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CITY OF WESTLAKE, LOUISIANA
ANNUAL FINANCIAL REPORT
JUNE 30, 2004

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Release Date 4/6/05

CITY OF WESTLAKE, LOUISIANA

ANNUAL FINANCIAL REPORT
Year Ended June 30, 2004

TABLE OF CONTENTS

	Schedules	Page
INTRODUCTORY SECTION		
Title Page		
Table of Contents		2-3
List of Principal Officials		4
FINANCIAL SECTION		
Report of Independent Auditors		5-6
Required Supplementary Information: Management's Discussion and Analysis		7-15
Basic financial statements:		
Statement of Net Assets		17
Statement of Activities		18-19
Balance Sheet - Governmental Funds		20-21
Reconciliation of Balance Sheet - Governmental Funds		22
Statement of Revenues, Expenditures and Changes in Fund Balances		23-24
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities		25
Proprietary Funds:		
Statement of Net Assets		26
Statement of Revenue, Expenditures and Changes in Net Assets		27
Statement of Cash Flows		28-29
Notes to Financial Statements		30-49
Required Supplementary Information - Budgetary Comparisons:		
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - General Fund		51
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Special Revenue Fund		52

	Page
Supporting Schedules:	
Schedule of Compensation Paid to Mayor and City Council Members	1 54
Schedule of Expenditures of Federal Awards	2 55
Notes to Schedule of Expenditures of Federal Awards	56
REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL AND COMPLIANCE	
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	58-59
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	60-61
Schedule of Findings and Questioned Costs	62-66
Other Information and Recommendations	67
Schedule of Prior Management Comments and Suggestions	68-70

CITY OF WESTLAKE, LOUISIANA

June 30, 2004

MAYOR

The Honorable Dudley R. Dixon
Mr. Gerald "Wash" Washington, Mayor Pro-Tempore

CITY COUNCIL

Mr. Wally Anderson
Mr. Daniel Cupit
Mr. Robert Hardy

Mr. Daniel Racca
Mr. Gerald "Wash" Washington

LEGAL COUNSEL

Mr. John Van Norman - City Attorney

CITY CLERK

Mrs. Andrea Mahfouz

McELROY, QUIRK & BURCH

(In Affiliation with - Gus Schram & Co., LTD)

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Carl W. Comeaux, CPA
Gus W. Schram, III, CPA, CVA
Martin L. Chehotsky, CPA, CFE
Robert M. Gani, CPA, MT
Mollie C. Broussard, CPA
Jason L. Guillory, CPA
Greg P. Naquin, CPA, CFP™
Billy D. Fisher, CPA
Joe G. Peshoff, II, CPA, CVA



Charles P. Quirk, CPA, Inactive
Ottray J. Woods, Jr., CPA, Inactive
Robert F. Cargile, CPA, Inactive
William A. Mancuso, CPA, Retired
Barbara Hutson Gonzales, CPA, Retired
Judson J. McCann, Jr., CPA, Retired

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

REPORT OF INDEPENDENT AUDITORS

Honorable Dudley R. Dixon, Mayor
and City Council Members
City of Westlake, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Westlake, Louisiana, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Westlake, Louisiana at June 30, 2004 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1B, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of June 30, 2004.

Management's discussion and analysis and budgetary comparison information on pages 7 through 15 and 50 through 52, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

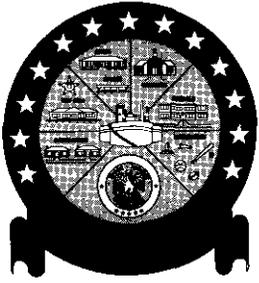
In accordance with *Government Auditing Standards*, we have also issued a report dated November 1, 2004, on our consideration of the City of Westlake's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of our audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

M^s Elroy, Quirk & Burch

Lake Charles, Louisiana

November 1, 2004 (except for Note 16, as to which the date is March 4, 2005)



MAYOR
DUDLEY R. DIXON

CITY OF WESTLAKE

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MAYOR PRO-TEMPORE
GERALD "WASH" WASHINGTON

COUNCIL MEMBERS
JOHN CRADURE
DAN CUPIT
W.C. "SKEETER" HAYES
HAL McMILLIN

MANAGEMENT'S DISCUSSION AND ANALYSIS

This analysis provides a summarized overview of the financial activities of the **City of Westlake** for the year ended June 30, 2004. Please read this in conjunction with the financial statements beginning on page 16 to get a better understanding of the City's financial position.

Using the Annual Report

The annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 17-19) provide information about the City as a whole and present a longer-term view of the City's financial position. Fund financial statements start on page 20. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund Financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

The Statement of Net Assets and the Statement of Activities

These two statements beginning on page 17 help explain if the City's financial position has improved as a whole as a result of the current year's activities. They show all of the City's assets and liabilities using the accrual basis of accounting which reflects a true account of the revenues and expenditures for the year regardless of when the actual cash was received or disbursed.

By examining the City's net assets (difference between assets and liabilities) and changes in them, one can measure the City's financial health, or financial position. Increases or decreases in the net assets are one indicator of whether the financial health is improving or deteriorating. Other factors to consider in determining financial health include but are not limited to the property tax base and the condition of infrastructure (i.e.: condition of roads, water supplies, etc.).

The Statement of Net Assets and the Statement of Activities account for the financial position of the City as a whole in two categories:

- ◆ Governmental Activities - The basic activities of a government. These include general administration, street, police, and fire. Sales taxes, property taxes, franchise fees, fines, and state and federal grants generally fund these types of activities.
- ◆ Business-type activities -Activities that are financed and operated in a manner similar to private business enterprises. The costs of providing such services to the general public are funded primarily through user charges. The water, sewer and gas systems are reported here.

Fund Financial Statements

These statements begin on page 20 and provide detailed information about the City's most significant funds-not the City as a whole. A fund is defined as a fiscal and accounting entity with its own set of self-balancing accounts that report the financial behaviors of a specific activity. Some funds are required to be established by State Law and by bond covenants while others are created by the City Council to help control and manage the City's money for particular purposes and show that it is meeting its legal responsibilities for using certain taxes, grants and other monies. The City's two kinds of funds-governmental and proprietary-use different accounting approaches.

- ◆ Governmental funds -Focus on how money flows into and out of the City's basic services and the balances left at year-end that are available for future spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. This information helps one determine whether there are more or fewer financial resources that can be spent in the near future to fund the City's programs. The differences between governmental activities and governmental funds are reconciled at the bottom of the fund financial statements.
- ◆ Proprietary funds - The services for which the City charges its customers are reported here. Proprietary funds are reported in the same manner as the activities are reported in the Statement of Net Assets and the Statement of Activities, using the full accrual basis of accounting. The City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information.

The City as a Whole

For the Year ended June 30, 2004, net assets changed as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Beginning Net Assets	\$ 17,206,946	\$ 10,892,815	\$ 28,099,761
Increase/(Decrease) in Net Assets	<u>3,326,095</u>	<u>(408,021)</u>	<u>2,919,073</u>
Ending Net Assets	<u>\$ 20,533,041</u>	<u>\$ 10,484,794</u>	<u>\$ 31,017,835</u>

This shows an increase of 19.3 percent for governmental activities and a decrease of 3.7 percent for business-type activities. It should be noted that there are 13 months of gaming revenues reported in the financial statements for the year ended June 30, 2004. This due to an accrual of revenue that had not been done in the past. This will help reflect the revenues as earned in future years.

Since this is the first year to report governmental activities on the accrual basis of accounting, a comparison to the prior year is not possible. However, in future years, this section will explain the differences between the current-year and prior-year assets, liabilities, and changes in net assets.

Governmental Activities

Again, because this is the first year to report governmental activities on the accrual basis of accounting, a comparison to the prior year is impossible. In future years this section will show a condensed financial comparison of revenues and expenditures and provide explanations for significant differences.

Some additional explanation is given for a better understanding of the Statement of Activities. This statement is the equivalent of a Statement of Revenues, Expenses, and Changes in Fund Balance except for the format of the report. One will notice that expenditures are reported in the first column with the funding for those expenditures in the columns following it. The final column is the difference of the expenditures and revenues, or Net (Expense)/Revenue. The purpose for this format is to highlight the financial burden of each of the functions on the City's taxpayers. It also identifies how much of each function draws from general revenues or if it is self-financed through fees and grants. Some of the individual line item revenues reported for each function are:

General Government Building permits, 85% of occupational licenses, and State gaming and video poker fees. Donations are classified as operating grants. Capital grants from CDBG were used for the repairing or reconstruction of uninhabitable housing.

