FINANCIAL REPORT**  
**JUNE 30, 2009**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 4/28/10

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CITY OF WESTLAKE, LOUISIANA

ANNUAL FINANCIAL REPORT  
Year Ended June 30, 2009

TABLE OF CONTENTS

	Schedules	Page
INTRODUCTORY SECTION		
Title Page		
Table of Contents		3-4
List of Principal Officials		5
FINANCIAL SECTION		
Report of Independent Auditors		7-8
Basic financial statements:		
Statement of Net Assets		11
Statement of Activities		12-13
Balance Sheet - Governmental Funds		14-15
Reconciliation of Balance Sheet - Governmental Funds		17
Statement of Revenues, Expenditures and Changes in Fund Balances		18-19
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities		20
Proprietary Funds:		
Statement of Net Assets		21
Statement of Revenue, Expenditures and Changes in Net Assets		22
Statement of Cash Flows		23-24
Notes to Financial Statements		25-46
Required Supplementary Information - Budgetary Comparisons:		
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - General Fund		48
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Special Revenue Fund		49

	Schedules	Page
<b>Supporting Schedules:</b>		
Schedule of Compensation Paid to Mayor and City Council Members	1	52
Schedule of Expenditures of Federal Awards	2	53
Notes to Schedule of Expenditures of Federal Awards		54
 <b>REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL AND COMPLIANCE</b>		
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards		57-59
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133		61-63
Schedule of Findings and Questioned Costs		64-70
Schedule of Prior Management Comments and Suggestions		71-72

CITY OF WESTLAKE, LOUISIANA

June 30, 2009

**MAYOR**

The Honorable Daniel W. Cupit  
Mr. Wally Anderson, Mayor Pro-Tempore

**CITY COUNCIL**

Mr. Wally Anderson  
Mr. John Cradure  
Mr. Robert Hardy

Mr. Daniel Racca  
Ms. Lori Peterson

**LEGAL COUNSEL**

Mr. John Van Norman - City Attorney

**CITY CLERK**

Mrs. Andrea Mahfouz

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# McELROY, QUIRK & BURCH

A Professional Corporation • Certified Public Accountants • Since 1925  
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09442.000 Audit 6/30/09 1100.001 financial report

Robert M. Gani, CPA, MT  
Mollie C. Broussard, CPA  
Jason L. Guillory, CPA  
Greg P. Naquin, CPA, CFP™  
Billy D. Fisher, CPA  
Joe G. Peshoff, II, CPA, CVA



Michael N. McGee, CPA  
David M. DesOrmeaux, CPA  
Paula J. Thompson, CPA

Orray J. Woods, Jr., CPA, Inactive  
Robert F. Caggie, CPA, Inactive  
William A. Mancuso, CPA, Inactive  
Barbara Hutson Gonzales, CPA, Retired  
Judson J. McCann, Jr., CPA, Retired  
Martin L. Chehorsky, CPA, CFE  
Carl W. Comeaux, CPA, Retired  
Gus W. Schram, III, CPA, CVA, Retired

CFE - Certified Fraud Examiner  
MT - Masters of Taxation  
CVA - Certified Valuation Analyst  
CFP - Certified Financial Planner

## REPORT OF INDEPENDENT AUDITORS

Honorable Daniel W. Cupit, Mayor  
and City Council Members  
City of Westlake, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Westlake, Louisiana, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Westlake, Louisiana at June 30, 2009 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison information on pages 46 through 47 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The City of Westlake, Louisiana has not presented management's discussion and analysis that the accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 10, 2010, on our consideration of the City of Westlake's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that 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 our audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the City of Westlake, Louisiana, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Ms Elroy Quirk & Buch*

Lake Charles, Louisiana  
February 10, 2010

**BASIC FINANCIAL STATEMENTS**

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CITY OF WESTLAKE, LOUISIANA

STATEMENT OF NET ASSETS

June 30, 2009

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 5,985,696	\$ 1,071,825	\$ 7,057,521
Investments	4,369,875	987,043	5,356,918
Receivables (net, where applicable, of allowance for uncollectibles):			
Accounts	292,325	149,101	441,426
Taxes	115,515	-	115,515
Grants and contributions	923,059	-	923,059
Special assessments	27,351	-	27,351
Inventories	-	38,111	38,111
Intergovernmental	487,377	(487,377)	-
Prepaid insurance	171,230	102,382	273,612
Prepaid contract	-	19,561	19,561
Restricted assets:			
Cash and cash equivalents	-	240,105	240,105
Investments	318,984	219,704	538,688
Capital assets:			
Land, improvements and construction in progress	2,426,686	21,170,954	23,597,640
Other capital assets, net of depreciation	15,861,205	12,498,874	28,360,079
Total assets	<u>30,979,303</u>	<u>36,010,283</u>	<u>66,989,586</u>
<u>LIABILITIES</u>			
Accounts payable	2,746,987	114,036	2,861,023
Interest payable	9,240	46,592	55,832
Retainage payable	-	498,282	498,282
Payable from restricted assets:			
Customer deposits	-	196,970	196,970
Deferred income	20,126	-	20,126
Noncurrent liabilities:			
Due within one year	250,000	429,296	679,296
Due in more than one year	1,405,000	15,740,007	17,145,007
Total liabilities	<u>4,431,353</u>	<u>17,025,183</u>	<u>21,456,536</u>
<u>NET ASSETS</u>			
Investment in capital assets, net of related debt	16,632,891	17,500,525	34,133,416
Restricted for:			
Capital projects	8,939,781	-	8,939,781
Debt service	214,448	-	214,448
Various purpose-sales taxes	15,850	-	15,850
Unrestricted	744,980	1,484,575	2,229,555
Total net assets	<u>\$ 26,547,950</u>	<u>\$ 18,985,100</u>	<u>\$ 45,533,050</u>

See accompanying notes to financial statements

CITY OF WESTLAKE, LOUISIANA

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Government activities:				
General government	\$ 985,139	\$ 269,802	\$ 34,955	\$ 4,546,875
Public safety:				
Police	1,475,015	266,236	149,684	-
Fire	1,338,839	-	877,737	-
Highway and streets	711,015	52,437	23,880	-
Sanitation	362,933	383,431	-	-
Cemeteries	12,529	-	1,333	-
Post office	5,739	75,708	-	-
Total governmental activities	<u>4,891,209</u>	<u>1,047,614</u>	<u>1,087,589</u>	<u>4,546,875</u>
Business-type activities:				
Gas utility	1,852,241	1,922,169	7,979	-
Water utility	1,464,843	521,000	15,023	-
Sewer and sanitation	694,060	585,233	-	-
Golf course	1,065,507	-	-	-
Real estate sales	83,245	754,650	-	-
Total business-type activities	<u>5,159,476</u>	<u>3,783,052</u>	<u>23,002</u>	<u>-</u>
Total government	<u>\$ 10,050,685</u>	<u>\$ 4,830,666</u>	<u>\$ 1,110,591</u>	<u>\$ 4,546,875</u>

General revenues:

Tax revenue

Investment income

Miscellaneous income

Distribution - gaming industry

Transfers

Total general revenues  
and transfers

Change in net assets

Net assets at beginning of year

Net assets at end of year

See accompanying notes to financial statements

Net (Expenses) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
\$ 3,866,493	\$ -	\$ 3,866,493
(1,059,095)	-	(1,059,095)
(461,102)	-	(461,102)
(634,698)	-	(634,698)
20,498	-	20,498
(11,196)	-	(11,196)
<u>69,969</u>	<u>-</u>	<u>69,969</u>
<u>1,790,869</u>	<u>-</u>	<u>1,790,869</u>
-	77,907	77,907
-	(928,820)	(928,820)
-	(108,827)	(108,827)
-	(1,065,507)	(1,065,507)
<u>-</u>	<u>671,505</u>	<u>671,505</u>
<u>-</u>	<u>(1,353,742)</u>	<u>(1,353,742)</u>
<u>1,790,869</u>	<u>(1,353,742)</u>	<u>437,127</u>
2,252,985	286,035	2,539,020
233,422	76,804	310,226
26,192	6,590	32,782
1,999,973	-	1,999,973
<u>536,446</u>	<u>(536,446)</u>	<u>-</u>
<u>5,049,018</u>	<u>(167,017)</u>	<u>4,882,001</u>
6,839,887	(1,520,759)	5,319,128
<u>19,708,063</u>	<u>20,505,859</u>	<u>40,213,922</u>
<u>\$ 26,547,950</u>	<u>\$ 18,985,100</u>	<u>\$ 45,533,050</u>

