

CITY OF WESTLAKE, LOUISIANA
ANNUAL FINANCIAL REPORT
JUNE 30, 2014

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CITY OF WESTLAKE, LOUISIANA

ANNUAL FINANCIAL REPORT
Year Ended June 30, 2014

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CITY OF WESTLAKE, LOUISIANA

June 30, 2014

MAYOR

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

CITY COUNCIL

Mr. Wally Anderson
Mr. John Cradure
Mr. Robert Hardey

Mr. Daniel Racca
Ms. Lori Manuel

LEGAL COUNSEL

Mr. John Van Norman - City Attorney

CITY CLERK

Mrs. Andrea Mahfouz

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INDEPENDENT AUDITOR'S REPORT

Mayor and City Council Members
City of Westlake, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the City of Westlake, Louisiana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Westlake, Louisiana, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 21 to the financial statements, the City experienced a significant decline in financial condition during the year ended June 30, 2014 and formulated a corrective plan. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted

in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Westlake, Louisiana's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The Schedule of Number of Water Customers, Schedule of Water Rates, Schedule of Services Billed, Schedule of Compensation Paid to Mayor and Council Members, Schedule of Insurance Policies in Force, Schedule of Expenditures of Federal Awards, and Notes to Schedules of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2015, on our consideration of the City of Westlake, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Westlake, Louisiana's internal control over financial reporting and compliance.

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

Ms Eloy Quirk & Beach

Lake Charles, Louisiana
January 30, 2015

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CITY OF WESTLAKE, LOUISIANA

STATEMENT OF NET POSITION

June 30, 2014

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 317,260	\$ 64,104	\$ 381,364
Investments	1,552,924	948,011	2,500,935
Receivables (net, where applicable, of allowance for uncollectibles):			
Accounts	142,896	237,946	380,842
Taxes	26,727	-	26,727
Special assessments	25,935	-	25,935
Inventories	-	66,857	66,857
Prepaid insurance	168,138	99,066	267,204
Restricted assets:			
Cash and cash equivalents	-	87,483	87,483
Investments	-	269,505	269,505
Capital assets:			
Land, improvements and construction in progress	2,381,725	12,980,663	15,362,388
Other capital assets, net of depreciation	16,072,810	19,729,892	35,802,702
Total assets	<u>20,688,415</u>	<u>34,483,527</u>	<u>55,171,942</u>
<u>LIABILITIES</u>			
Accounts payable	249,702	323,940	573,642
Accrued payables	-	52,646	52,646
Accrued sick	268,226	111,181	379,407
Accrued vacation	91,784	29,296	121,080
Accrued compensation	47,212	26,153	73,365
Interest payable	1,675	92,818	94,493
Payable from restricted assets:			
Customer deposits	-	226,388	226,388
Unearned revenue	18,593	-	18,593
Capital lease payable:			
Due within one year	33,796	20,683	54,479
Due in more than one year	5,757	3,316	9,073
Noncurrent liabilities:			
Due within one year	300,000	1,293,000	1,593,000
Due in more than one year	-	11,630,000	11,630,000
Total liabilities	<u>1,016,745</u>	<u>13,809,421</u>	<u>14,826,166</u>
<u>NET POSITION</u>			
Net investment in capital assets	18,114,982	19,763,556	37,878,538
Restricted for:			
Capital projects	830,879	-	830,879
Debt service	55,337	-	55,337
Unrestricted	670,472	910,550	1,581,022
Total net position	<u>\$ 19,671,670</u>	<u>\$ 20,674,106</u>	<u>\$ 40,345,776</u>

See accompanying notes to financial statements

CITY OF WESTLAKE, LOUISIANA

STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Government activities:				
General government	\$ 1,118,628	\$ 231,821	\$ -	\$ -
Public safety:				
Police	1,757,107	222,071	19,162	-
Fire	1,760,888	-	810,417	-
Highway and streets	1,082,625	41,703	-	2,769
Sanitation	336,438	402,281	-	-
Cemeteries	16,914	-	6,638	-
Post office	10,312	75,708	-	-
City court	127,826	-	-	-
Total governmental activities	<u>6,210,738</u>	<u>973,584</u>	<u>836,217</u>	<u>2,769</u>
Business-type activities:				
Gas utility	1,884,620	1,930,587	-	-
Water utility	1,802,670	752,739	-	-
Sewer and sanitation	994,107	766,338	-	-
Golf course	2,526,097	1,025,958	-	-
Real estate development	1,653	42,576	-	-
Total business-type activities	<u>7,209,147</u>	<u>4,518,198</u>	<u>-</u>	<u>-</u>
Total government	<u>\$ 13,419,885</u>	<u>\$ 5,491,782</u>	<u>\$ 836,217</u>	<u>\$ 2,769</u>

General revenues:
 Tax revenue
 Investment income
 Miscellaneous income
 Distribution - gaming industry
 Transfers
 Total general revenues
 and transfers

Change in net position

Net position at beginning of year as restated

Net position at end of year

See accompanying notes to financial statements

Net (Expenses) Revenue and
Changes in Net Position

Governmental Activities	Business Type Activities	Total
\$ (886,807)	\$ -	\$ (886,807)
(1,515,874)	-	(1,515,874)
(950,471)	-	(950,471)
(1,038,153)	-	(1,038,153)
65,843	-	65,843
(10,276)	-	(10,276)
65,396	-	65,396
<u>(127,826)</u>	<u>-</u>	<u>(127,826)</u>
<u>(4,398,168)</u>	<u>-</u>	<u>(4,398,168)</u>
-	45,967	45,967
-	(1,049,931)	(1,049,931)
-	(227,769)	(227,769)
-	(1,500,139)	(1,500,139)
-	<u>40,923</u>	<u>40,923</u>
<u>-</u>	<u>(2,690,949)</u>	<u>(2,690,949)</u>
<u>(4,398,168)</u>	<u>(2,690,949)</u>	<u>(7,089,117)</u>
2,453,491	321,925	2,775,416
44,545	124,162	168,707
65,818	53,337	119,155
957,319	-	957,319
<u>(3,689,627)</u>	<u>3,689,627</u>	<u>-</u>
<u>(168,454)</u>	<u>4,189,051</u>	<u>4,020,597</u>
(4,566,622)	1,498,102	(3,068,520)
<u>24,238,292</u>	<u>19,176,004</u>	<u>43,414,296</u>
<u>\$ 19,671,670</u>	<u>\$ 20,674,106</u>	<u>\$ 40,345,776</u>

CITY OF WESTLAKE, LOUISIANA

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2014

<u>ASSETS</u>	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$ 242,447	\$ 31,077	\$ 43,736	\$ 317,260
Investments	768,089	-	784,835	1,552,924
Receivables (net, where applicable, of allowance for uncollectibles):				
Accounts receivable	142,896	-	-	142,896
Taxes receivable	-	-	26,727	26,727
Special assessments receivable	-	25,935	-	25,935
Prepaid expenses	1,451	-	-	1,451
 Total assets	 <u>\$ 1,154,883</u>	 <u>\$ 57,012</u>	 <u>\$ 855,298</u>	 <u>\$ 2,067,193</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
Accounts payable	\$ 243,876	\$ -	\$ 5,826	\$ 249,702
Interest payable	-	1,675	-	1,675
Unearned revenue	-	-	18,593	18,593
Total liabilities	<u>243,876</u>	<u>1,675</u>	<u>24,419</u>	<u>269,970</u>
Fund balances, unreserved:				
Restricted for:				
Debt service	-	55,337	-	55,337
Capital projects	-	-	830,879	830,879
Unassigned	911,007	-	-	911,007
Total fund balance	<u>911,007</u>	<u>55,337</u>	<u>830,879</u>	<u>1,797,223</u>
 Total liabilities and fund balances	 <u>\$ 1,154,883</u>	 <u>\$ 57,012</u>	 <u>\$ 855,298</u>	 <u>\$ 2,067,193</u>

See accompanying notes to financial statements

CITY OF WESTLAKE, LOUISIANA

RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2014

Total fund balance - total governmental funds		<u>\$ 1,797,223</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		18,454,535
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds		166,687
Capital lease liabilities are not due and payable in current period and, therefore, they are not reported in the governmental funds balance sheet:		
Due within one year	\$ (33,796)	
Due in more than one year	<u>(5,757)</u>	(39,553)
Accrued payroll liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet		(407,222)
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	\$ (300,000)	
Due in more than one year	<u>-</u>	<u>(300,000)</u>
Net assets of governmental activities		<u>\$ 19,671,670</u>

See accompanying notes to financial statements.