Police Fines for services. Operating grants include DARE, Safe & Sober Campaign, Criminal Patrol, Street Sales Disruption, and LLEBG for equipment purchases.

Fire	We currently have no user charges for fire protection. Operating grants include reimbursements from the Calcasieu Parish Police Jury for protection of unincorporated areas and Fire insurance rebates.
Streets	15% of occupational licenses are allocated as user charges.
Sanitation	Users are charged for trash pick-up.
Cemeteries	Private donations from family members are used for upkeep.
Relief	Private Donations are collected for annual Space Camp trip.
Post Office	Rent charged to U.S. Postal Service.

All other governmental revenues including Sales and Property Taxes are reported as general.

Business-type Activities

Operating revenues of the City's business-type activities increased by 9.3 percent (\$3.13 million in 2004 compared to \$2.86 million in 2003) and operating expenses increased by 11.5 percent. The factors driving these results include:

- ◆ The high price for natural gas caused a large increase in both the revenues and expenditures for the Gas Department. Even though the volume of gas sold significantly decreased from 2003 to 2004, the net revenue and expenditure for purchasing and distributing the natural gas increased. The City is expecting to see a similar trend for 2005 since gas prices continue to rise.
- ◆ The Water Department is getting closer to being self-financed but still continues to operate at a deficit (\$343 thousand this year versus \$423 thousand last year). With the installation of water meters and a new water treatment plant nearing completion, the deficit should begin to decrease and a trend started toward net operating profit.
- ◆ The Data Department will no longer exist after this year. The City has consolidated the billing department with the General Fund and has spent any remaining funds on document scanning to make more room for future record storage.

THE CITY'S FUNDS

The following schedules present a summary of general, special revenue, debt service, and capital project fund revenues and expenditures for the fiscal year ended June 30, 2004, and the amount and percentage of increases and decreases in relation to the prior year. An explanation of any major differences follows the graphs.

Revenues:	FYE 04	FYE 03	Incr./ (Decr.)	Percent
	<u>Amount</u>	<u>Amount</u>	<u>From FYE 03</u>	<u>Incr./ (Decr.)</u>
Taxes & Special Assessments	\$ 2,805,318	\$ 2,163,822	\$ 641,496	29.65%
Licenses & Permits	190,233	199,931	(9,698)	(4.85%)
Intergovernmental	317,712	135,306	192,406	142.20%
Charges for Services	295,168	290,078	5,090	1.75%
Fines & Forfeitures	418,223	244,615	173,608	70.97%
Investment Income	88,155	170,935	(82,780)	(48.43%)
Miscellaneous	11,105	35,344	(24,239)	(68.58%)
Bingo Revenues	21,030	25,822	(4,792)	(18.56%)
Grant Proceeds	149,151	66,696	82,455	123.63%
Donations	12,373	24,888	(12,515)	(50.29%)
Post Office Rent Income	75,708	78,708	0.00	0.00%
Gaming Industry Distribution	<u>1,815,667</u>	<u>1,862,903</u>	<u>(47,236)</u>	<u>(2.54)%</u>
Total Revenues	<u>\$ 6,209,843</u>	<u>\$ 5,296,048</u>	<u>\$ 913,795</u>	<u>17.25%</u>

Sales taxes increased considerably this year due to several large audits performed by the Calcasieu Parish School Board Sales Tax Collection Office. These audits brought in additional revenues of approximately \$675 thousand for the City of Westlake.

Intergovernmental revenues increased significantly due to a policy change by the Calcasieu Parish Police Jury. The Police Jury pays the City a portion of Parish Property Taxes in exchange for the City providing fire protection for the Ward# 3 Fire District. In late 2002 the payment policy was changed. The change resulted in less income being reported in 2003. The payments are now quarterly and should remain constant in future years.

Fines and Forfeitures increased greatly due to an excess of traffic tickets written in the beginning of the year. We hope to maintain the increase in future years which will allow the Police Department to move closer toward being self-financed and not rely so heavily on a surplus transfer from the Gas Department.

Interest rates were down this year, and even though our investments are secured in interest bearing accounts, the City did not do as well as hoped on its investments. A large part of our investments are in mortgage-backed securities and until the mortgage lending rates increase the income on these investments will not increase.

In 2004 the City was awarded a Louisiana Community Block Development Grant (LCDBG) approximately \$114 thousand to refurbish substandard housing. This grant will continue into 2005.

The City relies heavily on donations from family members to maintain the Cemetery property. The donations for 2004 were half the amount of those collected in 2003. There is an expected increase for 2005. Also the City receives a donation from Arch Chemical Company to send students to Space Camp. The donation for the year ended June 30, 2002 was not received until July 2003, therefore there are two years of income recorded as donations. The donation averages approximately \$6000 per year and should remain close to that figure in future years.

Expenditures:	FYE 04 <u>Amount</u>	FYE 03 <u>Amount</u>	Incr./ (Decr.) <u>From FYE 03</u>	Percent <u>Incr./ (Decr.)</u>
Current:				
General Government	\$ 589,500	\$1,192,607	\$ (603,107)	(50.57%)
Police	1,050,277	1,064,286	(14,009)	(1.32%)
Fire	610,278	682,586	(72,308)	(10.59%)
Streets	334,693	325,391	9,302	2.86%
Sanitation	226,798	224,901	1,897	0.84%
Cemeteries	11,388	49,431	(38,043)	(76.97%)
Civil Defense	5,551	6,537	(984)	(15.07%)
Relief	7,841	6,025	1,816	30.14%
Post Office	9,737	60	9,677	100%
Bad Debt Expense	13,153	-	13,153	100%
Capital Outlay	533,029	1,457,751	(924,722)	(63.43%)
Debt Service:				
Principle Retirement	180,000	175,000	5,000	2.86%
Administration Costs	259,317	218,053	41,264	18.92%
Grant Expenditures	<u>113,653</u>	<u>-</u>	<u>113,653</u>	<u>100%</u>
Total Expenditures	<u>\$ 3,945,215</u>	<u>\$5,402,628</u>	<u>\$ (1,457,413)</u>	<u>(26.98%)</u>

General Governmental expenditures decreased in 2004 due to \$600 thousand in property purchases and land development in 2003. A piece of property was purchased adjacent to the Fire Station. This property will be the future home of the Police Department. Also, a large sum of money was put in to the planning and development of our future Golf Course.

\$40,253 was spent to pave the driveways in Magnolia and Perkins Cemeteries in 2003. The City has an annual expense of approximately \$12,000 for grass cutting and maintenance on the cemeteries.

Since the Post Office was built in 1998, we have not had to spend any significant amount of funds on repairs and upkeep. This is the first year we had to spend these monies.

In an effort to determine a more accurate picture of accounts receivable, we expensed \$13,153 of these receivables to Bad Debts. The City has not written off uncollectible receivables in prior years.

Capital outlay expenditures will vary from year to year depending on projects started and completed. In 2003 \$1.46 million was spent on paving projects and asphalt overlay of streets.

As mentioned in the revenue section above, the City was granted the LCDBG grant which was used to refurbish substandard housing. These expenditures will also continue in 2005.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City Council adopted the General Fund Budget for the fiscal year ended June 30, 2004 on June 25, 2003 and did not revise it during the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of June 30, 2004, the City had \$37 million invested in a broad range of capital assets, including police and fire equipment, buildings, roads, and gas, water and sewer lines. This amount represents a net increase (including additions and deletions) of just under \$3.4 million, or 9.94%, over last year. The following schedule displays the City's holdings in capital assets as indicated by notes 6 and 7 of the financial statements.