CITY OF WESTLAKE, LOUISIANA

BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2009

<u>ASSETS</u>	<u>General</u>	<u>Special Revenue</u>
Cash and cash equivalents	\$ 207,185	\$ 14,761
Investments	2,452,578	-
Receivables (net, where applicable, of allowance for uncollectibles):		
Accounts receivable	291,236	1,089
Taxes receivable	291	-
Grants and contributions receivable	-	-
Special assessments receivable	-	-
Due from other funds	48,971	-
Restricted assets:		
Investments	<u>318,984</u>	<u>-</u>
 Total assets	 <u>\$ 3,319,245</u>	 <u>\$ 15,850</u>
 <u>LIABILITIES AND FUND BALANCES</u>		
Accounts payable	\$ 2,478,630	\$ -
Interest payable	-	-
Deferred income	-	-
Due to other funds	<u>266,865</u>	<u>-</u>
Total liabilities	2,745,495	-
 Fund balances, unreserved	 <u>573,750</u>	 <u>15,850</u>
 Total liabilities and fund balances	 <u>\$ 3,319,245</u>	 <u>\$ 15,850</u>

See accompanying notes to financial statements

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
\$ 204,337	\$ 5,559,413	\$ 5,985,696
-	1,917,297	4,369,875
-	-	292,325
-	115,224	115,515
-	923,059	923,059
27,351	-	27,351
-	713,271	762,242
-	-	318,984
<u>\$ 231,688</u>	<u>\$ 9,228,264</u>	<u>\$ 12,795,047</u>

\$ -	\$ 268,357	\$ 2,746,987
9,240	-	9,240
-	20,126	20,126
<u>8,000</u>	<u>-</u>	<u>274,865</u>
17,240	288,483	3,051,218
<u>214,448</u>	<u>8,939,781</u>	<u>9,743,829</u>
<u>\$ 231,688</u>	<u>\$ 9,228,264</u>	<u>\$ 12,795,047</u>

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CITY OF WESTLAKE, LOUISIANA

RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2009

Total fund balance - total governmental funds		<u>\$ 9,743,829</u>
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds balance sheet		18,287,891
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds		171,230
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet:		
Due within one year	\$ (250,000)	
Due in more than one year	<u>(1,405,000)</u>	<u>(1,655,000)</u>
Net assets of governmental activities		<u>\$ 26,547,950</u>

See accompanying notes to financial statements.

CITY OF WESTLAKE, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
Year Ended June 30, 2009

	<u>General</u>	<u>Special Revenue</u>
Revenues:		
Taxes and special assessments	\$ 1,420,520	\$ 12,738
Licenses and permits	291,471	-
Intergovernmental	782,273	-
Charges for services	398,188	-
Fines and forfeits	265,015	-
Investment income	29,034	826
Miscellaneous income	26,192	-
Bingo revenues	17,151	-
Grant proceeds	276,484	20,999
Donations	7,833	-
Post office lease	75,708	-
Distribution - gaming industry	-	-
Total revenues	<u>3,589,869</u>	<u>34,563</u>
Expenditures:		
Current:		
General government	756,853	12,809
Police	1,392,059	16,584
Fire	1,255,633	-
Streets	530,062	-
Sanitation	362,349	-
Cemeteries	12,476	-
Civil defense	8,171	-
Post office	6,414	-
Capital outlay	188,990	-
Debt service:		
Principal retirement	-	-
Administrative costs	1,676	-
Total expenditures	<u>4,514,683</u>	<u>29,393</u>
Excess (deficiency) of revenues over expenditures	(924,814)	5,170
Other financing sources (uses):		
Operating transfers in (out)	<u>4,852,350</u>	<u>(37,375)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	3,927,536	(32,205)
Fund balance at beginning of year	<u>(3,353,786)</u>	<u>48,055</u>
Fund balance at end of year	<u>\$ 573,750</u>	<u>\$ 15,850</u>

See accompanying notes to financial statements

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
\$ -	\$ 819,727	\$ 2,252,985
-	-	291,471
-	-	782,273
80	-	398,268
-	-	265,015
3,749	199,813	233,422
-	-	26,192
-	-	17,151
-	4,546,875	4,844,358
-	-	7,833
-	-	75,708
-	<u>1,999,973</u>	<u>1,999,973</u>
<u>3,829</u>	<u>7,566,388</u>	<u>11,194,649</u>
750	51,376	821,788
-	-	1,408,643
-	-	1,255,633
-	75	530,137
-	-	362,349
-	-	12,476
-	-	8,171
-	-	6,414
-	4,702,560	4,891,550
240,000	-	240,000
<u>57,789</u>	-	<u>59,465</u>
<u>298,539</u>	<u>4,754,011</u>	<u>9,596,626</u>
(294,710)	2,812,377	1,598,023
<u>286,346</u>	<u>(4,564,875)</u>	<u>536,446</u>
(8,364)	(1,752,498)	2,134,469
<u>222,812</u>	<u>10,692,279</u>	<u>7,609,360</u>
<u>\$ 214,448</u>	<u>\$ 8,939,781</u>	<u>\$ 9,743,829</u>

CITY OF WESTLAKE, LOUISIANA

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2009

Net change in fund balances - total governmental funds \$ 2,134,469

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

Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital assets recorded in the current period.

4,891,549

Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in governmental funds.

(438,900)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.

240,000

Some expenses reported in the statement of activities do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.

12,769

Change in net assets of governmental activities

\$ 6,839,887

See accompanying notes to financial statements

CITY OF WESTLAKE, LOUISIANA  
PROPRIETARY FUNDS

STATEMENT OF NET ASSETS  
Year Ended June 30, 2009

<u>ASSETS</u>	<u>Gas Utility</u>	<u>Water and Sewer</u>	<u>Golf Course and Real Estate Development</u>	<u>Total Proprietary Funds</u>
Cash and cash equivalents	\$ 159,462	\$ 119,872	\$ 792,491	\$ 1,071,825
Investments	195,271	791,772	-	987,043
Receivables (net, where applicable of allowance for uncollectibles):				
Accounts receivable	38,745	110,356	-	149,101
Inventories	19,275	18,836	-	38,111
Prepaid insurance	38,711	63,671	-	102,382
Prepaid contract	-	-	19,561	19,561
Restricted assets:				
Cash and cash equivalents	190,105	50,000	-	240,105
Investments	205,613	14,091	-	219,704
Due from other funds	-	2,000	-	2,000
Capital assets, net of depreciation	<u>1,249,235</u>	<u>13,254,459</u>	<u>19,166,134</u>	<u>33,669,828</u>
Total assets	<u>2,096,417</u>	<u>14,425,057</u>	<u>19,978,186</u>	<u>36,499,660</u>
<u>LIABILITIES</u>				
Accounts payable	-	4,581	109,455	114,036
Interest payable	-	17,842	28,750	46,592
Retainage payable	-	-	498,282	498,282
Security deposits payable	150,166	46,804	-	196,970
Due to other funds	441,062	48,315	-	489,377
Noncurrent liabilities:				
Due within one year	-	143,000	286,296	429,296
Due in more than one year	-	2,959,906	12,780,101	15,740,007
Total liabilities	<u>591,228</u>	<u>3,220,448</u>	<u>13,702,884</u>	<u>17,514,560</u>
<u>NET ASSETS</u>				
Investment in capital assets, net of related debt	1,249,235	10,151,553	6,099,737	17,500,525
Net assets, unrestricted	<u>255,954</u>	<u>1,053,056</u>	<u>175,565</u>	<u>1,484,575</u>
Total net assets	<u>\$ 1,505,189</u>	<u>\$ 11,204,609</u>	<u>\$ 6,275,302</u>	<u>\$ 18,985,100</u>

See accompanying notes to financial statements

CITY OF WESTLAKE, LOUISIANA  
PROPRIETARY FUNDS

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS  
Year Ended June 30, 2009