CITY OF WESTLAKE, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2014

	General	Debt Service	Capital Projects	Total Governmental Funds
Revenues:				
Taxes and special assessments	\$ 1,533,706	\$ -	\$ 918,528	\$ 2,452,234
Licenses and permits	266,165	-	-	266,165
Intergovernmental	810,117	-	-	810,117
Charges for services	410,279	-	-	410,279
Fines and forfeits	220,120	-	-	220,120
Investment income	45,566	20	(1,041)	44,545
Miscellaneous income	65,856	-	-	65,856
Bingo revenues	1,312	-	-	1,312
Grant proceeds	21,931	-	-	21,931
Donations	6,938	-	-	6,938
Post office lease	75,708	-	-	75,708
Distribution - gaming industry	-	-	957,319	957,319
Total revenues	<u>3,457,698</u>	<u>20</u>	<u>1,874,806</u>	<u>5,332,524</u>
Expenditures:				
Current:				
General government	974,875	-	647	975,522
Police	1,681,969	-	-	1,681,969
Fire	1,598,205	-	-	1,598,205
Streets	655,712	-	72	655,784
Sanitation	337,320	-	-	337,320
Cemeteries	17,112	-	-	17,112
Civil defense	14,088	-	-	14,088
Post office	8,236	-	-	8,236
City court	127,826	-	-	127,826
Capital outlay	97,596	-	-	97,596
Debt service:				
Principal retirement	25,104	295,000	-	320,104
Interest payments	2,178	13,344	-	15,522
Total expenditures	<u>5,540,221</u>	<u>308,344</u>	<u>719</u>	<u>5,849,284</u>
Excess (deficiency) of revenues over expenditures	(2,082,523)	(308,324)	1,874,087	(516,760)
Other financing sources (uses):				
Operating transfers in (out)	<u>4,355,980</u>	<u>317,991</u>	<u>(8,363,598)</u>	<u>(3,689,627)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	2,273,457	9,667	(6,489,511)	(4,206,387)
Fund balance at beginning of year	<u>(1,362,450)</u>	<u>45,670</u>	<u>7,320,390</u>	<u>6,003,610</u>
Fund balance at end of year	<u>\$ 911,007</u>	<u>\$ 55,337</u>	<u>\$ 830,879</u>	<u>\$ 1,797,223</u>

See accompanying notes to financial statements

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, 2014

Net change in fund balances - total governmental funds \$(4,206,387)

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.

97,596

Donated assets are reported as revenue:

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.

(735,835)

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, net
 of proceeds:

Long-term debt principal payments	\$ 295,000	
Capital lease payments	<u>25,104</u>	320,104

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.

(42,100)

Change in net assets of governmental activities \$(4,566,622)

See accompanying notes to financial statements

CITY OF WESTLAKE, LOUISIANA
PROPRIETARY FUNDS

STATEMENT OF NET POSITION
Year Ended June 30, 2014

<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	\$ -	\$ -	\$ 64,104	\$ 64,104
Investments	198,656	749,355	-	948,011
Receivables (net, where applicable of allowance for uncollectibles):				
Accounts receivable	88,310	146,361	3,275	237,946
Inventories	11,408	23,264	32,184	66,856
Prepaid insurance	34,368	59,389	5,309	99,066
Restricted assets:				
Cash and cash equivalents	35,735	51,748	-	87,483
Investments	252,119	17,386	-	269,505
Land, improvements and construction in progress	353,427	331,792	12,295,444	12,980,663
Capital assets, net of depreciation	<u>1,677,386</u>	<u>13,463,599</u>	<u>4,588,907</u>	<u>19,729,892</u>
Total assets	<u>2,651,409</u>	<u>14,842,894</u>	<u>16,989,223</u>	<u>34,483,526</u>
 <u>LIABILITIES</u>				
Accounts payable	14,631	86,230	223,078	323,939
Accrued payables	-	-	52,646	52,646
Accrued sick	51,987	59,194	-	111,181
Accrued vacation	14,437	14,860	-	29,297
Accrued compensation	8,676	17,476	-	26,152
Interest payable	1,875	7,366	83,577	92,818
Security deposits payable	168,526	57,862	-	226,388
Capital lease payable:				
Due within one year	10,488	8,980	1,215	20,683
Due in more than one year	1,786	1,530	-	3,316
Noncurrent liabilities:				
Due within one year	50,000	238,000	1,005,000	1,293,000
Due in more than one year	<u>200,000</u>	<u>3,310,000</u>	<u>8,120,000</u>	<u>11,630,000</u>
Total liabilities	<u>522,406</u>	<u>3,801,498</u>	<u>9,485,516</u>	<u>13,809,420</u>
 <u>NET POSITION</u>				
Net investment in capital assets	1,768,539	10,236,881	7,758,136	19,763,556
Net position, unrestricted	<u>360,464</u>	<u>804,515</u>	<u>(254,429)</u>	<u>910,550</u>
Total net position	<u>\$ 2,129,003</u>	<u>\$ 11,041,396</u>	<u>\$ 7,503,707</u>	<u>\$ 20,674,106</u>

See accompanying notes to financial statements

CITY OF WESTLAKE, LOUISIANA
PROPRIETARY FUNDS

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
Year Ended June 30, 2014

	Gas Utility	Water and Sewer	Golf Course and Real Estate Development	Total Proprietary Funds
Operating revenues:				
Charges for utility services	\$ 1,930,586	\$ 1,497,135	\$ -	\$ 3,427,721
Charges for golf course	-	-	1,025,958	1,025,958
Tap fees	-	21,942	-	21,942
Real estate sales	-	-	42,576	42,576
	<u>1,930,586</u>	<u>1,519,077</u>	<u>1,068,534</u>	<u>4,518,197</u>
Operating expenses:				
Personnel services	649,064	568,553	528,333	1,745,950
Contractual services	4,992	4,992	98,352	108,336
Supplies	70,190	175,311	648,284	893,785
Other services and charges	183,818	630,064	249,336	1,063,218
Heat, light and power	8,645	108,445	41,886	158,976
Natural gas for resale	865,373	-	-	865,373
Sewage usage expense	-	621,928	-	621,928
Lot sale costs	-	-	1,653	1,653
Bad debt expense	3,200	1,600	-	4,800
Depreciation and amortization	99,339	574,526	562,010	1,235,875
Total operating expenses	<u>1,884,621</u>	<u>2,685,419</u>	<u>2,129,854</u>	<u>6,699,894</u>
Operating income (loss)	<u>45,965</u>	<u>(1,166,342)</u>	<u>(1,061,320)</u>	<u>(2,181,697)</u>
Nonoperating revenues (expenses):				
Tax revenue	-	321,925	-	321,925
Investment income	72,604	51,557	-	124,161
Miscellaneous income	4,360	-	48,980	53,340
Grant expenditure	-	(12,291)	-	(12,291)
Interest expense	-	(97,282)	(397,895)	(495,177)
Miscellaneous expense	-	(1,785)	-	(1,785)
Total nonoperating revenues (expenses)	<u>76,964</u>	<u>262,124</u>	<u>(348,915)</u>	<u>(9,827)</u>
Income (loss) before contributions and transfers	122,929	(904,218)	(1,410,235)	(2,191,524)
Capital contributions and transfers:				
Operating transfers in (out)	<u>482,159</u>	<u>1,934,808</u>	<u>1,272,659</u>	<u>3,689,626</u>
Net income	605,088	1,030,590	(137,576)	1,498,102
Net position at beginning of year, as Restated	<u>1,523,915</u>	<u>10,010,806</u>	<u>7,641,283</u>	<u>19,176,004</u>
Net position at end of year	<u>\$ 2,129,003</u>	<u>\$ 11,041,396</u>	<u>\$ 7,503,707</u>	<u>\$ 20,674,106</u>

See accompanying notes to financial statements

CITY OF WESTLAKE, LOUISIANA
PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS
Year Ended June 30, 2014

	<u>Gas Utility</u>	<u>Water and Sewer</u>	<u>Golf Course and Real Estate Development</u>	<u>Total Proprietary Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 1,902,819	\$ 1,475,057	\$ 1,065,259	\$ 4,443,135
Cash payments to suppliers for goods and services	(1,134,201)	(1,444,073)	(881,318)	(3,459,592)
Cash payments for tap fees	-	21,942	-	21,942
Cash payments to employees for services	(649,064)	(568,553)	(528,333)	(1,745,950)
Net cash provided by (used in) operating activities	<u>119,554</u>	<u>(515,627)</u>	<u>(344,392)</u>	<u>(740,465)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Tax revenue	-	321,925	-	321,925
Miscellaneous income	4,360	(14,076)	48,980	39,264
Operating transfers in	482,159	1,934,808	1,272,659	3,689,626
Change in due to/from	(567,380)	(1,537,900)	146,966	(1,958,314)
Net cash provided by (used in) noncapital financing activities	<u>(80,861)</u>	<u>704,757</u>	<u>1,468,605</u>	<u>2,092,501</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of fixed assets	(498,413)	(58,389)	(71,331)	(628,133)
Retirement of fixed assets	-	-	1,653	1,653
Capital lease	(17,574)	(15,069)	(7,710)	(40,353)
Proceeds from long-term debt	250,000	-	-	250,000
Principal retirement	-	(231,000)	(965,000)	(1,196,000)
Interest expense	-	(97,282)	(397,895)	(495,177)
Net cash (used in) capital and related financing activities	<u>(265,987)</u>	<u>(401,740)</u>	<u>(1,440,283)</u>	<u>(2,108,010)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Change in investments (net)	<u>21,802</u>	<u>171,740</u>	<u>-</u>	<u>193,542</u>
Net (decrease) in cash and cash equivalents	(205,492)	(40,870)	(316,070)	(562,432)
Cash and cash equivalents:				
Beginning of year	<u>241,227</u>	<u>92,618</u>	<u>380,174</u>	<u>714,019</u>
End of year	<u>\$ 35,735</u>	<u>\$ 51,748</u>	<u>\$ 64,104</u>	<u>\$ 151,587</u>