	<u>Governmental</u>		<u>Business-type</u>		<u>Totals</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Land	\$ 4,842,617	\$ 4,842,617	\$ 213,998	\$ 213,998	\$ 5,056,615	\$ 5,056,615
Buildings	3,399,231	3,399,231	107,643	107,643	3,506,874	3,506,874
Equipment & Vehicles	1,928,978	1,916,788	1,019,728	908,752	2,948,706	2,825,540
Infrastructure	5,422,942	4,641,119			5,422,942	4,641,119
Utility			15,645,275	15,450,137	15,654,275	15,450,137
Property Construction-in-Progress	<u>1,119,041</u>	<u>1,380,025</u>	<u>3,546,141</u>	<u>1,025,770</u>	<u>4,665,182</u>	<u>2,405,795</u>
TOTALS	<u>\$16,712,809</u>	<u>\$16,179,780</u>	<u>\$20,532,785</u>	<u>\$17,706,300</u>	<u>\$37,254,594</u>	<u>\$33,886,080</u>

This year's major additions include:

New Water Treatment Plant & Water Meters	\$ 2,700,000
Street Paving Projects	480,000
Golf Course Development Project	200,000
New Police Station Planning & Development	26,500
City Park/Museum Project started	<u>4,000</u>
	<u>\$ 3,410,500</u>

Additional information on the City of Westlake's capital assets can be found in Note 6 on pages 41-42 of this report.

DEBT

At year-end, the City had \$8,805,699 in outstanding notes and loans compared to \$2,875,000 in 2003. That is an increase of 206.29% as shown in the following table.

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Totals</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
D.E.Q. Loan	-	-	3,525,699	-	3,525,699	-
General Obligation Bonds	<u>5,280,000</u>	<u>2,875,000</u>	<u>-</u>	<u>-</u>	<u>5,280,000</u>	<u>2,875,000</u>
Total Liabilities	<u>5,280,000</u>	<u>2,875,000</u>	<u>3,525,699</u>	<u>-</u>	<u>8,805,699</u>	<u>2,875,000</u>

The D.E.Q. Loan is being used to fund the construction of our new Water Plant and to install the new water meters. Construction was not complete this year so no principle payment was made in 2004, construction will be completed in the fiscal year ending June 30, 2005 and the principle payments will begin in November 2004.

The large increase in General Obligation Bonds is somewhat misleading. In May 2004 the City Council agreed to refinance the 2001 General Obligation Bonds, which were used to finance the construction of the new City Hall and other various projects, in order to save in interest expense. The General Obligation Bond balance of \$5,280,000 includes the original bonds (\$2,695,000), which will not be paid-off until November 2004, and the new (refinanced) bonds (\$2,585,000). Only the 2004 Bonds will be shown on the financial statements for the fiscal year ending June 30, 2005.

Additional information on the City of Westlake's long-term debt can be found in Note 7 on pages 43-44 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the budget for the fiscal year ending June 30, 2005. One of those factors is the economy. The local economy is fairly stable at present, therefore there should be little change in the Sales Tax and Property Tax revenues. Garbage collection rates were raised 8% to accommodate for the Consumer Price Index Increase imposed on us by Waste Management. With the increased number of fines and court cases, the hiring of a City Prosecutor has been added to the budget for the Police Department. An increase in the employer's retirement contribution rate and employee health insurance rates will increase the City's personnel expenditures for every department. A 2% Cost of Living Adjustment was also included for all employees.

The completion of the Water Treatment Facility and installation of water meters is projected to help control and decrease costs in the Water Department. Gas sales and purchases and predicted to increase this year due to the increased cost of gas and cold weather as projected in the Farmer's Almanac.

Some of the significant capital asset expenditures planned for this year are Golf Course Development \$2.52 million, new police Station \$550 thousand, a Museum \$250 thousand (to be funded by settlement money from the Arcadia Chemical Plant Explosion), installation and repairs of utility system \$435 thousand, and replacing two manholes \$85 thousand.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Comptroller's Office at 1001 Mulberry Street, Westlake, Louisiana.



Marcy L. Wade
City Comptroller

BASIC FINANCIAL STATEMENTS

CITY OF WESTLAKE, LOUISIANA

STATEMENT OF NET ASSETS
June 30, 2004

<u>ASSETS</u>	Governmental <u>Activities</u>	Business- Type <u>Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 6,349,203	\$ 1,674,317	\$ 8,023,520
Investments	4,622,138	813,920	5,436,058
Receivables (net, where applicable, of allowance for uncollectibles):			
Accounts	45,029	236,808	281,837
Taxes	188,833	-	188,833
Grants and contributions	141,092	-	141,092
Special assessments	36,438	-	36,438
Inventories	-	44,393	44,393
Due from other funds	675,015	-	675,015
Prepaid insurance	142,156	83,748	225,904
Restricted assets:			
Cash and cash equivalents	-	21,308	21,308
Investments	306,533	139,103	445,636
Capital assets:			
Land, improvements and construction in progress	5,961,658	3,760,139	9,721,797
Other capital assets, net of depreciation	<u>7,721,298</u>	<u>8,087,134</u>	<u>15,808,432</u>
Total assets	<u>26,189,393</u>	<u>14,860,870</u>	<u>41,050,263</u>
<u>LIABILITIES</u>			
Accounts payable	308,450	14,951	323,401
Interest payable	37,636	-	37,636
Payable from restricted assets:			
Customer deposits	-	160,411	160,411
Deferred income	30,266	-	30,266
Due to other funds	-	675,015	675,015
Noncurrent liabilities:			
Loans payable	-	3,525,699	3,525,699
Due within one year	2,705,000	-	2,705,000
Due in more than one year	<u>2,575,000</u>	<u>-</u>	<u>2,575,000</u>
Total liabilities	<u>5,656,352</u>	<u>4,376,076</u>	<u>10,032,428</u>
<u>NET ASSETS</u>			
Investment in capital assets, net of related debt	13,682,956	8,321,574	22,004,530
Restricted for:			
Capital projects	8,248,120	-	8,248,120
Debt service	2,898,768	-	2,898,768
Various purpose-sales taxes	36,354	-	36,354
Unrestricted	<u>(4,333,157)</u>	<u>2,163,220</u>	<u>(2,169,937)</u>
Total net assets	<u>\$ 20,533,041</u>	<u>\$ 10,484,794</u>	<u>\$ 31,017,835</u>

See accompanying notes to financial statements

CITY OF WESTLAKE, LOUISIANA

STATEMENT OF ACTIVITIES
Year Ended June 30, 2004

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Government activities:				
General government	\$ 1,053,435	\$ 221,045	\$ 1,000	\$ 114,535
Public safety:				
Police	1,095,675	419,763	34,616	-
Fire	638,303	-	327,712	-
Highway and streets	481,919	34,567	-	-
Sanitation	229,054	254,110	-	-
Cemeteries	11,353	-	6,872	-
Releaf	8,365	-	4,500	-
Post office	6,488	75,708	-	-
Total governmental activities	<u>3,524,592</u>	<u>1,005,193</u>	<u>374,700</u>	<u>114,535</u>
Business-type activities:				
Data processing	17,631	-	-	-
Gas utility	2,016,809	2,171,495	-	-
Water utility	881,633	490,061	-	7,500
Sewer and sanitation	425,058	478,091	-	-
Total business-type activities	<u>3,341,131</u>	<u>3,139,647</u>	<u>-</u>	<u>7,500</u>
Total government	<u>\$ 6,865,723</u>	<u>\$ 4,144,840</u>	<u>\$ 374,700</u>	<u>\$ 122,035</u>

General revenues:

Tax revenue

Investment income

Miscellaneous income

Distribution - gaming industry

Transfers

Total general revenues
and transfers

Change in net assets

Net assets at beginning of year

Net assets at end of year

See accompanying notes to financial statements

Net (Expenses) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
\$ (716,855)	\$ -	\$ (716,855)
(641,296)	-	(641,296)
(310,591)	-	(310,591)
(447,352)	-	(447,352)
25,056	-	25,056
(4,481)	-	(4,481)
(3,865)	-	(3,865)
<u>69,220</u>	<u>-</u>	<u>69,220</u>
<u>(2,030,164)</u>	<u>-</u>	<u>(2,030,164)</u>
-	(17,631)	(17,631)
-	154,686	154,686
-	(384,072)	(384,072)
<u>-</u>	<u>53,033</u>	<u>53,033</u>
<u>-</u>	<u>(193,984)</u>	<u>(193,984)</u>
<u>(2,030,164)</u>	<u>(193,984)</u>	<u>(2,224,148)</u>
2,800,487	384,393	3,184,880
88,155	26,553	114,708
11,105	15,862	26,967
1,815,667	-	1,815,667
<u>640,845</u>	<u>(640,845)</u>	<u>-</u>
<u>5,356,259</u>	<u>(214,037)</u>	<u>5,142,222</u>
3,326,095	(408,021)	2,918,074
<u>17,206,946</u>	<u>10,892,815</u>	<u>28,099,761</u>
<u>\$ 20,533,041</u>	<u>\$ 10,484,794</u>	<u>\$ 31,017,835</u>