	Gas Utility	Water and Sewer	Golf Course and Real Estate Development	Total Proprietary Funds
<b>Operating revenues:</b>				
Charges for services	\$ 1,912,442	\$ 1,086,196	\$ -	\$ 2,998,638
Real estate sales	-	-	754,650	754,650
	<u>1,912,442</u>	<u>1,086,196</u>	<u>754,650</u>	<u>3,753,288</u>
<b>Operating expenses:</b>				
Personnel services	427,001	419,544	309,518	1,156,063
Contractual services	5,696	5,696	62,700	74,092
Supplies	62,208	119,296	368,028	549,532
Other services and charges	181,409	488,178	70,451	740,038
Heat, light and power	8,645	119,324	3,650	131,619
Natural gas for resale	1,089,383	-	-	1,089,383
Sewage usage expense	-	356,932	-	356,932
Lot sale costs	-	-	83,145	83,145
Bad debt expense	5,908	15,594	-	21,502
Depreciation and amortization	71,987	525,691	31,506	629,184
Total operating expenses	<u>1,852,237</u>	<u>2,050,255</u>	<u>928,998</u>	<u>4,831,490</u>
Operating income (loss)	<u>60,205</u>	<u>(964,059)</u>	<u>(174,348)</u>	<u>(1,078,202)</u>
<b>Nonoperating revenues (expenses):</b>				
Tax revenue	-	286,035	-	286,035
Tap fees	9,727	20,038	-	29,765
Investment income	25,729	50,681	394	76,804
Miscellaneous income	6,590	-	-	6,590
Grant proceeds	7,979	15,023	-	23,002
Interest expense	-	(108,652)	(219,655)	(328,307)
Total nonoperating revenues (expenses)	<u>50,025</u>	<u>263,125</u>	<u>(219,261)</u>	<u>93,889</u>
Income (loss) before contributions and transfers	<u>110,230</u>	<u>(700,934)</u>	<u>(393,609)</u>	<u>(984,313)</u>
<b>Capital contributions and transfers:</b>				
Operating transfers in (out)	<u>(118,239)</u>	<u>746,996</u>	<u>(1,165,203)</u>	<u>(536,446)</u>
Net income (loss)	<u>(8,009)</u>	<u>46,062</u>	<u>(1,558,812)</u>	<u>(1,520,759)</u>
<b>Net assets at beginning of year as Restated (see Note 18)</b>				
	<u>1,513,198</u>	<u>11,158,547</u>	<u>7,834,114</u>	<u>20,505,859</u>
Net assets at end of year	<u>\$ 1,505,189</u>	<u>\$ 11,204,609</u>	<u>\$ 6,275,302</u>	<u>\$ 18,985,100</u>

See accompanying notes to financial statements

CITY OF WESTLAKE, LOUISIANA  
PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS  
Year Ended June 30, 2009

	<u>Gas Utility</u>	<u>Water and Sewer</u>	<u>Golf Course and Real Estate Development</u>	<u>Total Proprietary Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 1,960,233	\$ 1,090,822	\$ 754,650	\$ 3,805,705
Cash payments to suppliers for goods and services	(1,347,360)	(1,076,101)	62,422	(2,361,039)
Cash payments to employees for services	(427,001)	(419,544)	(309,518)	(1,156,063)
Net cash provided by (used in) operating activities	<u>185,872</u>	<u>(404,823)</u>	<u>507,554</u>	<u>288,603</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Tax revenue	-	286,035	-	286,035
Tap fees	9,727	20,038	-	29,765
Miscellaneous income	14,569	15,023	-	29,592
Operating transfers in	(118,239)	746,996	(1,165,203)	(536,446)
Change in due to/from	204,952	56,848	-	261,800
Net cash provided by (used in) noncapital financing activities	<u>111,009</u>	<u>1,124,940</u>	<u>(1,165,203)</u>	<u>70,746</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of fixed assets	(156,888)	(482,960)	(5,779,449)	(6,419,297)
Bond proceeds	-	-	7,659,340	7,659,340
Principal retirement	-	(138,000)	(213,482)	(351,482)
Interest expense	-	(108,652)	(219,655)	(328,307)
Net cash (used in) capital and related financing activities	<u>(156,888)</u>	<u>(729,612)</u>	<u>1,446,754</u>	<u>560,254</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Change in investments (net)	<u>1,658</u>	<u>1,536</u>	<u>394</u>	<u>3,588</u>
Net increase (decrease) in cash and cash equivalents	141,651	(7,959)	789,499	923,191
Cash and cash equivalents:				
Beginning of year	<u>207,916</u>	<u>177,831</u>	<u>2,992</u>	<u>388,739</u>
End of year	<u>\$ 349,567</u>	<u>\$ 169,872</u>	<u>\$ 792,491</u>	<u>\$ 1,311,930</u>

(continued on next page)

CITY OF WESTLAKE, LOUISIANA  
 PROPRIETARY FUND - WATER UTILITY

STATEMENT OF CASH FLOWS  
 Year Ended June 30, 2009  
 (Continued)

	Gas Utility	Water and Sewer	Golf Course	Total Proprietary Funds
Cash and cash equivalents at end of year consisted of:				
Unrestricted cash	\$ 159,462	\$ 119,872	\$ 792,491	\$ 1,071,825
Restricted cash	190,105	50,000	-	240,105
	<u>\$ 349,567</u>	<u>\$ 169,872</u>	<u>\$ 792,491</u>	<u>\$ 1,311,930</u>
 RECONCILIATION OF OPERATING INCOME (LOS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 60,205	\$ (964,059)	\$ (174,348)	\$ (1,078,202)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	71,987	525,691	31,506	629,184
Basis reduction for lot sales	-	-	33,056	33,056
Changes in assets and liabilities:				
Decrease in accounts receivable and other receivables	53,699	20,220	-	73,919
(Increase) decrease in inventories	(5,604)	12,128	-	6,524
(Increase) decrease in prepaid expenses	2,593	805	(19,147)	(15,749)
Increase (decrease) in accounts payable and other payables	(2,112)	(639)	109,455	106,704
Increase in retainage payable	-	-	498,282	498,282
Increase in customer deposits	5,104	1,882	-	6,986
(Decrease) in interest payable	-	(851)	28,750	27,899
Net cash provided by (used in) operating activities	<u>\$ 185,872</u>	<u>\$ (404,823)</u>	<u>\$ 507,554</u>	<u>\$ 288,603</u>
 SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES				
Plant improvements and line extensions transferred from Capital Projects Fund	<u>\$ 82,761</u>	<u>\$ 352,230</u>	<u>\$ -</u>	<u>\$ 434,991</u>

See accompanying notes to financial statements

CITY OF WESTLAKE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

1) Summary of Significant Accounting Policies

The City of Westlake, Louisiana, was incorporated on December 1, 1945, under the provisions of the Lawrason Act. The City operates a Mayor-City Council form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, recreation, public improvements, and general administrative services.

The accounting and reporting policies of the City of Westlake conform to accounting principles generally accepted in the United States of America as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the *Louisiana Municipal Audit and Accounting Guide*, and to the industry audit guide, *Audits of State and Local Governmental Units*.

The Governmental Accounting Standards Board (GASB) Statement Number 20 (effective for financial statements for periods beginning after December 15, 1993) provides guidance on accounting and financial reporting for proprietary fund types and allows proprietary fund types to choose one of two options in applying pronouncements issued by the Financial Accounting Standards Board (FASB) after November 30, 1989. The City of Westlake has elected to use the first option for reporting its activities. This approach applies all GASB pronouncements and FASB Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Changes to FASB statements and interpretations, APB opinions and ARBs issued after November 30, 1989, would not apply unless adopted by GASB.

The following is a summary of certain significant accounting policies.

A. Financial Reporting Entity

The accompanying financial statements include the various departments, activities, and organizational units that are within the control and authority of the Mayor and Board of Aldermen of the City of Westlake, Louisiana. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Statement

No. 14 of the Governmental Accounting Standards Board. This statement defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

Based on the foregoing criteria, the City of Westlake has no other fiscal or significant managerial responsibility over any other governmental unit that is not included in the financial statements of the City of Westlake.

#### B. Change in Accounting Principles

The City of Westlake, Louisiana adopted the provisions of GASB Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (Statement 34) and GASB Statement 33, *Accounting and Financial Reporting for Nonexchange Transactions* (Statement 33) for the year ended June 30, 2004. Statement 34 establishes financial reporting standards for all state and local governments and related entities. Statement 34 primarily relates to presentation and disclosure requirements. This had an impact on capital assets, the presentation of net assets and the inclusion of management's discussion and analysis. Concurrent with the implementation of Statement 34, the following additional standards have been adopted. GASB Statement 37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus*. This Statement amends Statement 34 to either (1) clarify certain provisions or (2) modify other provisions that the GASB believes may have unintended consequences in some circumstances. GASB Statement 38, *Certain Financial Statement Note Disclosures*. This Statement modifies, establishes and rescinds certain financial statement disclosure requirements.

#### C. Basis of Presentation

##### GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the activities of the primary government. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses.

The Statement of Net Assets and the Statement of Activities report financial information for the City as a whole so that individual funds are not displayed. However, the Statement of Activities reports the expense of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may

include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and (2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

#### FUND FINANCIAL STATEMENTS

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into five generic fund types and two broad fund categories as follows:

#### GOVERNMENTAL FUNDS

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.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. Also included is the repayment of special assessment debt and the support provided through special assessment taxes.