(continued on next page)

CITY OF WESTLAKE, LOUISIANA
 PROPRIETARY FUND - WATER UTILITY

STATEMENT OF CASH FLOWS
 Year Ended June 30, 2014
 (Continued)

	Gas Utility	Water and Sewer	Golf Course	Total Proprietary Funds
Cash and cash equivalents at end of year consisted of:				
Unrestricted cash	\$ -	\$ -	\$ 64,104	\$ 64,104
Restricted cash	<u>35,735</u>	<u>51,748</u>	<u>-</u>	<u>87,483</u>
	<u>\$ 35,735</u>	<u>\$ 51,748</u>	<u>\$ 64,104</u>	<u>\$ 151,587</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 45,965	\$(1,166,342)	\$(1,061,320)	\$(2,181,697)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	99,339	574,526	562,010	1,235,875
Changes in assets and liabilities:				
(Increase) in accounts receivable and other receivables	(24,567)	(20,478)	(3,275)	(48,320)
(Increase) in inventories	-	-	(14,716)	(14,716)
(Increase) decrease in prepaid expenses	(16,293)	(6,601)	25,929	3,035
Increase in accounts payable and other payables	14,549	80,726	154,700	249,975
Increase in customer deposits	1,797	4,186	-	5,983
Increase (decrease) in accrued sick	(3,207)	15,599	-	12,392
Increase (decrease) in accrued vacation	1,238	(84)	-	1,154
Increase (decrease) in accrued compensation	(1,142)	3,418	-	2,276
Increase (decrease) in interest payable	<u>1,875</u>	<u>(577)</u>	<u>(7,720)</u>	<u>(6,422)</u>
Net cash provided by (used in) operating activities	<u>\$ 119,554</u>	<u>\$ (515,627)</u>	<u>\$ (344,392)</u>	<u>\$ (740,465)</u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES				
Golf course improvements transferred from Capital Projects Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,331</u>	<u>\$ 24,331</u>

See accompanying notes to financial statements

CITY OF WESTLAKE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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 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. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the primary government.

The Statement of Net Position 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 four 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.

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 position and operating statements present increases and decreases in net total position. 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.

D. 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 on page 48 in the accompanying financial report includes the General Fund. 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.

E. 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, 2014, 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.

F. Allowance for Uncollectibles

Uncollectible amounts due from customers' utility receivables are recognized as bad debts through the establishment of an allowance account at the time the information becomes available, which would indicate the uncollectability of the particular receivable

G. 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.

H. 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.

I. Prepaid Items

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

J. Restricted Assets

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

K. 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

L. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

Fund Balances - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net position:

Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Constraints may be placed on the use, either by (1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in either of the other two categories of net position.

Program Revenues - Program revenues include amounts for administering expedited support payments as well as the various operational and capital grants. Management's policy is to allocate indirect expenses to the programs in the statement of activities based on the relative amount of time spent administering each program. Indirect expenses associated with administration of the grant programs in 2014 were negligible and not allocated.

M. 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.

N. New Accounting Pronouncements

During the fiscal year ended December 31, 2012, the Fund adopted GASB 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, which provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes the following elements: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. In April 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 65, Items Previously Reported as Assets and Liabilities. The statement clarifies the appropriate reporting of deferred outflows or resources or deferred inflows of resources to ensure consistency in financial reporting. The provisions of GASB Nos. 65 were implemented by the City for the year ended June 30, 2013.

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 of \$680,500 (bank balance) 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, 2014, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
Money funds and CD's	\$ 509,481	\$ 509,481	\$ -	\$ -	\$ -
LAMP	108,536	108,536	-	-	-
United States Treasury	220,906	-	-	-	220,906
Mortgage backed securities	<u>1,931,517</u>	<u>216</u>	<u>22,892</u>	<u>222,099</u>	<u>1,686,310</u>
Total	<u>\$ 2,770,440</u>	<u>\$ 618,233</u>	<u>\$ 22,892</u>	<u>\$ 222,099</u>	<u>\$ 1,907,216</u>

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, 2014, 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, 2014, consist of \$108,536 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 gains on certain investments at June 30, 2014 in the amount of \$98,760. The City plans to hold all investments until maturity.

4) Interfund Fund Transactions

Operating transfers as of June 30, 2014 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 4,877,182	\$ 521,202
Debt service	317,991	-
Capital projects	305,291	8,668,889
Gas utility	1,392,894	910,734
Water and sewer	2,361,947	427,139
Golf course	<u>1,886,613</u>	<u>613,954</u>
	<u>\$ 11,141,918</u>	<u>\$ 11,141,918</u>

5) Restricted Assets - Proprietary Fund Type

Restricted assets were applicable to the following at June 30, 2014:

Customer deposits	<u>\$ 87,483</u>
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6) Changes in Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,251,691	\$ -	\$ -	\$ 2,251,691
Construction in progress	<u>36,993</u>	<u>93,041</u>	-	<u>130,034</u>
Total capital assets not being depreciated	<u>2,288,684</u>	<u>93,041</u>	-	<u>2,381,725</u>
Capital assets being depreciated:				
Buildings	3,877,869	-	-	3,877,869
Furniture and equipment	1,755,977	4,554	-	1,760,531
Vehicles	2,478,890	-	-	2,478,890
Infrastructure	<u>16,148,689</u>	-	-	<u>16,148,689</u>
Total capital assets being depreciated	<u>24,261,425</u>	<u>4,554</u>	-	<u>24,265,979</u>

(continued on next page)

	Beginning of Year	Additions	Deletions	End of Year
Less accumulated depreciation for:				
Buildings	1,752,190	96,808	-	1,848,998
Furniture and equipment	1,214,964	131,892	-	1,346,856
Vehicles	1,493,079	103,418	-	1,596,497
Infrastructure	2,997,101	403,717	-	3,400,818
Total accumulated depreciation	<u>7,457,334</u>	<u>735,835</u>	<u>-</u>	<u>8,193,169</u>
Government activities capital assets, net	<u>\$19,092,775</u>	<u>\$ (638,240)</u>	<u>\$ -</u>	<u>\$18,454,535</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$12,525,073	\$ -	\$ 1,653	\$12,523,420
Construction in progress	85,124	372,119	-	457,243
Total capital assets not being depreciated	<u>12,610,197</u>	<u>372,119</u>	<u>1,653</u>	<u>12,980,663</u>
Capital assets being depreciated:				
Production systems	31,666,643	62,500	-	31,729,143
Buildings	1,429,567	59,485	-	1,489,052
Machinery and equipment	3,474,153	45,500	-	3,519,653
Vehicles	465,351	88,529	-	553,880
Bond costs	174,389	-	174,389	-
Total capital assets being depreciated	<u>37,210,103</u>	<u>256,014</u>	<u>174,389</u>	<u>37,291,728</u>
Less accumulated depreciation for:				
Production systems	13,348,633	756,337	-	14,104,989
Buildings	531,543	167,167	-	698,710
Machinery and equipment	2,053,962	283,993	-	2,337,955
Vehicles	391,824	28,358	-	420,182
Bond costs	34,878	-	34,878	-
Total accumulated depreciation	<u>16,360,840</u>	<u>1,235,855</u>	<u>34,878</u>	<u>17,561,836</u>
Business-type activities capital assets, net	<u>\$33,459,460</u>	<u>\$ (607,722)</u>	<u>\$ 141,164</u>	<u>\$32,710,555</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 96,757
Public safety:	
Police	57,257
Fire	136,501
Highway and streets	443,903
Post office	<u>1,417</u>
 Total depreciation	 <u>\$ 735,835</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, 2014.

Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of 1 year as of June 30, 2014 for each of the next 5 years and in the aggregate are:

<u>Year Ended June 30,</u>	<u>Amount</u>
2015	\$ 132,401
2016	132,401
2017	55,167
2018	-
2019	-
Subsequent to 2019	<u>-</u>
	<u>\$ 319,969</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, 2014 were \$-0-. Operating lease payments for the year ended June 30, 2014 were \$139,783.

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, 2014.