TOWN OF WESTLAKE, LOUISIANA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2004

<u>ASSETS</u>	<u>General</u>	<u>Special Revenue</u>
Cash and cash equivalents	\$ 638,118	\$ 32,905
Investments	379,353	-
Receivables (net, where applicable, of allowance for uncollectibles):		
Accounts receivable	45,029	-
Taxes receivable	66,696	-
Grants and contributions receivable	-	5,464
Special assessments receivable	-	-
Due from other funds	-	-
Restricted assets:		
Investments	<u>306,533</u>	<u>-</u>
Total assets	<u>\$ 1,435,729</u>	<u>\$ 38,369</u>
<u>LIABILITIES AND FUND BALANCES</u>		
Accounts payable	\$ 213,710	\$ -
Interest payable	-	-
Deferred income	-	-
Due to other funds	<u>417,331</u>	<u>2,015</u>
Total liabilities	631,041	2,015
Fund balances, unreserved	<u>804,688</u>	<u>36,354</u>
Total liabilities and fund balances	<u>\$ 1,435,729</u>	<u>\$ 38,369</u>

See accompanying notes to financial statements

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
\$ 2,930,091	\$ 2,748,089	\$ 6,349,203
-	4,242,785	4,622,138
-	-	45,029
-	122,137	188,833
-	135,628	141,092
36,438	-	36,438
-	1,121,361	1,121,361
-	-	306,533
<u>\$ 2,966,529</u>	<u>\$ 8,370,000</u>	<u>\$ 12,810,627</u>

\$ 3,125	\$ 91,614	\$ 308,449
37,636	-	37,636
-	30,266	30,266
<u>27,000</u>	<u>-</u>	<u>446,346</u>
67,761	121,880	822,697
<u>2,898,768</u>	<u>8,248,120</u>	<u>11,987,930</u>
<u>\$ 2,966,529</u>	<u>\$ 8,370,000</u>	<u>\$ 12,810,627</u>

TOWN OF WESTLAKE, LOUISIANA

RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2004

Total fund balance - total governmental funds		<u>\$ 11,987,930</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		13,682,955
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds		142,156
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	\$ 2,705,000	
Due in more than one year	<u>2,575,000</u>	<u>(5,280,000)</u>
Net assets of governmental activities		<u>\$ 20,533,041</u>

See accompanying notes to financial statements.

TOWN OF WESTLAKE, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2004

	<u>General</u>	<u>Special Revenue</u>
Revenues:		
Taxes and special assessments	\$ 1,681,296	\$ 20,925
Licenses and permits	190,233	-
Intergovernmental	327,712	-
Charges for services	294,988	-
Fines and forfeits	418,223	-
Investment income	68,092	809
Miscellaneous income	10,730	-
Bingo revenues	21,030	-
Grant proceeds	-	34,616
Donations	12,373	-
Post office lease	75,708	-
Distribution - gaming industry	-	-
Total revenues	<u>3,100,385</u>	<u>56,350</u>
Expenditures:		
Current:		
General government	546,659	23,457
Police	1,050,277	-
Fire	610,278	-
Streets	334,677	-
Sanitation	226,798	-
Cemeteries	11,388	-
Civil defense	5,551	-
Relief	7,841	-
Post office	9,737	-
Bad debt expense	13,153	-
Capital outlay	12,190	-
Debt service:		
Principal retirement	-	-
Administrative costs	-	-
Grant expenditures	-	8,503
Total expenditures	<u>2,828,549</u>	<u>31,960</u>
Excess (deficiency) of revenues over expenditures	<u>271,836</u>	<u>24,390</u>
Other financing sources (uses):		
Operating transfers in (out)	181,806	(31,965)
Proceeds from bond issuance	-	-
Total other financing sources (uses)	<u>181,806</u>	<u>(31,965)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	453,642	(7,575)
Fund balance at beginning of year	<u>351,046</u>	<u>43,929</u>
Fund balance at end of year	<u>\$ 804,688</u>	<u>\$ 36,354</u>

See accompanying notes to financial statements

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
\$ -	\$ 1,103,097	\$ 2,805,318
-	-	190,233
-	-	327,712
180	-	295,168
-	-	418,223
11,573	7,681	88,155
-	375	11,105
-	-	21,030
-	114,535	149,151
-	-	12,373
-	-	75,708
-	<u>1,815,667</u>	<u>1,815,667</u>
<u>11,753</u>	<u>3,041,355</u>	<u>6,209,843</u>
-	19,384	589,500
-	-	1,050,277
-	-	610,278
-	16	334,693
-	-	226,798
-	-	11,388
-	-	5,551
-	-	7,841
-	-	9,737
-	-	13,153
-	520,839	533,029
180,000	-	180,000
259,317	-	259,317
-	<u>105,150</u>	<u>113,653</u>
<u>439,317</u>	<u>645,389</u>	<u>3,945,215</u>
<u>(427,564)</u>	<u>2,395,966</u>	<u>2,264,628</u>
970,361	(479,357)	640,845
<u>2,585,000</u>	-	<u>2,585,000</u>
<u>3,555,361</u>	<u>(479,357)</u>	<u>3,225,845</u>
3,127,797	1,916,609	5,490,473
<u>(229,029)</u>	<u>6,331,511</u>	<u>6,497,457</u>
<u>\$ 2,898,768</u>	<u>\$ 8,248,120</u>	<u>\$ 11,987,930</u>

TOWN 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, 2004

Net change in fund balances - total governmental funds	\$ 5,490,473
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.	533,029
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.	(295,998)
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.	(2,405,000)
Some expenses reported in the statement of activities do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.	<u>3,591</u>
Change in net assets of governmental activities	<u>\$ 3,326,095</u>

See accompanying notes to financial statements

TOWN OF WESTLAKE, LOUISIANA
 PROPRIETARY FUNDS

STATEMENT OF NET ASSETS
 Year Ended June 30, 2004

<u>ASSETS</u>	<u>Gas Utility</u>	<u>Water and Sewer</u>	<u>Data Processing</u>	<u>Total Proprietary Funds</u>
Cash and cash equivalents	\$ 1,117,849	\$ 556,468	\$ -	\$ 1,674,317
Investments	194,469	619,451	-	813,920
Receivables (net, where applicable of allowance for uncollectibles):				
Accounts receivable	104,512	132,296	-	236,808
Inventories	38,251	6,142	-	44,393
Prepaid insurance	43,448	40,300	-	83,748
Restricted assets:				
Cash and cash equivalents	-	21,308	-	21,308
Investments	128,036	11,067	-	139,103
Capital assets, net of depreciation	<u>1,024,652</u>	<u>10,822,621</u>	<u>-</u>	<u>11,847,273</u>
Total assets	<u>2,651,217</u>	<u>12,209,653</u>	<u>-</u>	<u>14,860,870</u>
<u>LIABILITIES</u>				
Accounts payable	4,132	10,819	-	14,951
Security deposits payable	128,036	32,375	-	160,411
Due to other funds	802,075	(127,060)	-	675,015
Noncurrent liabilities:				
Loans payable	<u>-</u>	<u>3,525,699</u>	<u>-</u>	<u>3,525,699</u>
Total liabilities	<u>934,243</u>	<u>3,441,833</u>	<u>-</u>	<u>4,376,076</u>
<u>NET ASSETS</u>				
Investment in capital assets, net of related debt	1,024,652	7,296,922	-	8,321,574
Net assets, unrestricted	<u>692,322</u>	<u>1,470,898</u>	<u>-</u>	<u>2,163,220</u>
Total net assets	<u>\$ 1,716,974</u>	<u>\$ 8,767,820</u>	<u>\$ -</u>	<u>\$ 10,484,794</u>