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).

## PROPRIETARY FUNDS

Enterprise Funds - Enterprise Funds are 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 periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

### C. Measurement Focus and Basis of Accounting

Measurement focus refers to which transactions are recorded within various financial statements. Basis of accounting refers to when revenues and expenditures (or expenses) are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for government funds. The primary effect of internal activity (between or within funds) has been eliminated from the government-wide financial statements.

In the fund financial statements, governmental funds are accounted for using a financial resources measurement focus whereby only current assets and current liabilities generally are included on the balance sheet and increases or decreases in net current assets are presented in the operating statements. These funds utilize the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available to finance expenditures of the current period. Certain revenues such as sales tax, property tax, and charges for services are assessed and collected in such a manner that they can be accrued appropriately. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for principal and interest on general long-term debt which are recognized when due. Also, expenditures for accrued compensated absences are not recognized until they are payable from current available financial resources.

The proprietary funds, also in the fund financial statements, are accounted for and reported using a flow of economic resources measurement focus and the accrued basis of accounting. The economic resource measurement focus means that all assets and liabilities are included on the statement of net assets and operating statements present increases and decreases in net total assets. Under the accrual basis of accounting revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

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 of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### E. Budgets and Budgetary Accounting

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

1. Prior to June 15, the Accountant submits to the Mayor and City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at City Hall to obtain comments from the public.
3. Prior to June 30, the budget is legally enacted through passage of an ordinance.
4. Amendments to the budget are approved by the City Council by a formal adoption of an ordinance.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds. Formal budgetary integration is not employed for Debt Service Funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
6. 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 as amended by the City Council.
7. All budgetary appropriations lapse at the end of each fiscal year.

8. Budgetary amendments involving increases in expenditures resulting from revenues exceeding expenditures requires the approval of the City Council.
9. The budget and actual comparison presented in Exhibit C in the accompanying financial report includes the General Fund and Special Revenue Funds. The capital budget ordinances that encompass the Capital Projects Funds present cumulative as opposed to annual budget amounts and thus budget and actual comparisons are not reported in the accompanying financial report for these funds.
10. The City Charter provides that expenditures cannot legally exceed appropriations within any fund of the City.

F. Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits and certificates of deposit. The City considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents are stated at cost.

Louisiana State Statutes, as stipulated in R.S. 39:1271 authorize the City to invest in United States bonds, treasury notes, or certificates, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP), a nonprofit corporation formed by an initiative of the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool. These investments are stated at cost.

The City has stated all other investments, not included above, at fair value as of June 30, 2009, in accordance with GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Fair value was determined by obtaining "quoted" year end market prices.

G. Allowance for Uncollectibles

Uncollectible amounts due for ad valorem taxes, customers' utility receivables, and special assessments are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable. This method does not result in a charge to bad debts that are materially different from the amount that would be charged if the reserve method were used.

H. Inventory

Inventory is valued at the lower of cost (first-in, first-out) or market. General Fund inventories are accounted for under the consumption method where expenditures are recorded when the goods are used.

I. Interfund Activity

Interfund activity is reported as either loans, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

J. Prepaid Items

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year.

K. Restricted Assets

These assets consist of cash and investments restricted for various purposes as detailed in Note 5.

L. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant, and equipment.

Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. These assets have been valued at estimated historical cost.

Assets capitalized have an original cost of \$1,000 or more and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Production and distribution system	20-50 years
Buildings	20 years
Improvements other than buildings	20-50 years
Machinery and equipment	5-10 years
Data processing equipment	5-10 years
Infrastructure	5-40 years

M. Restricted Net Assets

The City records reserves to indicate that a portion of the fund balance or retained earnings is legally segregated for a specific future use.

N. Revenues - Exchange and Nonexchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within thirty-one days of fiscal year end.

Nonexchange transactions, in which the City receives value without directly giving value in return, includes grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must be available before it can be recognized.

Expenses/Expenditures:

On an accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. Nonoperating revenues and expenses include all those related to capital and related financing, noncapital financing, or investing activities.

O. Accumulated Unpaid Sick Pay

Accumulated unpaid sick pay was not considered material at June 30, 2009 and is not reflected in these financial statements.

2) Cash and Cash Equivalents

Deposits in excess of federally insured amounts are required by Louisiana state statute to be protected by collateral of equal market value. Authorized collateral includes general obligations of the U.S. Government, obligations issued or guaranteed by an agency established by the U.S. Government, general obligation bonds of any state of the U.S., or any Louisiana parish, municipality, or school district. The City's bank and demand and time deposits at year end were entirely covered by federal depository insurance or by pledge of securities owned by the financial institution in the City's name.

3) Investments

Louisiana state statutes authorize the City to invest in United States bonds, treasury notes, or certificates, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana, investment as stipulated in R.S. 39:1271, or any other federally insured investment, or in mutual or trust fund institutions, which are registered with the Securities and Exchange Commission under the Security Act of 1933 and the Investment Act of 1940, and which have underlying investments consisting solely of and limited to securities of the United States government or its agencies.

As of June 30, 2009, the City had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
Money funds	\$ 484,225	\$ 484,225	\$ -	\$ -	\$ -
LAMP	2,254,771	2,254,771	-	-	-
United States Treasury	5,055	-	-	-	5,055
Mortgage backed securities	3,151,555	77	511,397	322,032	2,318,049
Total	\$ 5,895,606	\$ 2,739,073	\$ 511,397	\$ 322,032	\$ 2,323,104

Interest rate risk. The City's investment policy does not address interest rate risk.

Credit risk. In accordance with state law, the City limits investments to the following:

1. Direct U.S. Treasury obligations, the principal and interest of which are fully guaranteed by the U.S. government.
2. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by federal agencies and provided such obligations are backed by the full faith and credit of the U.S., including (but not limited to) U.S. Export Import Bank, Farmers Home Administration, Federal Financing Bank, Federal Housing Administration Debentures, General Services Administration, Government National Mortgage Association (guaranteed mortgage-backed bonds and guaranteed pass-through obligations), U.S. Maritime Administration (guaranteed Title XI financing), and U.S. Department of Housing and Urban Development.
3. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by U.S. government instrumentalities, which are federally sponsored, including (but not limited to) Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Student Loan Marketing Association, and Resolution Funding Corporation.
4. Direct security repurchase agreements of any federal bank entry only securities enumerated above.
5. Time certificates of deposit of any bank domiciled or having a branch office in the state of Louisiana, savings accounts or shares of savings and loan associations and savings banks, or share accounts and share certificates accounts of federally or state chartered credit unions issuing time certificates of deposit; provided that the rate of interest paid for time certificates of deposit shall be not less than fifty basis points below the prevailing market interest rate on direct obligations of the U.S. Treasury with a similar length of maturity.
6. Mutual or trust fund institutions which are registered with the Securities and Exchange Commission under the Securities Act of 1933 and the Investment Act of 1940, and which have underlying investments consisting solely of and limited to securities of the U.S. government or its agencies.

As of June 30, 2009, all of the City's investments were held according to policy.

Custodial credit risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Investments held at June 30, 2009, consist of \$2,254,771 in the Louisiana Asset Management Pool, Inc. (LAMP), a local government investment pool (see Summary of Significant Accounting Policies). LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana, which was formed by an initiative of the State Treasurer in 1993. The corporation is governed by a board of directors comprising the State Treasurer, representatives from various organizations of local government, the Government Finance Officers Association of Louisiana, and the Society of Louisiana CPAs. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designated to be highly liquid to give its participants immediate access to their account balances.

The City had unrealized losses on certain investments at June 30, 2009 in the amount of \$101,524. The City plans to hold all investments until maturity.