The following is a summary of property held under capital lease at June 30, 2014:

Golf course equipment	\$ 20,640
Vehicles and equipment	<u>249,000</u>
	269,640
Less accumulated amortization	<u>163,050</u>
	<u>\$ 106,590</u>

The following is a summary of long-term liability under capital lease at June 30, 2014:

Long-term lease payable to John Deere Credit net of prepaid interest at 6.12% of \$4 payable in monthly installments of \$126 each, due September 1, 2013. Lease is secured by equipment under the lease.	\$ 374
Long-term lease payable to John Deere Credit net of prepaid interest at 10.25% of \$10 payable in monthly installments of \$284 each, due February 1, 2013. Lease is secured by equipment under the lease.	841
Long-term lease payable to Chase Equipment Finance, Inc. at 3.75% payable in monthly installments of \$4,557.68 each, due August 18, 2015. Lease is secured by equipment under the lease.	<u>62,337</u>
	63,552
Less current liability under capital lease	<u>54,479</u>
	<u>\$ 9,073</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, 2014:

<u>Year ending June 30,</u>	
2015	\$ 55,921
2016	9,115
2017	<u>-</u>
Total minimum lease payments	65,036
Less amount representing interest	<u>1,484</u>
Present value of net minimum lease payments of which \$54,479 is included in current liabilities	<u>\$ 63,552</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>\$ 300,000</u>
\$5,000,000 2009 excess revenue bond due in annual installments varying in amounts through May 1, 2019; interest at 3.45%	<u>\$ 2,965,000</u>
\$7,800,000 2010 Series revenue bond refunding bonds due in annual installments varying in amounts through April 1, 2025; interest at 4.32%	<u>\$ 6,160,000</u>
\$2,030,000 Series 2010 B revenue bonds due in annual installments varying in amounts through January 1, 2030; interest at 2.95%.	<u>\$ 1,698,000</u>
\$1,995,000 2012 Series revenue refunding bond due in annual installments varying in amounts through November 24, 2025; interest at 2.38%	<u>\$ 1,850,000</u>
\$250,000 2013 Series revenue bonds due in annual installments of \$50,000 through October 1, 2018; interest at 3.00%	<u>\$ 250,000</u>

Debt service requirements on bonds at June 30, 2014 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>
2015	\$ 300,000	\$ 5,025	\$ 1,293,000	\$ 467,650
2016	-	-	1,330,000	421,383
2017	-	-	1,383,000	373,616
2018	-	-	1,425,000	323,914
2019	-	-	1,477,000	272,653
2020-2022	-	-	4,426,000	779,170
2023-2027	-	-	1,463,000	103,340
2028-2032	-	-	126,000	3,717
	<u>\$ 300,000</u>	<u>\$ 5,025</u>	<u>\$12,923,000</u>	<u>\$ 2,745,443</u>

Long-term liability activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Certificates of indebtedness:					
Series 2004	\$ 595,000	\$ -	\$ 295,000	\$ 300,000	\$ 300,000
Capital leases	64,657	-	25,104	39,553	33,796
	<u>\$ 659,657</u>	<u>\$ -</u>	<u>\$ 320,104</u>	<u>\$ 339,553</u>	<u>\$ 333,796</u>
Business-type activities:					
Certificates of indebtedness:					
Series 2009	\$ 3,500,000	\$ -	\$ 535,000	\$ 2,965,000	\$ 555,000
Series 2010	6,590,000	-	430,000	6,160,000	450,000
Series 2010B	1,784,000	-	86,000	1,698,000	88,000
Series 2012	1,995,000	-	145,000	1,850,000	150,000
Series 2013	-	250,000	-	250,000	50,000
Total bonds payable	13,869,000	250,000	1,196,000	12,923,000	1,293,000
Capital leases	64,352	-	40,353	23,999	20,683
	<u>\$13,933,352</u>	<u>\$ 250,000</u>	<u>\$ 1,236,353</u>	<u>\$12,946,999</u>	<u>\$1,313,683</u>

The City did not abide by the sinking fund provisions of certain bonds. If a default shall be made by the issuer due to the noncompliance with these provisions, the City would have at least 30 days to cure and not be in default.

9) Capital Project Fund

The capital project fund is being used to account for the construction of a gas main extension and various streets within the City. Financing for the street improvements is being provided by the renewal of a one cent sales tax. 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 \$300,000). Financing for the gas main extension is funded by revenue refunding bonds (original issue \$250,000; current outstanding \$250,000).

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	\$ 169,343

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, 2014 was \$2,923.

12) Fund Balance

In accordance with Government Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the City classifies governmental fund balances as follows:

Non-spendable -

includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted -

includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained or due to constitutional provisions or enabling legislation.

Committed -

includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority (the City Council) and does not lapse at year end. Formal action by the same authority is required to rescind such a commitment.

Assigned -

includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Mayor.

Unassigned -

includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The City uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the government would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City does not have a formal minimum fund balance policy.

13) 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.

14) 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, 2013.

Funding Policy:

Plan members are required to contribute 10% of their annual covered salary and the City of Westlake is required to contribute at a statutorily determined rate. The current rate is 31% 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, 2014, 2013, and 2012 were \$226,623, \$219,275, and \$189,459, respectively, equal to the required contributions for each year. The financial report issued by this system may be obtained from Municipal Police Employees' Retirement System, 8401 United Plaza Boulevard Suite 270, Baton Rouge, LA 70809-7017.

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 10% of covered earnings, and the City is required to contribute an actuarially determined rate that is currently 28.25% of covered payroll.

The City of Westlake's contributions to the Firefighter's Retirement System for the years ended June 30, 2014, 2013 and 2012 were \$225,306, \$189,684 and \$176,190 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, 2013.

Funding Policy:

Plan members are required to contribute 9.5% of their annual covered salary and the City of Westlake is required to contribute at a statutorily determined rate. The current rate is 18.75% 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, 2014, 2013, and 2012 were \$262,790, \$227,312, and \$213,305, respectively, equal to the required contributions for each year. The Municipal Employees' Retirement System issues a publicly available financial report, which may be obtained by writing to that system at 9737 Office Park Boulevard, Baton Rouge, LA 70809.

15) Litigation

The City has various 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 or would result in minimal damages.

16) 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 agreement was amended after the sale and removal of one riverboat. The City will receive \$292,500 from the Calcasieu Parish Police Jury for the fiscal year ended June 30, 2015.

17) 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 U.S. Postal Service renewed the lease for the period May 14, 2013 to May 14, 2018 for a total of 5 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 1 five year term at an annual rental of \$75,708.

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 2014, 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. The City is now in the operations phase.

19) Subsequent Events

Subsequent events have been evaluated through January 30, 2015, the date the financial statements were available to be issued.

20) Prior Period Adjustments

The City of Westlake implemented Statement 65 of the Governmental Accounting Standards Board, *Items Previously Reported as Assets and Liabilities*. This statement requires that bond issuance costs be recognized as expenses in the period they were incurred and as a result the July 1, 2013 net position was decreased by \$139,511 and the corresponding asset was removed.

21) Financial Condition

For the year ended June 30, 2014, the City experienced a number of financial issues. Cash bank balances as of June 30, 2014 decreased approximately \$700,000 as compared with June 30, 2013. Investment bank balances as of June 30, 2014 decreased approximately \$1,800,000 as compared with June 30, 2013. The City used a significant portion of the investments to fund City operations during 2014 and also experienced deficit spending in the General Fund, Debt Service Fund, Water and Sewer Fund, and the Golf Course and Real Estate Development Fund. Additionally, 2014 expenditures (including transfers) exceeded budgeted expenditures by 11.4% in the General Fund as noted in finding 14-007. For a second consecutive year, the City failed to establish and utilize sinking funds, which is a violation of the City's debt covenants as noted in findings 14-006 and 14-014. Finally, the City continued to experience a decrease in riverboat revenue as a result of one of the riverboats departing the area in 2012.

Effective January, 2015, the newly elected Mayor and City Council approved the following actions to help reduce spending and reverse some of the financial impact of the prior year's deficit spending:

- On January 12, 2015, the Council approved 50% rate increases in water, sewer and gas. These increases take effect for the February billings. The City expects to receive \$1,200,000 due to rate increases for the period March 2015 - December 31, 2015.
- The Mayor issued a hiring freeze and instructed all department heads to cut back on all non-essential disbursements.
- Seven employees, with total salaries and benefits of approximately \$533,500, were eliminated by attrition and are not scheduled to be replaced.

The newly elected Mayor and Council members have assumed a more active role in the overall administration of the City and are overseeing the daily operations in an attempt to overcome the financial situation detailed in the first paragraph.