See accompanying notes to financial statements

TOWN OF WESTLAKE, LOUISIANA
PROPRIETARY FUNDS

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
Year Ended June 30, 2004

	<u>Gas Utility</u>	<u>Water and Sewer</u>	<u>Data Processing</u>	<u>Total Proprietary Funds</u>
Operating revenues:				
Charges for services	\$ 2,168,849	\$ 963,177	\$ -	\$ 3,132,026
Operating expenses:				
Personnel services	430,956	291,436	-	722,392
Contractual services	8,337	5,615	17,579	31,531
Supplies	43,010	66,366	-	109,376
Other services and charges	189,332	257,848	52	447,232
Heat, light and power	11,674	111,010	-	122,684
Natural gas for resale	1,172,934	-	-	1,172,934
Sewage usage expense	-	212,830	-	212,830
Bad debt expense	65,725	15,809	-	81,534
Depreciation and amortization	94,841	345,777	-	440,618
Total operating expenses	<u>2,016,809</u>	<u>1,306,691</u>	<u>17,631</u>	<u>3,341,131</u>
Operating income (loss)	<u>152,040</u>	<u>(343,514)</u>	<u>(17,631)</u>	<u>(209,105)</u>
Nonoperating revenues (expenses):				
Tax revenue	-	384,393	-	384,393
Tap fees	2,646	4,975	-	7,621
Investment income	13,325	13,125	103	26,553
Miscellaneous income	14,753	1,109	-	15,862
Grant proceeds	-	7,500	-	7,500
Total nonoperating revenues (expenses)	<u>30,724</u>	<u>411,102</u>	<u>103</u>	<u>441,929</u>
Income (loss) before contributions and transfers	<u>182,764</u>	<u>67,588</u>	<u>(17,528)</u>	<u>232,824</u>
Capital contributions and transfers:				
Capital contributions	-	2,684,627	-	2,684,627
Operating transfers in (out)	170,588	(3,496,060)	-	(3,325,472)
Total contributions and transfers	<u>170,588</u>	<u>(811,433)</u>	<u>-</u>	<u>(640,845)</u>
Net income (loss)	353,352	(743,845)	(17,528)	(408,021)
Net assets at beginning of year	<u>1,363,622</u>	<u>9,511,665</u>	<u>17,528</u>	<u>10,892,815</u>
Net assets at end of year	<u>\$ 1,716,974</u>	<u>\$ 8,767,820</u>	<u>\$ -</u>	<u>\$ 10,484,794</u>

See accompanying notes to financial statements

TOWN OF WESTLAKE, LOUISIANA
PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS
Year Ended June 30, 2004

	<u>Gas Utility</u>	<u>Water and Sewer</u>	<u>Data Processing</u>	<u>Total Proprietary Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 2,217,772	\$ 969,374	\$ -	\$ 3,187,146
Cash payments to suppliers for goods and services	(1,535,635)	(753,105)	(17,631)	(2,306,371)
Cash payments to employees for services	(430,956)	(291,436)	-	(722,392)
Net cash provided by (used in) operating activities	<u>251,181</u>	<u>(75,167)</u>	<u>(17,631)</u>	<u>158,383</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Tax revenue	-	384,393	-	384,393
Tap fees	2,646	4,975	-	7,621
Miscellaneous income	14,753	1,109	-	15,862
Grant proceeds	-	7,500	-	7,500
Operating transfers in	170,588	29,638	-	200,226
Change in due to/from	(24,364)	(30,942)	-	(55,306)
Net cash provided by noncapital financing activities	<u>163,623</u>	<u>396,673</u>	<u>-</u>	<u>560,296</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of fixed assets	(73,809)	(78,414)	-	(152,224)
Net cash (used in) capital and related financing activities	<u>(73,809)</u>	<u>(78,414)</u>	<u>-</u>	<u>(152,224)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	13,325	13,125	105	26,555
Purchase (sale) of investments	(5,290)	(9,136)	-	(14,427)
Net cash provided by investing activities	<u>8,035</u>	<u>3,989</u>	<u>105</u>	<u>12,128</u>
Net increase (decrease) in cash and cash equivalents	349,030	247,081	(17,526)	578,583
Cash and cash equivalents:				
Beginning of year	<u>768,819</u>	<u>330,695</u>	<u>17,526</u>	<u>1,117,042</u>
End of year	<u>\$ 1,117,849</u>	<u>\$ 577,776</u>	<u>\$ -</u>	<u>\$ 1,695,625</u>

(continued on next page)

TOWN OF IOWA, LOUISIANA
 PROPRIETARY FUND - WATER UTILITY

STATEMENT OF CASH FLOWS
 Year Ended June 30, 2004
 (Continued)

	Gas Utility	Water and Sewer	Data Processing	Total Proprietary Funds
Cash and cash equivalents at end of year consisted of:				
Unrestricted cash	\$ 1,117,849	\$ 556,468	\$ -	\$ 1,674,317
Restricted cash	<u>-</u>	<u>21,308</u>	<u>-</u>	<u>21,308</u>
	<u>\$ 1,117,849</u>	<u>\$ 577,776</u>	<u>\$ -</u>	<u>\$ 1,695,625</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 152,040	\$ (343,514)	\$ (17,631)	\$ (209,106)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	94,841	345,777	-	440,618
Changes in assets and liabilities:				
Decrease in accounts receivable and other receivables	40,494	3,753	-	44,247
(Increase) decrease in inventories	(11,756)	81	-	(11,675)
(Increase) in prepaid expenses	(4,207)	(8,475)	-	(12,682)
(Decrease) in accounts payable and other payables	(28,660)	(75,234)	-	(103,893)
Increase in customer deposits	<u>8,429</u>	<u>2,445</u>	<u>-</u>	<u>10,874</u>
Net cash provided by (used in) operating activities	<u>\$ 251,181</u>	<u>\$ (75,167)</u>	<u>\$ (17,631)</u>	<u>\$ 158,383</u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES				
Water plant improvements and water line extensions transferred from Capital Projects Fund	\$ -	\$ 2,669,469	\$ -	\$ 2,669,469
Sewer treatment upgrades and sewer line extensions transferred from Capital Projects Fund	<u>-</u>	<u>15,158</u>	<u>-</u>	<u>15,158</u>
Total noncash investing activities	<u>\$ -</u>	<u>\$ 2,684,627</u>	<u>\$ -</u>	<u>\$ 2,684,627</u>

See accompanying notes to financial statements

CITY OF WESTLAKE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

1) Summary of Significant Accounting Policies

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

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

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

The following is a summary of certain significant accounting policies.

A. Financial Reporting Entity

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

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

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

B. Change in Accounting Principles

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

C. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

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

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

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

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

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds).

PROPRIETARY FUNDS

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

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

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

E. Budgets and Budgetary Accounting

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

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

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

F. Cash, Cash Equivalents and Investments

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

Louisiana State Statutes, as stipulated in R.S. 39:1271, authorize the Town 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, 2004, in accordance with GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Fair value was determined by obtaining "quoted" year end market prices.

G. Allowance for Uncollectibles

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

H. Inventory

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

I. Interfund Activity

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

J. Prepaid Items

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

K. Restricted Assets

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

L. Capital Assets

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

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

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

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

M. Restricted Net Assets

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

N. Revenues - Exchange and Nonexchange Transactions

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

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

Expenses/Expenditures:

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

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

O. Accumulated Unpaid Sick Pay

Accumulated unpaid sick pay was not considered material at June 30, 2004 and is not reflected in these financial statements.

2) Cash and Cash Equivalents

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

Following are deposits of the City at year end categorized to give an indication of the level or risk assumed by the City. Category 1 includes deposits that are insured (inclusive of FDIC) or collateralized with securities held by the City or its agent in the name of the City. Category 2 includes deposits collateralized with securities held by the pledging financial institution's trust department or agent in the name of the City. Category 3 includes deposits uncollateralized including any securities held for the entity but not in the City's name.

	Category			Bank Amount	Carrying Balance
	1	2	3		
Deposits:					
Demand deposits,					
interest bearing	<u>\$ 260,258</u>	<u>\$ 7,784,570</u>	<u>\$ -</u>	<u>\$ 8,245,314</u>	<u>\$ 8,044,828</u>

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.

The City's deposits and investments are categorized above in accordance with GASB Statement No. 3 to give an indication of the level of risk assumed at year end. Category 1, which represents the lowest level of risk, includes investments and deposits that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2

includes uninsured and unregistered investments with the securities held by the financial institution's trust department or agent in the City's name. Category 3, which represents the greatest level of risk, includes uninsured and unregistered investments or deposits which are not protected by collateral, or for which securities are not held in the City's name.