4) Interfund Fund Transactions

Interfund receivables and payables were as follows at June 30, 2009:

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 48,971	\$ 266,865
Debt Service	-	8,000
Capital Projects	713,271	-
Enterprise Funds	<u>2,000</u>	<u>489,377</u>
	<u>\$ 764,242</u>	<u>\$ 764,242</u>

Operating transfers as of June 30, 2009 were as follows:

	Transfers In	Transfers Out
General fund	\$ 4,852,350	\$ -
Special revenue	-	37,375
Debt service	286,346	-
Capital projects	-	4,564,875
Gas utility	-	118,239
Water and sewer	746,996	-
Golf course	-	1,165,203
	<u>\$ 5,885,692</u>	<u>\$ 5,885,692</u>

5) Restricted Assets - Proprietary Fund Type

Restricted assets were applicable to the following at June 30, 2009:

Customer deposits \$ 196,970

6) Changes in Capital Assets

Capital asset activity for the year ended June 30, 2009, was as follows:

	Beginning of Year	Additions	Deletions	End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,251,691	\$ -	\$ -	\$ 2,251,691
Construction in progress	<u>3,723,121</u>	<u>-</u>	<u>3,548,126</u>	<u>174,995</u>
Total capital assets not being depreciated	<u>5,974,812</u>	<u>-</u>	<u>3,548,126</u>	<u>2,426,686</u>
Capital assets being depreciated:				
Buildings	3,532,851	1,000	-	3,533,851
Furniture and equipment	1,093,652	63,281	-	1,156,933
Vehicles	2,189,170	124,710	-	2,313,880
Infrastructure	<u>5,450,775</u>	<u>8,250,686</u>	<u>-</u>	<u>13,701,461</u>
Total capital assets being depreciated	<u>12,266,448</u>	<u>8,439,677</u>	<u>-</u>	<u>20,706,125</u>
Less accumulated depreciation for:				
Buildings	1,316,284	82,792	-	1,399,076
Furniture and equipment	750,417	71,335	-	821,752
Vehicles	1,039,367	131,314	-	1,170,681
Infrastructure	<u>1,299,952</u>	<u>153,459</u>	<u>-</u>	<u>1,453,411</u>
Total accumulated depreciation	<u>4,406,020</u>	<u>438,900</u>	<u>-</u>	<u>4,844,920</u>
Government activities capital assets, net	<u>\$13,835,240</u>	<u>\$ 8,000,777</u>	<u>\$3,548,126</u>	<u>\$18,287,891</u>

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 2,855,909	\$ -	\$ 33,053	\$ 2,822,856
Construction in progress	<u>12,778,330</u>	<u>5,941,558</u>	<u>371,790</u>	<u>18,348,098</u>
Total capital assets not being depreciated	<u>15,634,231</u>	<u>5,941,558</u>	<u>404,843</u>	<u>21,170,954</u>
Capital assets being depreciated:				
Production systems	21,251,465	452,844	-	21,704,309
Buildings	237,016	-	-	237,016
Machinery and equipment	1,231,291	373,751	1,600	1,603,442
Vehicles	<u>344,888</u>	<u>22,934</u>	<u>-</u>	<u>367,822</u>
Total capital assets being depreciated	<u>23,064,660</u>	<u>849,529</u>	<u>1,600</u>	<u>23,912,589</u>
Less accumulated depreciation for:				
Production systems	9,579,384	503,634	-	10,083,018
Buildings	95,286	8,806	-	104,092
Machinery and equipment	777,609	103,869	1,600	879,878
Vehicles	<u>333,852</u>	<u>12,875</u>	<u>-</u>	<u>346,727</u>
Total accumulated depreciation	<u>10,786,131</u>	<u>629,184</u>	<u>1,600</u>	<u>11,413,715</u>
Business-type activities capital assets, net	<u>\$27,912,768</u>	<u>\$ 6,161,903</u>	<u>\$ 404,843</u>	<u>\$33,659,828</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 98,851
Public safety:	
Police	71,539
Fire	86,096
Highway and streets	182,110
Civil defense	<u>304</u>
Total depreciation	<u>\$ 438,900</u>

7) Leases

Operating leases:

The City leases various golf course equipment and golf course buildings under operating leases expiring in various terms through the year ended June 30, 2013.

Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of 1 year as of June 30, 2009 for each of the next 5 years and in the aggregate are:

<u>Year Ended June 30,</u>	<u>Amount</u>
2010	\$ 121,218
2011	69,524
2012	42,928
2013	23,433
2014	-
Subsequent to 2014	-
	<u>\$ 257,103</u>

Total minimum lease payments do not include contingent rentals that may be paid under certain leases of golf course equipment, because of use in excess of specified amounts. Contingent rental payments for the year ended June 30, 2009 were \$-0-.

Capital leases:

The City has financing leases for equipment that qualify as capital leases. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the assets. The assets are amortized over the lower of their related lease terms or their estimated productive lives. Amortization of the assets under capital lease is included in depreciation expense for the year ended June 30, 2009.

The following is a summary of property held under capital lease at June 30, 2009:

Golf course equipment	\$ 244,279
Less accumulated amortization	<u>31,506</u>
	<u>\$ 212,773</u>

The following is a summary of long-term liability under capital lease at June 30, 2009:

Long-term lease payable to John Deere Credit net of prepaid interest at 6.95% of \$5,510, payable in monthly installments of \$1,256 each, due November 1, 2012. Lease is secured by equipment under the lease.	\$ 44,725
Long-term lease payable to John Deere Credit net of prepaid interest at 6.12% of \$5,178 payable in monthly installments of \$869 each, due September 1, 2013. Lease is secured by equipment under the lease.	38,254
Long-term lease payable to John Deere Credit net of prepaid interest at 10.25% of \$2,958 payable in monthly installments of \$414 each, due February 1, 2013. Lease is secured by equipment under the lease.	14,860
Long-term lease payable to John Deere Credit net of prepaid interest at 7.75% of \$12,094 payable in monthly installments of \$2,176 each, due February 1, 2013. Lease is secured by equipment under the lease.	81,454
Long-term lease payable to John Deere Credit net of prepaid interest at 7.75% of \$12,443 payable in monthly installments of \$2,238 each, due February 1, 2013. Lease is secured by equipment under the lease.	83,804
	<u>263,097</u>
Less current liability under capital lease	65,896
	<u>\$ 197,201</u>

The following is a schedule of the future minimum lease payments under the capital lease, together with the present value of the net minimum lease payments as of June 30, 2009:

<u>Year ending June 30,</u>	
2010	\$ 83,432
2011	83,432
2012	83,432
2013	49,248
2014	<u>1,737</u>
Total minimum lease payments	301,281
Less amount representing interest	<u>38,184</u>
Present value of net minimum lease payments of which \$38,184 is included in current liabilities	<u>\$ 263,097</u>

The City is responsible for payment of insurance, taxes, repairs and maintenance under these financing leases.

8) Long-Term Debt

Long-term debt is comprised of the following:

\$2,585,000 2004 general series bonds due in annual installments varying in amounts through November 1, 2014; interest at 3.35%	<u>\$ 1,655,000</u>
\$8,000,000 2008 series revenue bonds due in monthly installments varying in amounts through October 1, 2027; interest at variable rate (1.55% at 6/30/09)	<u>\$ 7,803,300</u>
\$3,739,906 2003 Series DEQ loan revenue bond due in semi-annual installments varying in amounts through November 1, 2024; interest at 3.45%	<u>\$ 3,102,906</u>
\$5,000,000 2009 excess revenue bond due in annual installments varying in amounts through May 1, 2019; interest at 3.45%	<u>\$ 5,000,000</u>

Debt service requirements on bonds at June 30, 2009 were as follows:

Governmental activities:

<u>Year Ended June 30,</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 250,000	\$ 51,255	\$ 363,400	\$ 396,858
2011	260,000	42,713	869,500	388,264
2012	270,000	33,835	898,200	362,591
2013	280,000	24,623	932,400	336,026
2014	295,000	14,991	972,400	308,530
2015-2019	300,000	5,025	5,490,700	1,090,442
2020-2024	-	-	3,201,100	457,505
2025-2029	-	-	2,923,506	134,202
2030-2034	-	-	255,000	988
	<u>\$ 1,655,000</u>	<u>\$ 172,442</u>	<u>\$15,906,206</u>	<u>\$ 3,475,406</u>

Long-term liability activity for the year ended June 30, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Governmental activities:</b>					
Certificates of indebtedness:					
Series 2004	\$ 1,895,000	\$ -	\$ 240,000	\$ 1,655,000	\$ 250,000
<b>Business-type activities:</b>					
Certificates of indebtedness:					
Series 2003	\$ 3,240,906	\$ -	\$ 138,000	\$ 3,102,906	\$ 143,000
Series 2007	5,620,539	2,362,261	179,500	7,803,300	220,400
Series 2009	-	5,000,000	-	5,000,000	-
Total bonds payable	8,861,445	7,362,261	317,500	15,906,206	363,400
Capital leases	-	297,079	33,982	263,097	65,896
	<u>\$ 8,861,445</u>	<u>\$ 7,659,340</u>	<u>\$ 351,482</u>	<u>\$16,169,303</u>	<u>\$ 429,296</u>

9) Capital Project Fund

The capital project fund is being used to account for the construction of improvements to the municipal waterworks system and various streets within the City. Financing for the improvements is being provided by the renewal of a one cent sales tax. The work will entail water line relocation and the replacement of shell and asphalt streets with concrete. Additional capital projects include acquisition and development of North Westlake and Olin properties that are partly funded by general obligation debt (original issue \$2,585,000; current outstanding \$1,655,000). The long-term debt will be repaid from gaming industry distributions.