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REQUIRED SUPPLEMENTARY INFORMATION

- Budgetary comparisons

CITY OF WESTLAKE, LOUISIANA
GENERAL FUND

BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2014

		2014			Variance Favorable (Unfavorable)
	Original	Final	Actual		(Unfavorable)
Revenues:					
Taxes and special assessments	\$ 1,604,647	\$ 1,604,925	\$ 1,533,706	\$	(71,219)
Licenses and permits	225,000	225,000	266,165		41,165
Intergovernmental	883,000	883,000	810,117		(72,883)
Charges for services	416,324	420,491	410,279		(10,212)
Fines and forfeits	272,000	272,000	220,120		(51,880)
Investment income	41,000	41,000	45,566		4,566
Miscellaneous income	3,600	3,600	65,856		62,256
Bingo revenues	2,500	2,500	1,312		(1,188)
Grant proceeds	209,175	209,175	21,931		(187,244)
Donations	5,300	5,300	6,938		1,638
Post office lease	75,708	75,708	75,708		-
Total revenues	<u>3,738,254</u>	<u>3,742,699</u>	<u>3,457,698</u>		<u>(285,001)</u>
Expenditures:					
Current:					
General government	992,288	992,288	977,053		15,235
Police	1,595,819	1,595,819	1,681,969		(86,150)
Fire	1,601,183	1,601,183	1,598,205		2,978
Streets	494,115	461,365	655,712		(194,347)
Sanitation	394,695	394,695	337,320		57,375
Cemeteries	15,300	15,300	17,112		(1,812)
Civil defense	9,997	9,997	14,088		(4,091)
Post office	8,500	8,500	8,236		264
City court	114,880	105,769	127,826		(22,057)
Capital outlay	180,400	180,400	97,596		82,804
Debt service:					
Principal retirement	-	-	25,104		(25,104)
Total expenditures	<u>5,407,177</u>	<u>5,365,316</u>	<u>5,540,221</u>		<u>(174,905)</u>
(Deficiency) of revenue over expenditures	(1,668,923)	(1,622,617)	(2,082,523)		(459,906)
Other financing sources (uses):					
Operating transfers in	<u>1,668,923</u>	<u>1,668,923</u>	<u>4,355,980</u>		<u>2,687,057</u>
Excess (deficiency) of revenues and other sources over expenditures	-	46,306	2,273,457		2,227,151
Fund balance at beginning of year	<u>(1,362,450)</u>	<u>(1,362,450)</u>	<u>(1,362,450)</u>		<u>-</u>
Fund balance at end of year	<u>\$ (1,362,450)</u>	<u>\$ (1,316,144)</u>	<u>\$ 911,007</u>		<u>\$ 2,227,151</u>

See accompanying notes to financial statements

CITY OF WESTLAKE, LOUISIANA

WATER ENTERPRISE FUND
SCHEDULE OF NUMBER OF WATER CUSTOMERS
June 30, 2014

Water customers:	
Residential	1,284
Senior citizens	472
Commercial	190
Industrial	8

CITY OF WESTLAKE, LOUISIANA

WATER ENTERPRISE FUND
SCHEDULE OF WATER RATES

June 30, 2014

Residential:
\$16.25 per month

Metered:
\$16.25 minimum for 2,000 gallons
\$2.00 per thousand or part thereof

Senior citizens:
\$10.50 per month

Metered:
\$10.50 minimum for 2,000 gallons
\$2.00 per thousand or part thereof

Commercial:
\$20.00 minimum for 8,000 gallons
\$2.50 per thousand or part thereof over 8,000 gallons

Industrial:
\$32.00 minimum for 10,000 gallons
\$3.00 per thousand or part thereof over 10,000 gallons
\$1.20 per thousand from 150,000 gallons or up or part thereof

CITY OF WESTLAKE, LOUISIANA

WATER ENTERPRISE FUND
SCHEDULE OF SERVICES BILLED
June 30, 2014

Aggregate dollar billed:

Residential	\$ 361,129
Senior citizens	97,025
Commercial	223,969
Industrial	63,384

Aggregate monthly billing per user:

Residential	\$ 23
Senior citizens	17
Commercial	102
Industrial	660

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SUPPORTING SCHEDULE

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CITY OF WESTLAKE, LOUISIANA

SCHEDULE OF COMPENSATION PAID TO MAYOR AND CITY COUNCIL MEMBERS
Years Ended June 30, 2014 and 2013

<u>Name and Title</u>	<u>Compensation</u>	
	<u>2014</u>	<u>2013</u>
Daniel W. Cupit, Mayor	\$ 66,661	\$ 65,312
Mr. Wally Anderson, Councilman, Mayor Pro-Tem	6,015	6,015
Mr. Daniel Racca, Councilman	4,340	4,185
Mr. Robert Hardy, Councilman	4,340	4,030
Mr. John Cradure, Councilman	4,030	4,030
Ms. Lori Peterson, Councilman	4,340	4,185

CITY OF WESTLAKE, LOUISIANA

SCHEDULE OF INSURANCE POLICIES IN FORCE
June 30, 2014

<u>Insurer</u>	<u>Policy Number</u>	<u>Amount of Policy</u>
One Beacon Insurance Group	791-00-07-66-000	\$ 1,000,000
One Beacon Insurance Group	791-00-07-66-000	1,000,000
	791-00-07-66-000	
	791-00-07-66-000	
	791-00-07-66-000	
	791-00-07-66-000	
One Beacon Insurance Group	791-00-07-66-000	1,000,000
One Beacon Insurance Group	791-00-07-66-000	1,000,000
Arch Specialty Insurance Company	ESP0033492-01	11,489,847
Travelers Casualty & Surety Company of America	105792129	50,000
American Alternative	VFIS-TR-2053459-07-000	1,000,000
American Alternative	VFIS-TR-2053459-07-000	10,000
American Alternative	VFIS-TR-2053459-07-000	1,000,000
American Alternative	VFIS-TR-2053459-07-000	2,000,000
American Alternative	VFIS-TR-2053459-07-000	2,000,000
American Alternative	VFIS-TR-2053459-07-000	2,000,000
American Alternative	VFIS-TR-2053459-07-000	1,000,000
American Alternative	VFIS-TR-2053459-07-000	25,000
American Alternative	VFIS-TR-2053459-07-000	1,000,000
American Alternative	VFIS-TR-2053459-07-000	2,000,000
American Alternative	VFIS-TR-2053459-07-000	2,000,000
American Alternative	VFISCM1052168-07	1,000,000
American Alternative	VFIS-TR-2053459-07-000	1,135,346
American Alternative	VFIS-TR-2053459-07-000	40,000
American Alternative	VFIS-TR-2053459-07-000	10,000
American Alternative	VFIS-TR-2053459-07-000	250,000
		Guaranteed Replacement
American Alternative	VFIS-TR-2053459-07-000	Cost

<u>Risk Covered</u>	<u>Policy Expiration Date</u>
General liability (including law enforcement)	5/14/2015
Wrongful acts liability including:	5/14/2015
Public official's liability	
Employee benefits liability	
Employment practices liability	
Sexual harassment	
Auto liability and auto physical damage	5/14/2015
Commercial excess liability (over)	5/14/2015
Wrongful acts liability including:	5/14/2015
Public official's liability	
Employee benefits liability	
Employment practices liability	
Sexual harassment	
Commercial auto	
Workers' comp	
Bodily injury by accident (each accident)	
Bodily injury by disease (policy limit)	
Bodily injury by disease (each employee)	
Commercial property	
Fire department general liability-each occurrence or medical incident	5/14/2015
Fire department general liability-medical expense	5/14/2015
Fire department general liability-personal & advertising injury	5/14/2015
Fire department general liability-general aggregate	5/14/2015
Management liability	5/14/2015
Fire department management liability-aggregate limit	5/14/2015
Fire department management liability-each wrongful act or offense	5/14/2015
Fire department management liability-each action for injunctive relief	5/14/2015
Fire department commercial excess liability-each occurrence limit	5/14/2015
Fire department commercial excess liability-products-completed operations aggregate limit	5/14/2015
Fire department commercial excess liability-aggregate limit	5/14/2015
Fire department auto liability	5/14/2015
Fire department property coverage	5/14/2015
Fire department special property floater	5/14/2015
Fire department money and securities	5/14/2015
Fire department software	5/14/2015
Fire department portable equipment	5/14/2015

(continued on next page)

CITY OF WESTLAKE, LOUISIANA

SCHEDULE OF INSURANCE POLICIES IN FORCE
June 30, 2014

<u>Insurer</u>	<u>Policy Number</u>	<u>Amount of Policy</u>
Continental Casualty Co.	R4025693670	11,436,347
Continental Casualty Co.	R4025693670	11,436,347
Continental Casualty Co.	R4025693670	100,000
Continental Casualty Co.	R4025693670	100,000
Continental Casualty Co.	R4025693670	100,000
Continental Casualty Co.	R4025693670	100,000
Continental Casualty Co.	R4025693670	100,000
Continental Casualty Co.	R4025693670	500,000
Continental Casualty Co.	R4025693670	15,000
National Union Fire Insurance Co.	VFP-43190012601D00	50,000
National Union Fire Insurance Co.	VFP-43190012601D00	12,500
National Union Fire Insurance Co.	VFP-43190012601D00	50,000
National Union Fire Insurance Co.	VFP-43190012601D00	10,000
National Union Fire Insurance Co.	VFP-43190012601D00	5,000
National Union Fire Insurance Co.	VFP-43190012601D00	2,000
National Union Fire Insurance Co.	VFP-43190012601D00	50,000
National Union Fire Insurance Co.	VFP-43190012601D00	50,000
National Union Fire Insurance Co.	VFP-43190012601D00	50,000
National Union Fire Insurance Co.	VFP-43190012601D00	50,000
National Union Fire Insurance Co.	VFP-43190012601D00	50,000
National Union Fire Insurance Co.	VFP-43190012601D00	50,000
National Union Fire Insurance Co.	VFP-43190012601D00	50,000
National Union Fire Insurance Co.	VFP-43190012601D00	50,000
National Union Fire Insurance Co.	VFP-43190012601D00	200
National Union Fire Insurance Co.	VFP-43190012601D00	600
National Union Fire Insurance Co.	VFP-43190012601D00	50
National Union Fire Insurance Co.	VFP-43190012601D00	100
National Union Fire Insurance Co.	VFP-43190012601D00	300
National Union Fire Insurance Co.	VFP-43190012601D00	25
National Union Fire Insurance Co.	VFP-43190012601D00	20,000
National Union Fire Insurance Co.	VFP-43190012601D00	2,500
National Union Fire Insurance Co.	VFP-43190012601D00	10,000
National Union Fire Insurance Co.	VFP-43190012601D00	10,000
National Union Fire Insurance Co.	VFP-43190012601D00	2,500
National Union Fire Insurance Co.	VFP-43190012601D00	100
National Union Fire Insurance Co.	VFP-43190012601D00	12,000