	Category			Cost	Fair Value
	1	2	3		
Investments:					
US Treasury securities	\$ -	\$ 2,833,000	\$ -	\$ 2,833,000	\$ 2,712,471
Access 90	100,000	49,267	-	149,267	149,267
LAMP	-	-	-	3,019,956	3,019,956
Total investments	<u>\$ 100,000</u>	<u>\$ 2,882,267</u>	<u>\$ -</u>	<u>\$ 6,002,223</u>	<u>\$ 5,881,694</u>

Investments held at June 30, 2004, consist of \$3,019,956 in the Louisiana Asset Management Pool, Inc. (LAMP), a local government investment pool (see Summary of Significant Accounting Policies). LAMP investments at June 30, 2004 totaled \$2,991,042. In accordance with GASB Codification Section I50.165 the investment in LAMP at June 30, 2004, is not categorized in the three risk categories provided by GASB Codification Section I50.164 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form. LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana, which was formed by an initiative of the State Treasurer in 1993. The corporation is governed by a board of directors comprising the State Treasurer, representatives from various organizations of local government, the Government Finance Officers Association of Louisiana, and the Society of Louisiana CPAs. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designated to be highly liquid to give its participants immediate access to their account balances.

The City had unrealized losses on certain investments at June 30, 2004 in the amount of \$121,342. The City plans to hold all investments until maturity.

4) Interfund Fund Transactions

Interfund receivables and payables were as follows at June 30, 2004:

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ -	\$ 417,332
Special Revenue	-	2,015
Debt Service	-	27,000
Capital Projects	1,121,362	-
Enterprise Funds	<u>446,347</u>	<u>1,121,362</u>
	<u>\$ 1,567,709</u>	<u>\$ 1,567,709</u>

Operating transfers as of June 30, 2004 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Special revenue	\$ 31,965	\$ -
Debt service	-	3,645
Capital projects	158,485	-
Enterprise funds	-	5,000
Total general fund	<u>190,450</u>	<u>8,645</u>
Special Revenue:		
General fund	-	31,965
Debt Service:		
General fund	3,645	-
Capital projects	759,584	-
Enterprise funds	207,133	-
Total debt service	<u>970,362</u>	<u>-</u>
Capital Projects:		
General fund	-	158,485
Debt service	-	759,584
Enterprise funds	438,712	-
Total capital projects	<u>438,712</u>	<u>918,069</u>
Enterprise Funds:		
General fund	5,000	-
Debt service	-	207,133
Capital projects	-	438,712
Total water utility fund	<u>5,000</u>	<u>645,845</u>
Grand totals	<u>\$ 1,604,524</u>	<u>\$ 1,604,524</u>

5) Restricted Assets - Proprietary Fund Type

Restricted assets were applicable to the following at June 30, 2004:

	<u>2004</u>	<u>2003</u>
Customer deposits	<u>\$ 160,411</u>	<u>\$ 132,783</u>

6) Changes in Capital Assets

Capital asset activity for the year ended June 30, 2004, 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	\$ 4,842,617	\$ -	\$ -	\$ 4,842,617
Construction in progress	<u>1,380,025</u>	<u>374,233</u>	<u>635,217</u>	<u>1,119,041</u>
Total capital assets not being depreciated	<u>6,222,642</u>	<u>374,233</u>	<u>635,217</u>	<u>5,961,658</u>
Capital assets being depreciated:				
Buildings	3,399,231	-	-	3,399,231
Furniture and equipment	684,845	12,190	-	697,035
Vehicles	1,231,943	-	-	1,231,943
Infrastructure	<u>4,641,119</u>	<u>781,823</u>	<u>-</u>	<u>5,422,942</u>
Total capital assets being depreciated	<u>9,957,138</u>	<u>794,013</u>	<u>-</u>	<u>10,751,151</u>
Less accumulated depreciation for:				
Buildings	917,420	75,184	-	992,604
Furniture and equipment	553,491	29,096	-	582,587
Vehicles	642,094	56,144	-	698,238
Infrastructure	<u>620,850</u>	<u>135,574</u>	<u>-</u>	<u>756,424</u>
Total accumulated depreciation	<u>2,733,855</u>	<u>295,998</u>	<u>-</u>	<u>3,029,853</u>
Government activities capital assets, net	<u>\$13,445,925</u>	<u>\$ 872,248</u>	<u>\$ 635,217</u>	<u>\$13,682,956</u>

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 213,998	\$ -	\$ -	\$ 213,998
Construction in progress	<u>1,025,770</u>	<u>2,684,626</u>	<u>164,255</u>	<u>3,546,141</u>
Total capital assets not being depreciated	<u>1,239,768</u>	<u>2,684,626</u>	<u>164,255</u>	<u>3,760,139</u>
Capital assets being depreciated:				
Production systems	15,450,137	195,138	-	15,645,275
Buildings	107,643	-	-	107,643
Machinery and equipment	641,491	74,791	-	716,282
Vehicles	<u>267,261</u>	<u>36,185</u>	<u>-</u>	<u>303,446</u>
Total capital assets being depreciated	<u>16,466,532</u>	<u>306,114</u>	<u>-</u>	<u>16,772,646</u>
Less accumulated depreciation for:				
Production systems	7,550,347	384,660	-	7,935,007
Buildings	63,225	2,338	-	65,563
Machinery and equipment	411,755	23,015	-	434,770
Vehicles	<u>229,932</u>	<u>20,240</u>	<u>-</u>	<u>250,172</u>
Total accumulated depreciation	<u>8,255,259</u>	<u>430,253</u>	<u>-</u>	<u>8,685,512</u>
Business-type activities capital assets, net	<u>\$ 9,451,041</u>	<u>\$ 2,560,487</u>	<u>\$ 164,255</u>	<u>\$11,847,273</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 75,340
Public safety:	
Police	38,907
Fire	34,638
Highway and streets	146,589
Relief	<u>524</u>
Total depreciation	<u>\$ 295,998</u>

7) Long-Term Debt

The following is a summary of revenue bond and long-term note transactions of the City for the year ended June 30, 2004:

General long-term debt:

Certificates of indebtedness payable at July 1, 2003	\$ 2,875,000
Certificates of indebtedness issued	2,585,000
Certificates of indebtedness retired	<u>(180,000)</u>
Certificates of indebtedness payable at June 30, 2004	<u>\$ 5,280,000</u>

Bonds payable at June 30, 2004 are comprised of the following individual issues:

General obligation bonds:

\$3,205,000 2001 general serial bonds due in annual installments varying in amounts through November 1, 2014; interest at 5.18%	\$ 2,695,000
\$2,585,000 2004 general serial bonds due in annual installments varying in amounts through November 1, 2014; interest at 3.35%	<u>2,585,000</u>
Total general obligation bonds	<u>\$ 5,280,000</u>

On July 23, 2001, the City issued \$3,205,000 in General Serial Bonds with a net interest rate of 5.18% to advance refund \$3,205,000 of outstanding 1997 Series bonds with a net interest rate of 5.1%. On June 26, 2003, the City made a payment of \$146,184.18 to advance refund \$145,000 of outstanding 2000 Series bonds plus \$1,184.18 of accrued interest.

On May 1, 2004, the City issued \$2,585,000 in General Serial Bonds with a net interest rate of 3.35% to advance refund \$2,585,000 of outstanding 2001 Series bonds with an interest rate of 5.18%. The City plans to pay the total outstanding balance of the 2001 Series bonds on November 1, 2004.

The City advance refunded the 2001 Series bonds to reduce its total debt service payments over the next ten years by approximately \$210,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$180,060.

The annual requirements to amortize all debt outstanding as of June 30, 2004, including interest payments of \$613,257 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>General Obligation</u>
2005	\$ 2,705,000	\$ 156,231	\$ 2,861,231
2006	220,000	82,578	302,578
2007	225,000	75,124	300,124
2008	235,000	67,419	302,419
2009	240,000	59,463	299,463
2010	250,000	51,255	301,255
2011	260,000	42,713	302,713
2012	270,000	33,835	303,835
2013	280,000	24,623	304,623
2014	295,000	14,991	309,991
2015	300,000	5,025	<u>305,025</u>
			<u>\$ 5,893,257</u>

8) Capital Project Fund

The capital project fund is being used to account for the construction of improvements to the municipal waterworks system and various streets within the City. Financing for the improvements is being provided by the renewal of a one cent sales tax. The work will entail water line relocation and the replacement of shell and asphalt streets with concrete. Additional capital projects include acquisition and development of North Westlake and Olin properties which are partly funded by general obligation debt of \$5,280,000. The long-term debt will be repaid from gaming industry distributions.