10) Property Tax

Taxes are levied on June 1, billed on November 1, and payable by December 31. The Calcasieu Parish Sheriff's office collects the City's property taxes. City property tax revenues are recognized when billed to the extent that they result in current receivables. Unpaid taxes are delinquent by January 1st. Sale of delinquent properties is held once a year.

The total millage is 6.40 divided as follows:

	<u>Millage</u>	<u>Tax Collected</u>
General purpose tax	6.40	\$ 153,261

11) Delinquent Assessments

The City is contingently liable for amounts shown as delinquent assessment receivables. The total amount delinquent for the fiscal year ended June 30, 2009 was \$3,039.

12) Dedication of Proceeds and Flow of Funds - Sales and Use Taxes

Proceeds of a perpetual one percent sales and use tax that was first levied on July 1, 1990 by the City of Westlake are collectible by the Sales Tax Fund, are legally dedicated for municipal waterworks and street and road improvements, and are distributed to the Capital Projects Fund for the Water/Street Improvement Program.

Proceeds of a one percent sales and use tax, which was renewed on July 1, 2007, and is to run for ten years, are levied by the City of Westlake and collectible by the Sales Tax Fund, and distributed administratively for legally dedicated uses (without any required legal dedication of specified amounts to any particular use) as follows:

- A. An amount equal to .25 of one percent is transferred to the General Fund - Street Department.
- B. An amount equal to .05 of one percent is transferred to the General Fund - Police Department.
- C. An amount equal to .35 of one percent is distributed to the General Fund - Fire Department.
- D. An amount equal to .35 of one percent is distributed to the Water Works Enterprise Fund.

Proceeds of a one-half of one percent sales and use tax, which was renewed on October 1, 2007, and is to run for ten years, are levied by the City of Westlake and collectible by the Sales Tax Fund, are legally dedicated and distributed to the General Fund - Police Department for the operation and maintenance of the Westlake Police Department.

13) Pension Plan

Municipal Police Employees Retirement System

*Plan Description:*

The City of Westlake contributes to the Municipal Police Employees' Retirement System, a cost-sharing multiple employer plan administered by the Municipal and State Police Employees Retirement System of Louisiana. The Municipal Police Employees' Retirement System was established as of July 1, 1973, by Act 189 of 1973 and amended by RS 33:2371 of the 1986 session to become Municipal and State Police Retirement System of Louisiana. The System is a state retirement system that was created to provide retirement benefits for full time municipal police officers in Louisiana, and state police officers hired after January 1, 1987. The System is administered by a Board of Trustees of the Retirement Committee of the House of Representatives and the Chairman of the Senate Finance Committee, or their designees, to serve as voting ex-officio members of the Board. Historical trend information for this plan is included in the separately issued report for the Municipal Employees Retirement System for the period ended June 30, 2008.

*Funding Policy:*

Plan members are required to contribute 7.5% of their annual covered salary and the City of Westlake is required to contribute at a statutorily determined rate. The current rate is 9.5% of annual covered payroll. The contribution requirements of plan members and the City of Westlake are established and may be amended by the Board of Trustees. The City of Westlake's contributions to the Municipal Police Employees' Retirement System for the years ending June 30, 2009, 2008, and 2007 were \$64,818, \$91,647, and \$98,464, respectively, equal to the required contributions for each year.

Firefighters' Retirement System of the State of Louisiana

This system, which covers full-time fire department employees who are not members of other retirement systems, has the same contribution requirements and major benefits provisions as the Municipal Police Employees' Retirement System described above. Employees are required to contribute 8% of covered earnings, and the City is required to contribute an actuarially determined rate that is currently 12.5% of covered payroll.

The City of Westlake's contributions to the Firefighter's Retirement System for the years ended June 30, 2009, 2008 and 2007 were \$80,317, \$70,593 and \$73,681, respectively, which equal the required contributions for the years. The financial report for this system may be obtained from Firefighters' Retirement System, PO Box 94095, Capitol Station, Baton Rouge, LA 70804-9095.

## Municipal Employees Retirement System

### *Plan Description:*

The City of Westlake contributes to the Municipal Employees' Retirement System of Louisiana, a cost-sharing multiple-employer plan administered by the Municipal Employees Retirement System, State of Louisiana. The Municipal Employees' Retirement System of Louisiana was established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana to provide retirement benefits to employees of all incorporated villages, towns and cities within the State, which did not have their own retirement systems and which elected to become members of the System. The System is administered by a Board of Trustees composed of nine members, six of whom shall be active and contributing members of the System with at least ten years creditable service, elected by the members of the System; one of whom shall be the president of the Louisiana Municipal Association who shall serve as an ex-officio member during his tenure; one of whom shall be the Chairman of the Senate Retirement Committee; one of whom shall be the Chairman of the House Retirement Committee of the Legislature of Louisiana. Act #569 of the year 1968 established by the Legislature of the State of Louisiana provides an optional method for municipalities to cancel Social Security and come under supplementary benefits in the Municipal Employees' Retirement System, effective on and after June 30, 1970. Effective October 1, 1978, under Act #788, the "regular plan" and the "supplemental plan" were replaced, and are now known as Plan "A" and Plan "B". Plan "A" combines the original plan and the supplemental plan for those municipalities participating in both plans, while Plan "B" participates in only the original plan. The City of Westlake is a member of plan "A" of the retirement system. Historical trend information for this plan is included in the separately issued report for the Municipal Employees Retirement System for the period ended June 30, 2008.

### *Funding Policy:*

Plan members are required to contribute 9.25% of their annual covered salary and the City of Westlake is required to contribute at a statutorily determined rate. The current rate is 13.50% of annual covered payroll. The contribution requirements of plan members and the City of Westlake are established and may be amended by the Board of Trustees. The City of Westlake's contributions to the Municipal Employees' Retirement System of Louisiana for the years ending June 30, 2009, 2008, and 2007 were \$127,020, \$125,400, and \$139,122, respectively, equal to the required contributions for each year.

14) Litigation

Two suits have been filed in connection with the alleged expiration of a 1% sales tax seeking refund of sales taxes paid. According to legal counsel, the two suits have been consolidated for the purpose of trial. Attempts to resolve or settle this matter have been unsuccessful at this time and a trial date has not been established. The City is vigorously contesting the two suits. It is the opinion of legal counsel that the City of Westlake does have liability exposure, but it would only be to the extent of each of the claimants' request for refund and not pursuant to a class action.

An employment discrimination claim has been filed with the EEOC against the City. Mediation was held and the claim was not settled. The claimant filed suit alleging only State of Louisiana discrimination claims in the matter. The case was dismissed with prejudice. A motion for a new trial was filed and denied, however, the plaintiff appealed to the 3<sup>rd</sup> Circuit Court of Appeals which reversed the District Court decision. This matter is pending trial.

The City has various other threatened or pending lawsuits lodged against it. It is the opinion of legal counsel that all of the claims are adequately covered by the City's liability insurance.

15) Cooperative Agreement

During the fiscal year ended June 30, 1996, the City entered into a cooperative agreement with the Calcasieu Parish Police Jury, whereby the City will receive \$270,000 per year. This payment is to provide funding to the City to offset the effects of the location of a river boat casino at a site known as the Burton Shell Yard. This amount will be paid evenly over four quarters each year as long as the owner of the river boat pays such amount to the Police Jury.

This obligated annual payment will stop at any time the City begins the levying or collection of a head or similar tax from a river boat berthed in the City, unless the City agrees to contribute an amount to the Police Jury equal to the \$270,000 from any proceeds it receives from any river boat berthed in the City.

The City Council has restricted these funds for use in Capital Projects only and not for operations of the City.

16) Rental Agreement

The City of Westlake and the United States Postal Service entered into an agreement to rent a newly constructed postal facility site developed by the City of Westlake on May 15, 1999 and ending May 14, 2013 for a total of 15 years. The annual rent for the facility is set at \$75,708, payable in monthly installments of \$6,309. The lease may be renewed at the option of the U.S. Postal Service for 2 five year terms at an annual rental of \$75,708.

17) Contingency

The City of Westlake was denied payment of \$2,301,185 in debris removal by FEMA for cleanup efforts after Hurricane Rita. The City has appealed for reimbursement of the expenses. During the year ended June 30, 2008, the City received approximately \$156,566 in disputed reimbursements. As of the release of this report, it could not be determined how much, if any, of the outstanding expenses will be reimbursed. An accrual in the amount of \$2,256,332 remains on the books for prior expenses that have not been paid. No receivable has been recorded.