<u>Risk Covered</u>	<u>Policy Expiration Date</u>
Boiler and machinery coverage-total limit	5/14/2015
Boiler and machinery coverage-property damage	5/14/2015
Boiler and machinery coverage-expediting expense	5/14/2015
Boiler and machinery coverage-business income/extra expense- extra expense only	5/14/2015
Boiler and machinery coverage- business income/extra expense- data or media	5/14/2015
Boiler and machinery coverage - spoilage damage	5/14/2015
Boiler and machinery coverage - utility interruption-spoilage damage	5/14/2015
Boiler and machinery coverage - errors and omissions	5/14/2015
Boiler and machinery coverage - limited coverage for fungus, wet rot and dry rot	5/14/2015
Fire department-accidental indemnity benefit	5/14/2015
Fire department-seat belt benefit amount	5/14/2015
Fire department-illness loss of life benefit	5/14/2015
Fire department-dependent child benefit amount	5/14/2015
Fire department-spousal support benefit amount	5/14/2015
Fire department-memorial benefit amount	5/14/2015
Fire department-accidental dismemberment principal sum	5/14/2015
Fire department-vision impairment benefit	5/14/2015
Fire department-injury permanent impairment benefit principal sum	5/14/2015
Fire department-heart permanent impairment benefit principal sum	5/14/2015
Fire department-illness permanent impairment benefit principal sum	5/14/2015
Fire department-cosmetic disfigurement resulting from burns principal sum	5/14/2015
Fire department-HIV positive lump sum living benefit	5/14/2015
Fire department-total disability weekly income (first 28 days)	5/14/2015
Fire department-total disability weekly income (after 28 days)	5/14/2015
Fire department-total disability minimum weekly income	5/14/2015
Fire department-partial disability weekly income (first 28 days)	5/14/2015
Fire department-partial disability weekly income (after 28 days)	5/14/2015
Fire department-partial disability minimum weekly income	5/14/2015
Fire department-occupational retraining benefit maximum amount	5/14/2015
Fire department-medical expense benefit	5/14/2015
Fire department-cosmetic plastic surgery maximum amount	5/14/2015
Fire department-post traumatic stress disorder maximum amount	5/14/2015
Fire department-critical incident stress management maximum amount (per covered activity)	5/14/2015
Fire department-family expense benefit (per day)	5/14/2015
Fire department-continuation of health insurance premium benefit maximum amount	5/14/2015

(continued on next page)

CITY OF WESTLAKE, LOUISIANA

SCHEDULE OF INSURANCE POLICIES IN FORCE
June 30, 2014

<u>Insurer</u>	<u>Policy Number</u>	<u>Amount of Policy</u>
National Union Fire Insurance Co.	VFP-43190012601D00	15,000
National Union Fire Insurance Co.	VFP-43190012601D00	50,000
VFIS	CFP-5219-0001113D	50,000
VFIS	CFP-5219-0001113D	12,500
VFIS	CFP-5219-0001113D	10,000
VFIS	CFP-5219-0001113D	5,000
VFIS	CFP-5219-0001113D	50,000
VFIS	CFP-5219-0001113D	200
VFIS	CFP-5219-0001113D	50,000
VFIS	CFP-5219-0001113D	2,000
VFIS	CFP-5219-0001113D	50,000
VFIS	CFP-5219-0001113D	50,000
VFIS	CFP-5219-0001113D	200
VFIS	CFP-5219-0001113D	50
VFIS	CFP-5219-0001113D	100
VFIS	CFP-5219-0001113D	100
VFIS	CFP-5219-0001113D	25
VFIS	CFP-5219-0001113D	2,500
VFIS	CFP-5219-0001113D	10,000
VFIS	CFP-5219-0001113D	10,000
VFIS	CFP-5219-0001113D	2,500
VFIS	CFP-5219-0001113D	100
VFIS	CFP-5219-0001113D	20,000
VFIS	CFP-5219-0001113D	15,000
Louisiana Workers' Compensation Corp.	135678-B	1,000,000
Louisiana Workers' Compensation Corp.	135678-B	1,000,000
Louisiana Workers' Compensation Corp.	135678-B	1,000,000
CAN Surety	060101581258A	5,000
Southern Underwriters Insurance Co.	CMP 5503915 05	208,433
Southern Underwriters Insurance Co.	CMP 5503915 05	25,000
Southern Underwriters Insurance Co.	CMP 5503915 05	250,000
Southern Underwriters Insurance Co.	CMP 5503915 05	250,000
Southern Underwriters Insurance Co.	CMP 5503915 05	50,000
Southern Underwriters Insurance Co.	CMP 5503915 05	1,000,000

<u>Risk Covered</u>	<u>Policy Expiration Date</u>
Fire department-home alteration and vehicle modification benefit maximum amount	5/14/2015
Fire department-24 hour accidental death and dismemberment benefit	5/14/2015
Police department-accidental death indemnity benefit	5/14/2015
Police department-accidental death seat belt benefit	5/14/2015
Police department-dependent child support	5/14/2015
Police department-spousal support benefit	5/14/2015
Police department-accidental dismemberment benefit principal sum	5/14/2015
Police department-vision impairment benefit	5/14/2015
Police department-injury permanent impairment benefit	5/14/2015
Police department-cosmetic disfigurement resulting from burns	5/14/2015
Police department-weekly income total disability (first 28 days)	5/14/2015
Police department-illness loss of life benefit	5/14/2015
Police department-memorial benefit	5/14/2015
Police department-heart permanent impairment benefit principal sum	5/14/2015
Police department-illness permanent impairment benefit principal sum	5/14/2015
Police department-HIV positive lump sum benefit	5/14/2015
Police department-weekly income total disability (after 28 days)	5/14/2015
Police department-weekly income total disability minimum	5/14/2015
Police department-weekly income partial disability (first 28 days)	5/14/2015
Police department-weekly income partial disability (after 28 days)	5/14/2015
Police department-weekly income partial disability minimum	5/14/2015
Police department-medical expense benefit	5/14/2015
Police department-cosmetic plastic surgery	5/14/2015
Police department-post traumatic stress disorder	5/14/2015
Police department-critical incident stress management	5/14/2015
Police department-family expense benefit	5/14/2015
Police department-occupational retraining benefit	5/14/2015
Police department-home alteration and vehicle modification benefit	5/14/2015
Worker's compensation-bodily injury by accident (each accident)	2/20/2015
Worker's compensation-bodily injury by disease (police limit)	2/20/2015
Worker's compensation-bodily injury by disease (each employee)	2/20/2015
Bond	8/1/2015
Golf course-property	8/11/2015
Golf course-facilities customers	8/11/2015
Golf course-golf specific property	8/11/2015
Golf course-golf course grounds	8/11/2015
Golf course-crime (employee theft)	8/11/2015
Commercial general liability	8/11/2015
Golf course-commercial general liability-each occurrence limit	8/11/2015

(continued on next page)

CITY OF WESTLAKE, LOUISIANA

SCHEDULE OF INSURANCE POLICIES IN FORCE

June 30, 2014

<u>Insurer</u>	<u>Policy Number</u>	<u>Amount of Policy</u>
Southern Underwriters Insurance Co.	CMP 5503915 05	100,000
Southern Underwriters Insurance Co.	CMP 5503915 05	10,000
Southern Underwriters Insurance Co.	CMP 5503915 05	1,000,000
Southern Underwriters Insurance Co.	CMP 5503915 05	2,000,000
Southern Underwriters Insurance Co.	CMP 5503915 05	2,000,000
Southern Underwriters Insurance Co.	CMP 5503915 05	1,000,000
Southern Underwriters Insurance Co.	CMP 5503915 05	1,003,111
Southern Underwriters Insurance Co.	UMB 5503916 0404	1,000,000
Southern Underwriters Insurance Co.	UMB 5503916 0404	1,000,000
Hanover Insurance Co.	IHO546814505	106,278
Hanover Insurance Co.	IHO546814505	25,000
Hanover Insurance Co.	IHO546814505	1,000
Hanover Insurance Co.	IHO546814505	50,000
Hanover Insurance Co.	IHO546814505	50,000
Hanover Insurance Co.	IHO546814505	250,000
Hanover Insurance Co.	IHO546814505	25,000