9) Property Tax

Taxes are levied on June 1, billed on November 1, and payable by December 31. The City bills and collects its own 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	\$ 141,442

10) 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, 2004 was \$4,070.

11) Dedication of Proceeds and Flow of Funds - Two and One-Half Percent Sales Tax

Proceeds of the two percent sales tax levied by the City of Westlake are collectible by the Sales Tax Fund and are dedicated and distributed as follows:

- A. One percent of the two percent collected is distributed to the Capital Projects Fund for the Water Fund/Street Improvement Program. This tax expires on June 30, 2007.
- B. An amount equal to .25 of one percent is transferred to the General Fund Street Department. This tax is a perpetual tax.
- C. An amount equal to .05 of one percent is transferred to the General Fund Police Department. This tax is a perpetual tax.
- D. An amount equal to .35 of one percent is distributed to the General Fund Fire Department. This tax is a perpetual tax.
- E. An amount equal to .35 of one percent is distributed to the Water Works Enterprise Fund. This tax is a perpetual tax.

Proceeds of the one-half percent sales tax, which was renewed on October 1, 1997 and is to run for ten years is dedicated to the following:

- A. The sales tax is to be used for the operation and maintenance of the Westlake Police Department.

12) 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 Employee's 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 which 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 Employee's Retirement System for the period ended June 30, 2003.

Funding Policy:

Plan members are required to contribute 7.5% of their annual covered salary and the City of Westlake is required to contribute at a statutorily determined rate. The current rate is 15.25% 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, 2004, 2003, and 2002 were \$93,605, \$88,211, and \$91,684, respectively, equal to the required contributions for each year.

Firefighters' Retirement System of the State of Louisiana

This system, which covers full-time fire department employees who are not members of other retirement systems, has the same contribution requirements and major benefits provisions as the Municipal Police Employees' Retirement System described above. Employees are required to contribute 8% of covered earnings, and the City is required to contribute an actuarially determined rate which is currently 21% of covered payroll.

The City of Westlake's contributions to the Firefighter's Retirement System for the years ended June 30, 2004 and 2003 were \$23,587 and \$21,783, respectively, which equals 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 Employee's 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 Employee's 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 Employee's Retirement System for the period ended June 30, 2003.

Funding Policy:

Plan members are required to contribute 9.25% of their annual covered salary and the City of Westlake is required to contribute at a statutorily determined rate. The current rate is 11.00% 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, 2004, 2003, and 2002 were \$111,794, \$174,952, and \$154,387, respectively, equal to the required contributions for each year.

13) Litigation

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

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

A lawsuit has been filed alleging the illegal termination of a former City employee. A settlement offer was made, however, the plaintiff rejected this offer. The City is contesting the suit and is confident that the case can be won. However, should there be an adverse judgment, the potential loss may be as much as \$100,000.

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

14) 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 \$1,000,000 per year. This payment is to provide funding to the City to offset the effects of the location of a river boat casino at a site known as the Burton Shell Yard. This amount will be paid evenly over four quarters each year as long as the owner of the river boat pays such amount to the Police Jury.

In the event the owner ceases operation of the casino at any time within six years of the opening date, the Police Jury and the City have agreed to an equal division of a \$1,000,000 annual cash payment.

This obligated annual payment will stop at any time the City begins the levying or collection of a head or similar tax from a river boat berthed in the City, unless the City agrees to contribute an amount to the Police Jury equal to the \$1,000,000 from any proceeds it receives from any river boat berthed in the City.

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

15) Rental Agreement

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

16) Release of Information

The implementation of GASB Statement No. 34 required the City to provide a complete and accurate listing, as well as additional information, on capital assets owned by the City. The City was unable to provide the appropriate capital asset information required to perform audit procedures until March 4, 2005. Audit procedures were applied to capital assets at that time, however, no additional audit procedures were applied to any other transaction classes or balances. As a result, dual dating of the City's audit report was required.

REQUIRED SUPPLEMENTARY INFORMATION

- **Budgetary comparisons**

CITY OF WESTLAKE, LOUISIANA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 GENERAL FUND
 Year Ended June 30, 2004

	2004		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenues:				
Tax revenue	\$ 1,177,000	\$ 1,177,000	\$ 1,681,296	\$ 504,296
Licenses and permits	162,900	162,900	190,233	27,333
Intergovernmental	307,365	307,365	327,712	20,347
Charges for services	228,400	228,400	294,988	66,588
Fines and forfeits	250,000	250,000	418,223	168,223
Investment income	3,000	3,000	68,092	65,092
Miscellaneous income	46,000	46,000	10,730	(35,270)
Bingo revenues	18,600	18,600	21,030	2,430
Donations	11,000	11,000	12,373	1,373
Post office lease	<u>75,700</u>	<u>75,700</u>	<u>75,708</u>	<u>8</u>
Total revenues	<u>2,279,965</u>	<u>2,279,965</u>	<u>3,100,385</u>	<u>820,420</u>
Expenditures:				
Current:				
General government	474,199	474,199	546,659	(72,460)
Police	1,113,000	1,113,000	1,050,277	62,723
Fire	640,645	640,645	610,278	30,367
Streets	327,174	327,174	334,677	(7,503)
Sanitation	217,017	217,017	226,798	(9,781)
Cemeteries	14,867	14,867	11,388	3,479
Civil defense	7,582	7,582	5,551	2,031
Relief	5,000	5,000	7,841	(2,841)
Post office	300	300	9,737	(9,437)
Bad debt expense	1,000	1,000	13,153	(12,153)
Capital outlay	<u>39,050</u>	<u>39,050</u>	<u>12,190</u>	<u>26,860</u>
Total expenditures	<u>2,839,834</u>	<u>2,839,834</u>	<u>2,828,549</u>	<u>11,285</u>
Excess (deficiency) of revenues over expenditures	(559,869)	(559,869)	271,836	831,705
Other financing sources (uses):				
Operating transfers in	<u>640,470</u>	<u>640,470</u>	<u>181,806</u>	<u>(458,664)</u>
Excess (deficiency) of revenues and other sources over expenditures	80,601	80,601	453,642	373,041
Fund balance at beginning of year	<u>351,046</u>	<u>351,046</u>	<u>351,046</u>	<u>-</u>
Fund balance at end of year	<u>\$ 431,647</u>	<u>\$ 431,647</u>	<u>\$ 804,688</u>	<u>\$ 373,041</u>

See accompanying notes to financial statements

CITY OF WESTLAKE, LOUISIANA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 SPECIAL REVENUE FUND
 Year Ended June 30, 2004

	2004		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenues:				
Tax revenue	\$ 24,000	\$ 24,000	\$ 20,925	\$ (3,075)
Investment income	-	-	809	809
Grant proceeds	<u>23,500</u>	<u>23,500</u>	<u>34,616</u>	<u>11,116</u>
Total revenues	<u>47,500</u>	<u>47,500</u>	<u>56,350</u>	<u>8,850</u>
Expenditures:				
Current:				
General government	24,000	24,000	23,457	543
Grant expenditures	<u>7,500</u>	<u>7,500</u>	<u>8,503</u>	<u>(1,003)</u>
Total expenditures	<u>31,500</u>	<u>31,500</u>	<u>31,960</u>	<u>(460)</u>
Excess (deficiency) of revenues over expenditures	16,000	16,000	24,390	8,390
Other financing sources (uses):				
Operating transfers out	<u>(16,000)</u>	<u>(16,000)</u>	<u>(31,965)</u>	<u>(15,965)</u>
Excess (deficiency) of revenues over expenditures and other uses	-	-	(7,575)	(7,575)
Fund balance at beginning of year	<u>43,929</u>	<u>43,929</u>	<u>43,929</u>	-
Fund balance at end of year	<u>\$ 43,929</u>	<u>\$ 43,929</u>	<u>\$ 36,354</u>	<u>\$ (7,575)</u>

See accompanying notes to financial statements

SUPPORTING SCHEDULE

CITY OF WESTLAKE, LOUISIANA

SCHEDULE OF COMPENSATION PAID TO MAYOR AND CITY COUNCIL MEMBERS
 Years Ended June 30, 2004 and 2003

<u>Name and Title</u>	<u>Compensation</u>	
	<u>2004</u>	<u>2003</u>
Dudley R. Dixon, Mayor	\$ 55,071	\$ 53,956
Mr. Gerald Washington, Councilman, Mayor Pro-Tem	6,037	6,211
Mr. John Cradure, Councilman	-	2,275
Mr. Daniel Cupit, Councilman	4,218	4,524
Mr. Walter Hayes, Councilman	-	2,275
Mr. Wally Anderson, Councilman	4,359	4,524
Mr. Daniel Racca, Councilman	4,359	2,109
Mr. Robert Hardy, Councilman	4,359	2,250

CITY OF WESTLAKE, LOUISIANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2004

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Grantor's Number</u>	<u>Expenditures</u>
Local Law Enforcement Equipment Grant	16.592		\$ 1,378
Local Law Enforcement Block Grant	16.592		3,813
Louisiana Commission on Law Enforcement and Administration of Criminal Justice- Street Sales Disruption	16.579		21,975
Loan-Department of Environmental Quality (Note B)	66.418		<u>2,684,627</u>
Total expenditures for federal awards			<u>\$ 2,711,793</u>

See accompanying notes to schedule of expenditures of federal awards.