18) Professional Service Agreement

The City has a professional service agreement with a third party to operate and manage the golf facilities for a term of 5 years after the operations phase of the contract commences. The agreement can be renewed for an additional 5 year term. The services rendered under the contract relate to the development phase (effective date until course opens for play) and the operations phase (beginning after the course opens for play). Under the agreement, the third party is to receive a base management fee and an incentive management fee. During development phase the base management fee is \$7,500 per month. Effective in accounting year 2010, and each subsequent year, the base management fee shall increase by 3%. The incentive management fee for the first full year of operations and each year throughout the term is 20% of net operating income in excess of the net operating income budgeted.

19) Subsequent Events

In August of 2009, the City entered into an agreement to lease various golf course equipment under two leases. The lease terms are for 48 months each and provide for monthly rental of \$1,045 and \$632. The lease, with rentals of \$1,045, is an operating lease and the lease rental for \$632 is a capital lease.

On July 28, 2009, the City entered into an agreement to lease 72 golf carts. The lease term is for 48 months and provides for monthly rental of \$5,305. The lease is an operating lease.

On July 29, 2009, the City entered into three agreements to lease golf course equipment. The lease terms are for 60 months each and provide for monthly rentals of \$161, \$284 and \$126. All three leases are capital leases.

**REQUIRED SUPPLEMENTARY INFORMATION**

- **Budgetary comparisons**

CITY OF WESTLAKE, LOUISIANA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 GENERAL FUND  
 Year Ended June 30, 2009

	2009		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>Revenues:</b>				
Tax revenue	\$ 1,597,736	\$ 1,597,736	\$ 1,420,520	\$ (177,216)
Licenses and permits	230,000	230,000	291,471	61,471
Intergovernmental	757,975	757,975	782,273	24,298
Charges for services	400,466	400,466	398,188	(2,278)
Fines and forfeits	307,500	307,500	265,015	(42,485)
Investment income	35,000	35,000	29,034	(5,966)
Miscellaneous income	10,000	10,000	26,192	16,192
Bingo revenues	12,000	12,000	17,151	5,151
Grant proceeds	251,628	251,628	276,484	24,856
Donations	7,000	7,000	7,833	833
Post office lease	75,708	75,708	75,708	-
<b>Total revenues</b>	<u>3,685,013</u>	<u>3,685,013</u>	<u>3,589,869</u>	<u>(95,144)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	669,777	669,777	758,529	(88,752)
Police	1,339,146	1,339,146	1,392,059	(52,913)
Fire	1,295,292	1,295,292	1,255,633	39,659
Streets	1,200,871	1,200,871	530,062	670,809
Sanitation	362,360	362,360	362,349	11
Cemeteries	13,100	13,100	12,476	624
Civil defense	8,518	8,518	8,171	347
Post office	10,600	10,600	6,414	4,186
Capital outlay	<u>253,600</u>	<u>253,600</u>	<u>188,990</u>	<u>64,610</u>
<b>Total expenditures</b>	<u>5,153,264</u>	<u>5,153,264</u>	<u>4,514,683</u>	<u>638,581</u>
(Deficiency) of revenue over expenditures	(1,468,251)	(1,468,251)	(924,814)	543,437
<b>Other financing sources (uses):</b>				
Operating transfers in	<u>1,468,951</u>	<u>1,338,151</u>	<u>4,852,350</u>	<u>3,514,199</u>
Excess (deficiency) of revenues and other sources over expenditures	700	(130,100)	3,927,536	4,057,636
Fund balance at beginning of year	<u>(3,353,786)</u>	<u>(3,353,786)</u>	<u>(3,353,786)</u>	-
Fund balance at end of year	<u>\$ (3,353,086)</u>	<u>\$ (3,483,886)</u>	<u>\$ 573,750</u>	<u>\$ 4,057,636</u>

See accompanying notes to financial statements

CITY OF WESTLAKE, LOUISIANA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 SPECIAL REVENUE FUND  
 Year Ended June 30, 2009

	2009			Variance
	Original	Final	Actual	Favorable (Unfavorable)
<b>Revenues:</b>				
Tax revenue	\$ 12,000	\$ 12,000	\$ 12,738	\$ 738
Investment income	-	-	826	826
Grant proceeds	-	-	20,999	20,999
Total revenues	<u>12,000</u>	<u>12,000</u>	<u>34,563</u>	<u>22,563</u>
<b>Expenditures:</b>				
Current:				
General government	12,000	12,000	12,809	(809)
Police	-	-	16,584	(16,584)
Total expenditures	<u>12,000</u>	<u>12,000</u>	<u>29,393</u>	<u>(17,393)</u>
Excess of revenues over expenditures	-	-	5,170	5,170
<b>Other financing sources (uses):</b>				
Operating transfers out	-	-	(37,375)	(37,375)
Excess of revenues over expenditures and other uses	-	-	(32,205)	(32,205)
Fund balance at beginning of year	<u>48,055</u>	<u>48,055</u>	<u>48,055</u>	-
Fund balance at end of year	<u>\$ 48,055</u>	<u>\$ 48,055</u>	<u>\$ 15,850</u>	<u>\$ (32,205)</u>

See accompanying notes to financial statements

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**SUPPORTING SCHEDULE**

## CITY OF WESTLAKE, LOUISIANA

SCHEDULE OF COMPENSATION PAID TO MAYOR AND CITY COUNCIL MEMBERS  
Years Ended June 30, 2009 and 2008

<u>Name and Title</u>	<u>Compensation</u>	
	<u>2009</u>	<u>2008</u>
Daniel W. Cupit, Mayor	\$ 59,075	\$ 56,873
Mr. Wally Anderson, Councilman, Mayor Pro-Tem	6,535	6,535
Mr. Daniel Racca, Councilman	4,675	4,675
Mr. Robert Hardy, Councilman	4,675	4,520
Mr. John Cradure, Councilman	4,520	4,675
Ms. Lori Peterson, Councilman	4,675	4,675

## CITY OF WESTLAKE, LOUISIANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2009

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Grantor's Number</u>	<u>Expenditures</u>
Department of Transportation - Highway Planning and Construction	20.205		\$ 3,222,612
Department of Homeland Security - State Law Enforcement Terrorism Prevention Program - FY 2007	97.004		14,198
Homeland Security and Emergency Preparedness Public Assistance	97.036		<u>197,550</u>
			<u>\$ 3,434,360</u>

See accompanying notes to schedule of expenditures of federal awards.

CITY OF WESTLAKE, LOUISIANA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2009

Note A. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Westlake and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note B. Department of Environmental Quality Loan

The Department of Environmental Quality (DEQ) Loan is a loan program through which the State of Louisiana receives federal money to then loan to municipalities to improve water treatment. The City of Westlake is receiving money from the State under the loan program. The City of Westlake entered into the loan agreement on March 1, 2003 for an amount not to exceed \$3,750,000. The DEQ loan disburses funds to the City of Westlake after the expenditure is made. Interest of 3.45% per annum on the outstanding balance is paid semi-annually. Principal and interest payments will be made semi-annually. At June 30, 2009, the principal balance is \$3,102,906 as disclosed in Note 8.

**COMPLIANCE, INTERNAL CONTROL REPORTS**

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Gus W. Schram, III, CPA, CVA, Retired

CFE - Certified Fraud Examiner  
MT - Masters of Taxation  
CVA - Certified Valuation Analyst  
CFP - Certified Financial Planner

## REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS CONDUCTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Daniel W. Cupit, Mayor  
and City Council Members  
Westlake, Louisiana

We have audited the financial statements of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Westlake, Louisiana as of and for the year ended June 30, 2009, which comprise the City of Westlake, Louisiana's basic financial statements, and have issued our report thereon dated February 10, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Westlake's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Westlake's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Westlake's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Westlake's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Westlake's financial statements that is more than inconsequential will not be prevented or detected by the City of Westlake's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. Significant deficiencies are described in the accompanying schedule of questioned costs as items 09-1 through 09-7.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Westlake's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that items 09-1 through 09-7 described above are material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Westlake'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 tests disclosed no instances of noncompliance and other matters that are required to be reported under *Government Auditing Standards*.

The City of Westlake's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Westlake's response and, accordingly, we express no opinion on it.

This report is intended for the information of the City, management, and the Louisiana Legislative Auditor, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Ms Eloy Quirk & Busch*

Lake Charles, Louisiana  
February 10, 2010

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# McELROY, QUIRK & BURCH

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REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133

CFE - Certified Fraud Examiner  
MT - Masters of Taxation  
CVA - Certified Valuation Analyst  
CFP - Certified Financial Planner

Honorable Daniel W. Cupit, Mayor  
and City Council Members  
Westlake, Louisiana

## Compliance

We have audited the compliance of City of Westlake with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. City of Westlake's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Westlake's management. Our responsibility is to express an opinion on Westlake's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 the City of Westlake's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Westlake's compliance with those requirements.