<u>Risk Covered</u>	<u>Policy Expiration Date</u>
Golf course-commercial general liability-damage to premises rented to you	8/11/2015
Golf course-commercial general liability-medical expense limit	8/11/2015
Golf course-personal and advertising injury limit	8/11/2015
Golf course-general aggregate limit	8/11/2015
Golf course-products/completed operations aggregate limit	8/11/2015
Golf course-liquor liability	8/11/2015
Golf course-contractors equipment	8/11/2015
Golf course-umbrella	5/14/2015
Golf course-liquor liability	5/14/2015
Equipment floater-total limit	5/14/2015
Equipment floater-employees tools-occurrence limit	5/14/2015
Equipment floater-employees tools-each item	5/14/2015
Equipment floater-equipment rented or leased from others-per item	5/14/2015
Equipment floater-equipment rented or leased from others-occurrence limit	5/14/2015
Equipment floater-newly purchased equipment-dollar limit	5/14/2015
Equipment floater-pollutant cleanup and removal	5/14/2015

CITY OF WESTLAKE, LOUISIANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Grantors</u>	<u>Expenditures/ Loan Balance</u>
Environmental Protection Agency - Capitalization Grants for Drinking Water (ARRA) State Revolving Funds	66.468	Louisiana Department of Health and Hospitals	\$ 1,698,000

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, 2014

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. Environmental Protection Agency

The Environmental Protection Agency (EPA) provides a loan program through which the State of Louisiana receives federal money to 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 January 26, 2010 for \$2,900,000. The EPA forgave \$870,000 in principle, resulting in a loan balance of \$2,030,000. The EPA disburses funds to the City of Westlake after the expenditure is made. Interest of 2.95% per annum on the outstanding balance is paid semi-annually. Principle and interest payments will be made semi-annually. At June 30, 2014, the principle balance is \$1,698,000 as disclosed in Note 8.

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COMPLIANCE, INTERNAL CONTROL REPORTS

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
CONDUCTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Mayor and City Council Members
Westlake, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of governmental activities, the business-type activities and each major fund of the City of Westlake, Louisiana as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Westlake, Louisiana's basic financial statements and have issued our report thereon dated January 30, 2014.5

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Westlake, Louisiana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Westlake, Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Westlake, Louisiana's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. (14-001, 14-002, 14-005, 14-006, 14-008 and 14-009)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies. (14-003, 14-004, and 14-010)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Westlake, Louisiana's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance and other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items (14-006, 14-007, 14-011, 14-012 and 14-013).

City of Westlake, Louisiana's Response to Findings

City of Westlake, Louisiana's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Westlake, Louisiana's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

This report is intended 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 Elroy Quirk & Beach

Lake Charles, Louisiana
January 30, 2015

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Mayor and City Council Members
Westlake, Louisiana

Report on Compliance for Each Major Federal Program

We have audited City of Westlake, Louisiana's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Westlake, Louisiana's major federal programs for the year ended June 30, 2014. City of Westlake, Louisiana's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Westlake, Louisiana's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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, Louisiana's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Basis for Qualified Opinion on Environmental Protection Agency - Capitalization Grants for Drinking Water State Revolving Funds CFDA #66.468

As described in the accompanying schedule of findings and questioned costs, City of Westlake, Louisiana did not comply with requirements regarding Environmental Protection Agency - capitalization grants for drinking water state revolving funds CFDA #66.468 as described in finding number 14-014 for cash management. Compliance with such requirements is necessary, in our opinion, for City of Westlake, Louisiana to comply with the requirements applicable to that program.

Qualified Opinion on Environmental Protection Agency - Capitalization Grants for Drinking Water State Revolving Funds CFDA #66.468

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, City of Westlake, Louisiana, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Environmental Protection Agency - capitalization grants for drinking water state revolving funds CFDA #66.468 for the year ended June 30, 2014.

City of Westlake, Louisiana's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Westlake, Louisiana's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the City of Westlake, Louisiana is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Westlake, Louisiana's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on

compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Westlake, Louisiana's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in material control over compliance* is a deficiency, or a combination of deficiencies in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 14-014 to be a material weakness.

City of Westlake, Louisiana's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Westlake, Louisiana's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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 Eloy Quind & Burch

Lake Charles, Louisiana
January 30, 2015

CITY OF WESTLAKE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:		Unmodified
Internal control over financial reporting:		
Material weakness identified?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
Control deficiencies identified not considered to be material weakness?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> None reported	
Noncompliance material to financial statements noted?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	

Federal Awards

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
66.468	Environmental Protection Agency-Capitalization grants for drinking water state revolving funds

Dollar threshold used to distinguish between Type A and Type B programs:	\$ <u>300,000</u>
Auditee qualified as low-risk auditee?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

(continued on next page)

CITY OF WESTLAKE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014
(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

14-001 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 this finding. While full segregation is not possible, the City is in the process of replacing key members of its financial staff and will work to create segregation of duties to the extent possible.

14-002 Controls over Financial Reporting

Condition: In our judgment, the City'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.

Criteria: The Auditing Standards Board 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.

CITY OF WESTLAKE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

(Continued)

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: The City will address this issue through the hiring of a knowledgeable financial staff and involvement of a certified public accountant engaged on a contractual basis unrelated to the audit of the City's financial statements.

14-003 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 procedures 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. In addition, the policy and procedure manual should be reviewed and updated on an annual basis.

Response: The City has updated its policy and procedure manual and plans to approve it at the February 16, 2015 City Council meeting.

CITY OF WESTLAKE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014
(Continued)

14-004 Lack of Approval of Timecards

Condition: We inspected a sample of timecards as part of our audit and noted that some timecards lacked approval.

Criteria: Good internal controls require approval of timecards.

Effect: Unapproved timecards raise the question of accuracy of time worked.

Recommendation: All timecards should be approved.

Response: The City has implemented a new policy that the timekeeper, Mayor, and Mayor Pro-Tempore review all timecards.

14-005 Reviewing Accounting Records

Condition: During inquiry and testing we noted that payroll tax reports were not reviewed by management. Additionally, the year end investment schedule was reviewed; however, the interim monthly investment schedules were not reviewed by management.

Criteria: Accounting records should be reviewed by an appropriate level of management.

Effect: Not reviewing accounting records can lead to undetected errors that could potentially cause a material misstatement to the financial statements, resulting in incorrect monthly financial statements.

Recommendation: The City should implement a policy of management review of accounting records.

Response: The City has implemented a new policy that the Mayor and two Council members will review the above mentioned items on a monthly basis.

CITY OF WESTLAKE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

(Continued)

14-006 Failure to Make Monthly Sinking Fund Payments

Condition: During the year we found that the City did not make required monthly sinking fund payments.

Criteria: As part of the City's debt issuance, it is required to make monthly sinking fund payments.

Effect: Failure to make monthly sinking fund payments may violate debt provisions.

Recommendation: While the City made all principle and interest payments in a timely manner, the City should make monthly sinking fund payments as required.

Response: The City will implement procedures to ensure that sinking fund payments are made in a timely manner.

14-007 Budget Law Compliance

Condition: For the 2013-2014 budget, actual expenditures and other uses in the General Fund exceeded budgeted expenditures by 11.4%.

Criteria: Louisiana statute requires that the City amend its budget when total revenues fail to meet total budgeted revenues by 5% or more and/or when total expenditures exceed total budgeted expenditures by 5% or more.

Effect: The City was not in compliance with Louisiana law.

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

Response: The City will perform the necessary periodic examinations to determine compliance with the state law and take corrective actions when necessary.

CITY OF WESTLAKE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

(Continued)

14-008 Utility Account Adjustments

Condition: During our procedures on employee utility accounts, we noted a lack of documentation regarding utility account adjustments.

Criteria: Utility account adjustments should be supported by documentation and approved by an appropriate level of management. Adjustments involving employee accounts should be approved by the Mayor.

Effect: A lack of documentation and approval of utility account adjustments could lead to abuse and lost revenue for the City.

Recommendation: We recommend that the City implement and adhere to a policy requiring the documentation and approval of utility account adjustments, especially those involving City employees.

Response: The City has implemented a new policy that any adjustments must be approved by the supervisor or City Clerk. Additionally, all employee adjustments must be approved by the Mayor.

14-009 Stamp for Mayor's Signature

Condition: During our procedures we noted that a stamp was being used by employees to place the Mayor's signature on checks written by the City. This stamp is kept in an unlocked drawer and access is not restricted.

Criteria: Dual signatures are required on checks as a function of internal control. This control is circumvented when a stamp is used for one of the signatures.

Effect: The use of a signature stamp could potentially result in misuse of public funds.

Recommendation: We recommend that all signatures on checks be original signatures of those authorized to sign and that the use of the signature stamp be discontinued.

Response: The City has implemented a new policy requiring that all signatures on checks be original signatures of authorized individuals.

CITY OF WESTLAKE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

(Continued)

14-010 Use of Restricted Utility Deposits

Condition: The City did not have adequate funds to cover utility deposits.

Criteria: The City should maintain restricted cash in an amount to cover security deposits.

Effect: As of June 30, 2014, the proprietary funds of the City did not have enough cash to fund their utility deposit liability.

Recommendation: We recommend that the utility deposits be used for restricted purposes only and that such deposits be maintained in a separate checking account.

Response: The City will maintain adequate restricted funds to cover utility deposits and segregate them either through separate bank accounts or by maintaining sufficient documentation in their accounting records.