CITY OF WESTLAKE, LOUISIANA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2004

Note A. Basis of Presentation

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

Note B. Department of Environmental Quality Loan

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

COMPLIANCE, INTERNAL CONTROL REPORTS

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Judson J. McCann, Jr., CPA, Retired

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

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

Honorable Dudley R. Dixon, Mayor
and City Council Members
Westlake, Louisiana

We have audited the financial statements of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Westlake, Louisiana as of and for the year ended June 30, 2004, which collectively comprise the City of Westlake, Louisiana's basic financial statements, and have issued our report thereon dated November 1, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Westlake's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*, which are described in the Schedule of Findings and Questioned Costs in 04-2.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Westlake's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Westlake's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the Schedule of Findings and Questioned Costs in 04-1, 04-2 and 04-3.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we considered items 04-3 to be a material weakness.

Other Information and Recommendations

We also noted other matters involving internal control and its operation that are reported in Appendix A of this report.

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.

Mc Elroy, Quirk & Burch

Lake Charles, Louisiana

November 1, 2004 (except for Note 16, as to which the date is March 4, 2005)

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

Honorable Dudley R. Dixon, Mayor
and City Council Members
Westlake, Louisiana

Compliance

We have audited the compliance of City of Westlake with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. City of Westlake's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Westlake's management. Our responsibility is to express an opinion on Westlake's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Westlake's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Westlake's compliance with those requirements.

In our opinion, the City of Westlake complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of the City of Westlake is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Westlake's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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.

M^s Elroy, Quirk & Burch

Lake Charles, Louisiana

November 1, 2004 (except for Note 16, as to which the date is March 4, 2005)

CITY OF WESTLAKE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2004

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
66.418	Loan-Department of Environmental Quality

Dollar threshold used to distinguish
between Type A and Type B programs: \$ 300,000
Auditee qualified as low-risk auditee? Yes No

(continued on next page)

CITY OF WESTLAKE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2004
(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

04-1 Segregation of Duties

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

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

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

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

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

CITY OF WESTLAKE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2004

(Continued)

04-2 Audit Report Issued After Statutory Deadline

Condition: The June 30, 2004 financial statements were not filed with the Legislative Auditor's office by December 31, 2004 as required by LSA-RS 24:514.

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: Steps should be taken to ensure all audit reports be issued in a timely manner.

Response: The reason for the late filing was due to additional unforeseen time needed to compile financial statements that complied with the requirements of GASB 34 as described in Note 1B of the financial statements. The fixed asset information and Management Discussion and Analysis needed to comply with the requirements of GASB 34 were not completed until March, 2005. Future filings of the annual financial statements will be issued within the time allotted by the Legislative Auditor.

CITY OF WESTLAKE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2004

(Continued)

04-3 License and Permit Department Fraud

Condition: The Licensing clerk was allegedly collecting fees and depositing the money into the clerk's personal bank account. The matter went to the grand jury. The clerk was ordered to pay restitution of \$1,600 to the City of Westlake. Restitution was received by the City as of June 30, 2004.

Criteria: All monies collected should be well documented and deposited the day it is received.

Effect: The City is susceptible to loss.

Recommendation: Proper internal controls should be developed and implemented regarding the documentation, review and daily depositing of monies collected.

Response: The licensing clerk was terminated and restitution was received. The City also agrees with the recommendation and daily deposits from the license and permit department are made when monies are received. The City has also implemented a more stringent review process.

CITY OF WESTLAKE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2004

(Continued)

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings.

CITY OF WESTLAKE, LOUISIANA

OTHER INFORMATION AND RECOMMENDATIONS
Year Ended June 30, 2004

Large Interfund Payables and Receivables

Condition: During our review of the various interfund payables and receivables, it was noted that several funds had large receivables and payables.

Recommendation: It is recommended that the interfund payables and receivables be liquidated in a timely manner.

Response: Management agrees with the comment and proposes a monthly review and repayment of interfund payables and receivables in all instances where feasible. Interfund activities are being examined and a reconciliation and clearing of these transactions is planned on a monthly basis.

Monitoring and Investing Excess Funds

Condition: We noted some investment accounts and cash accounts with large balances which were invested in very low yielding products. There were insufficient procedures in place to monitor these cash balances in order to invest the excess funds in higher yielding investments. This results in the loss of interest earnings.

Recommendation: It is recommended that procedures be put into place to monitor cash balances and to ensure that all excess balances are properly invested.

Response: Management agrees with the comment and will put procedures in place to monitor excess funds and make proper investing decisions for those funds.

CITY OF WESTLAKE, LOUISIANA

SCHEDULE OF PRIOR YEAR MANAGEMENT COMMENTS AND SUGGESTIONS

June 30, 2004

03-1 Fixed Asset Accountability

Condition: Over the years the City has acquired a substantial amount of fixed assets. The City has begun the process to develop the listing, however, the specific detailed listing of individual assets was not complete as of the end of the year as required by Louisiana law.

Recommendation: A complete inventory should be taken of all City owned property, buildings, equipment and vehicles to specifically identify all fixed assets of the City. This procedure would require an inventory process, as well as tagging and identifying fixed assets by type and location. Management would need to adopt a capitalization policy to determine what dollar level of assets are to be accounted for. Once the inventory process is complete, it is recommended that a procedure be implemented to tag and identify new fixed assets as they are acquired to insure that the inventory process will not have to be repeated.

Current status: The City performed an extensive inventory of its capital assets and made a comprehensive list of these assets. The City's management will maintain and periodically review this list.

CITY OF WESTLAKE, LOUISIANA

SCHEDULE OF PRIOR YEAR MANAGEMENT COMMENTS AND SUGGESTIONS

June 30, 2004

(Continued)

03-2 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 reportable condition 03-1.

03-3 Overdue Utility Receivables

Condition: A significant portion of the utility receivables are not current.

Recommendation: A formal policy for delinquent accounts receivable should be adopted and enforced. The policy should address collection, cutoff procedures, and opening and closing accounts. It is further recommended that a review of all accounts be made on a monthly basis and that proper actions be taken on delinquent accounts. Any accounts that are currently considered uncollectible should be written off.

Current status: Accounts were written down for financial statement purposes for the fiscal year ended June 30, 2004. Procedures were put into place to monitor delinquent accounts so that appropriate decisions could be made to close these accounts. Also, collection efforts of these delinquent accounts was greatly improved.

CITY OF WESTLAKE, LOUISIANA

SCHEDULE OF PRIOR YEAR MANAGEMENT COMMENTS AND SUGGESTIONS

June 30, 2004

(Continued)

03-4 Compliance with Department of Environmental Quality Requirements

Condition: The City set up a separate accounting system in the Capital Projects Fund to account for Department of Environmental Quality (DEQ) program, however, the money received from the project was being deposited with other money. The DEQ Program money should not be commingled with other monies received by the City. As of June 30, 2003, no separate bank account has been established.

Criteria: The DEQ loan documents require that the loan proceeds be accounted for in a separate accounting system or in some other manner as to easily separate the DEQ Program.

Effect: Compliance with DEQ loan requirements will not have been accomplished.

Recommendation: We recommend that a separate bank account be opened for the exclusive purpose of depositing all monies collected and paying of related expenditures established by the DEQ loan.

Response: During the fiscal year ended June 30, 2004, the City opened and maintained a separate bank account to collect and disburse monies collected from the DEQ loan.