In our opinion, the City of Westlake complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

#### Internal Control Over Compliance

The management of the City of Westlake is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Westlake's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 the City of Lake Charles, Louisiana's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, Legislative Auditor, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, under Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Ms Erroy Quirk & Busch*

Lake Charles, Louisiana  
February 10, 2010

CITY OF WESTLAKE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified  
 Internal control over financial reporting:  
     Material weakness identified?   X   Yes        No  
     Control deficiencies identified not considered  
     to be material weakness?        Yes   X   None reported  
 Noncompliance material to financial statements  
 noted?        Yes   X   No

Federal Awards

Internal control over major programs:  
     Material weakness identified?        Yes   X   No  
     Control deficiencies identified not considered  
     to be material weakness?        Yes   X   None reported  
 Type of auditor's report issued on compliance  
 for major programs: Unqualified  
 Any audit findings disclosed that are required  
 to be reported in accordance with Circular  
 A-133, Section .510(a)?        Yes   X   No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Department of Transportation-Highway Planning and Construction

Dollar threshold used to distinguish  
between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee?        Yes   X   No

(continued on next page)

CITY OF WESTLAKE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2009

(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

09-1 Segregation of Duties

Condition: Because of the entity's size and the limited number of accounting personnel, it is not feasible to maintain a complete segregation of duties to achieve effective internal control.

Criteria: Effective internal control requires adequate segregation of duties among client personnel.

Effect: Without proper segregation of duties, errors within the financial records or fraud could go undetected.

Recommendation: To the extent cost effective, duties should be segregated and management should attempt to mitigate this weakness by supervision and review procedures.

Response: The City agrees with the findings. We are constantly evaluating duties, testing and implementing changes to compensate for the lack of segregation of duties. Due to our limited number of personnel, full segregation is not possible. In our ongoing and annual updates to our policy and procedures manual this is a consideration for each change or potential change. Additional review steps are planned for the near future in several areas as determined feasible. Recent changes in personnel and the reassignment of duties to various employees are expected to lead to improvements in the area".

09-2 Controls over Financial Reporting

Condition: In our judgment, the Town's accounting personnel and those charged with governance, in the course of their assigned duties, lack the resources to prepare the financial statements and related footnotes in accordance with generally accepted accounting principles and to detect and correct a material misstatement, if present.

CITY OF WESTLAKE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009  
(Continued)

Criteria: The Auditing Standards Board recently issued guidance to auditors related to entity's internal controls over financial reporting. Many small organizations rely on their auditor to generate the annual financial statements including footnotes. SAS No. 112 emphasizes that the auditor cannot be part of your system of internal control over financial reporting.

Effect: Material misstatements in financial statements could go undetected.

Recommendation: In our judgment, due to the lack of resources available to management to correct this material weakness in financial reporting, we recommend management mitigate this weakness by having a heightened awareness of all transactions being reported.

Response: We concur with this recommendation. Management has implemented supervision and review procedures to the extent possible. The City has also engaged a CPA, who is not affiliated with the firm that conducts the City's annual audit, to assist with financial matters.

**09-3 Policy and Procedure Manual Update**

Condition: The policy and procedure manual is required by City policy to be updated on a periodic basis.

Criteria: Policies and procedures are modified on an on-going basis but the policy and procedure manual does not reflect the changes.

Effect: Because the policy and procedure manual is not being updated timely, noncompliance with City policy and procedures may occur.

Recommendation: Management should review the existing policy and procedure manual and modify those sections which have changed in the past several years.

CITY OF WESTLAKE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2009

(Continued)

Response: The City agrees with this finding. We are in the process of reviewing the policy and procedure manual to insure that all policies and procedures are current. Once the manual has been revised, a meeting will be held to discuss the updates and new copies of the manual will be distributed to all departments.

**09-4 Fixed Asset Identification Tags**

Condition: The City maintains a fixed asset register to account for all fixed assets purchased or donated to the City. All assets must be tagged with identification tags that are referenced by item and location. Our review indicated that not all fixed assets are being tagged.

Criteria: All assets must be accounted for and identified in order to safeguard City property.

Effect: Assets not properly identified and accounted for are subject to theft or possible abuse.

Recommendation: The City should perform a complete inventory of all fixed assets and determine which assets have not been properly tagged and accounted for.

Response: The City agrees with this finding. We will begin an inventory process to ensure that all assets are properly identified and accounted for. This process will begin immediately and should be completed by December 31, 2010.

**09-5 Golf Course Management Contract**

Condition: The City has executed a management agreement with a company to manage the newly constructed golf course in the City. Management needs to carefully review this contract to insure that it is in compliance with all applicable federal and state laws and regulations.

Criteria: Compliance with all federal and state laws is required.

CITY OF WESTLAKE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2009

(Continued)

**Effect:** Noncompliance with applicable federal and state laws can subject the City to various penalties and fines.

**Recommendation:** It is recommended that the City carefully review the management contract to insure that all applicable federal and state laws and regulations are being properly addressed.

**Response:** The City will carefully review the contract and consult with applicable legal authorities to insure that all federal and state guidelines are addressed.

**09-6 Financial Reporting from Golf Course Management Company**

**Condition:** The City's contract with the management company requires that monthly financial reporting be provided to the City on a timely basis. Our review indicated that financial reporting was not being timely provided to the City.

**Criteria:** Without timely financial reporting, the City is at risk of expending funds in possible violation of federal and state laws and regulations.

**Effect:** City management has a fiduciary responsibility to insure that public funds are properly spent and accounted for. Without timely financial reporting, errors or mistakes can occur and not be detected timely.

**Recommendation:** The City should request and carefully review all monthly reports from the management company on a timely basis.

**Response:** The City has already requested and, received all required monthly reports and is in the process of reviewing each one in detail. The City will inform the management company that all reports are to be filed with the City on a timely basis.

CITY OF WESTLAKE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009  
(Continued)

09-7 Cash Flow and Capital Outlay Needs

**Condition:** The golf course and subdivision funds are requiring a substantial amount of cash flow to fund the operations. Additionally, significant capital outlay needs are still being funded. Serious consideration needs to be devoted to an analysis of overall cash flow and capital outlay funding sources.

**Criteria:** Careful evaluation of cash flow and capital outlay disbursement needs to be addressed by management to insure the continued viability of these projects.

**Effect:** Without a careful long range plan to address funding of these operations, cash flow could eventually be insufficient to continue in the long term.

**Recommendation:** Management should prepare a long-term projection for cash flow needs for these projects, as well as all City operations in order to insure continued financial viability.

**Response:** Management is in the process of developing a strategic plan to consider all cash flow and capital outlay needs for the City. Capital projects will be constructed only when there is sufficient funding in place. Cash flow will be carefully monitored and is expected to improve significantly in the near future due to an increase in cash receipts anticipated from a new revenue source.

CITY OF WESTLAKE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009  
(Continued)

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings.

CITY OF WESTLAKE, LOUISIANA

SCHEDULE OF PRIOR YEAR MANAGEMENT COMMENTS AND SUGGESTIONS

June 30, 2009

**08-1 Segregation of Duties**

Condition: Because of the entity's size and the limited number of accounting personnel, it is not feasible to maintain a complete segregation of duties to achieve effective internal control.

Recommendation: To the extent cost effective, duties should be segregated and management should attempt to mitigate this weakness by supervision and review procedures.

Current status: See current year finding 09-1.

**08-2 Noncompliance with State Budget Law**

Condition: Actual expenditures in the General Fund exceeded budgeted expenditures by 17.8%.

Recommendation: The City should comply with Louisiana law regarding amending budgets.

Current status: Corrected in current year.

**08-3 Controls over Financial Reporting**

Condition: In our judgment, the Town's accounting personnel and those charged with governance, in the course of their assigned duties, lack the resources to prepare the financial statements and related footnotes in accordance with generally accepted accounting principles and to detect and correct a material misstatement, if present.

CITY OF WESTLAKE, LOUISIANA

SCHEDULE OF PRIOR YEAR MANAGEMENT COMMENTS AND SUGGESTIONS

June 30, 2009

(Continued)

Recommendation: In our judgment, due to the lack of resources available to management to correct this material weakness in financial reporting, we recommend management mitigate this weakness by having a heightened awareness of all transactions being reported.

Current status: See current year finding 09-2.