14-011 Failure to Comply with Bond Ordinance

Condition: The City is not in compliance with several provisions of Bond Ordinance No. 859 adopted by the City Council on September 9, 2013.

Criteria: Article IV of the bond ordinance established the following requirements:

1. The proceeds of the bonds shall be deposited into a special fund to be established by the issuer called the "City of Westlake, Louisiana, 2013 Natural Gas Utility Construction Fund."
2. The following special trust funds should be established, maintained and held by the issuer's regularly designated fiscal agent bank:
 - a. Natural Gas Revenue Fund
 - b. Revenue Bond Sinking Fund, Series 2013

CITY OF WESTLAKE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

(Continued)

Effect: Failure to comply with the bond ordinance may violate debt provisions.

Recommendation: The City should establish the funds listed above as required by Bond Ordinance No. 859.

Response: The City will establish the necessary funds to comply with the Bond Ordinance.

14-012 Use of Restricted Sales Tax Funds

Condition: The controls and documentation were not adequate to determine if sales tax proceeds were used for designated expenditures. While expenditures were made in appropriate funds, a direct link between sales tax proceeds and expenditures was difficult to determine. The City may have used sales tax funds restricted for water and street improvements to fund general operations.

Criteria: Ordinance No. 464 renewed a 1% sales tax dedicated to improving the municipal waterworks system, constructing and improving streets and roads in the City, and for other lawful waterworks system and street and road improvement purposes.

Effect: The proceeds from this sales tax may have been used for unauthorized purposes, which constitutes a violation of Ordinance No 464.

Recommendation: We recommend that the City only use the sales tax proceeds for dedicated purposes and implement additional controls and documentation requirements surrounding the transfer of sales tax proceeds between funds.

Response: The City will comply with provisions of the sales tax ordinance and establish documentation to provide evidence that tax proceeds are spent properly.

CITY OF WESTLAKE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

(Continued)

14-013 Audit Report Issued After Statutory Deadline

Condition: The June 30, 2014 audited financial statements were not filed with the Legislative Auditor's office within six months after the fiscal year end as required by LSA-RS 24:514; however, the audited financial statements were filed by the extended due date of January 30, 2015.

Criteria: The Legislative Auditor requires audited financial statements to be filed within six months after the fiscal year end of government entities.

Effect: The City is not in compliance with LSA-RS 24:514.

Recommendation: In the future, the City should file audited financial statements in a timely manner.

Response: A thirty day extension of the filing requirement was requested from the Legislative Auditor, and included a detailed explanation of the reasons it was necessary. The City will file its audits in a timely manner in the future.

CITY OF WESTLAKE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014
(Continued)

SECTION III - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM

**14-014 Environmental Protection Agency - Capitalization Grants for Drinking Water
State Revolving Funds CFDA #66.468**

Condition: During the year we found that the City did not make required monthly sinking fund payments.

Criteria: As part of the City's debt issuance, it is required to make monthly sinking fund payments.

Effect: Failure to make monthly sinking fund payments violated the debt provision.

Recommendation: While the City made all principle and interest payments in a timely manner, the City should make monthly sinking fund payments as required.

Response: The City will make timely sinking fund payments as required by the loan documents.

CITY OF WESTLAKE, LOUISIANA

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS
June 30, 2014

13-001 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 14-1.

13-002 Controls over Financial Reporting

Condition: In our judgment, the City'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.

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 14-2.

CITY OF WESTLAKE, LOUISIANA

SCHEDULE OF PRIOR YEAR MANAGEMENT COMMENTS AND SUGGESTIONS

June 30, 2014

(Continued)

13-003 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.

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

Current status: This finding has been resolved.

13-004 Policy and Procedures Manual Update

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

Recommendation: Management should review the existing policy and procedure manual and modify those sections which have changed in the past several years. In addition, the policy and procedure manual should be reviewed and updated on an annual basis.

Current status: See current year finding 14-3.

13-005 Lack of Approval of Timecards

Condition: We inspected a sample of timecards as part of our audit and noted that some timecards lacked approval.

Recommendation: All timecards should be approved.

Current status: See current year finding 14-4.

CITY OF WESTLAKE, LOUISIANA

SCHEDULE OF PRIOR YEAR MANAGEMENT COMMENTS AND SUGGESTIONS

June 30, 2014

(Continued)

13-006 Reviewing Accounting Records

Condition: During inquiry and testing we noted that bank reconciliations, payroll tax reports, and investments schedules were not reviewed by management.

Recommendation: The City should implement a policy of management review of accounting records.

Current status: Management reviewed bank reconciliations and year end investment schedules in the current year. However, we did not note any management review of payroll tax reports or monthly investment schedules other than those prepared at year end. See current year finding 14-5.

13-007 Failure to Make Monthly Sinking Fund Payments

Condition: During the year we found that the City did not make required monthly sinking fund payments.

Recommendation: While the City made all principal and interest payments in a timely manner, the City should make monthly sinking fund payments as required.

Current status: See current year finding 14-6.

13-008 Budget Law Compliance

Condition: The budget for 2012-2013 was not adopted in a timely fashion. Also, the budget was not made available for public inspection. In addition, actual expenditures and other uses in the General Fund exceeded budgeted expenditures by 14.9%.

Recommendation: The proposed budget should be adopted prior to the beginning of the budget year. The proposed budget should also be submitted to the governing authority and made available for inspection as required by law. The City should comply with Louisiana law regarding amending budgets.

Current status: The current year budget was adopted in a timely fashion and made available for public inspection; however, in the current year actual expenditures exceeded budgeted expenditures by more than 5%. See current year finding 14-7.

CITY OF WESTLAKE, LOUISIANA

SCHEDULE OF PRIOR YEAR MANAGEMENT COMMENTS AND SUGGESTIONS

June 30, 2014

(Continued)

13-009 City Vehicles Improperly Used, Marked and Equipped

Condition: An audit by the Louisiana Legislative Auditor revealed that certain City vehicles were improperly used, marked, and equipped as follows:

1. Mayor Daniel Cupit used a City vehicle for personal purposes without the approval of the City Council, which may have violated state law.
2. The City vehicle driven by Mayor Cupit, Chief Administrative Officer Lonnie Smart, and Director of Finance Jimmy Ashworth were not marked in accordance with state law. By operating City vehicles not marked in accordance with state law, Mayor Cupit, Mr. Smart, and Mr. Ashworth may have violated state law and may be subject to fines of \$25 to \$50 per instance as prescribed by law.
3. Mayor Cupit had emergency blue flashing lights installed on his City vehicle, which may have violated state law.

Recommendation: The Louisiana Legislative Auditor recommended that the City:

1. Seek legal advice as to the appropriate actions to be taken, including recovering funds related to the unauthorized use of a City vehicle and fuel purchased for the vehicle.
2. Require mileage logs to be maintained for all vehicles.
3. Determine the proper amount of personal benefit for all employees with take-home vehicles and report to the IRS.
4. Ensure that take-home vehicles are properly approved.
5. Mark all City-owned vehicles as required by state law prior to being placed into service.
6. Remove the blue flashing lights from the Mayor's vehicle.

Current status: Recommendations 1, 2, 3, 5 and 6 were implemented. Recommendation 4 to ensure that take-home vehicles are properly approved will be addressed in the new policies and procedures manual. See current year finding 14-3.

CITY OF WESTLAKE, LOUISIANA

SCHEDULE OF PRIOR YEAR MANAGEMENT COMMENTS AND SUGGESTIONS

June 30, 2014

(Continued)

13-010 Mayor's Improper Appointments of Department Heads

Condition: Mayor Cupit may have violated state law on multiple occasions by appointing department heads without the approval of the City Council. Mayor Cupit improperly appointed (1) Lonnie Smart as the City's director of finance, (2) Lonnie Smart as the City's chief administrative office, and (3) Jimmy Ashworth as the City's director of finance.

Recommendation: The Louisiana Legislative Auditor recommended that the City ensure all department heads are properly approved by the City Council as required by the Lawrason Act.

Current status: This finding has been resolved.

13-011 Improper Compensatory Leave Payment

Condition: In December, 2010, the City improperly paid \$1,038 to Lonnie Smart for compensatory leave that he did not earn, which may have violated the Louisiana Constitution.

Recommendation: The Louisiana Legislative Auditor recommended that the City seek legal advice as to the appropriate actions to be taken, including recovering funds related to the overpayment of compensatory leave to Lonnie Smart; and implement internal controls to ensure the accurate recording and calculation of compensatory leave.

Current status: Funds were recovered from Mr. Smart. Updated controls regarding the accurate recording and calculation of compensatory leave will be addressed in the new policies and procedures manual. See finding 14-3.

CITY OF WESTLAKE, LOUISIANA

SCHEDULE OF PRIOR YEAR MANAGEMENT COMMENTS AND SUGGESTIONS

June 30, 2014

(Continued)

**13-012 Environmental Protection Agency Capitalization Grants for Drinking Water
State Revolving Funds DFDA #66.468**

Condition: During the year we found that the City did not make required monthly sinking fund payments.

Recommendation: While the City made all principal and interest payments in a timely manner, the City should make monthly sinking fund payments as required.

Current status: See current year finding 14-13.