

CITY OF BASTROP, LOUISIANA

FINANCIAL REPORT

June 30, 2009

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

Release Date 7/14/10

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HILL, INZINA & COMPANY

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

The Honorable Clarence W. Hawkins, Mayor,
and Members of the Board of Aldermen
City of Bastrop, Louisiana

We have audited the accompanying financial statements of the governmental activities and each major fund of City of Bastrop, Louisiana (the "City"), as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City as of June 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2010 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. Management's discussion and analysis and the budgetary comparison schedules, presented as required supplementary information, 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 required supplementary information and express no opinion on it. The other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements of the City. The accompanying schedule of expenditures of federal awards is presented as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/Hill, Inzina & Co.

June 19, 2010

REQUIRED SUPPLEMENTARY INFORMATION (Part 1 of 2)

CITY OF BASTROP, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and for the Year Ended June 30, 200

As management of City of Bastrop, Louisiana (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2009. This discussion and analysis of management is designed to provide an objective and easy-to-read analysis of the City's financial activities based on currently known facts, decisions, or conditions. *It is intended to provide readers with a broad overview of the City's finances.* It is also intended to provide readers with an analysis of the short-term and long-term activities of the City based on information presented in the financial report and fiscal policies that have been adopted by the City. Specifically, this section is designed to assist the readers in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position (its ability to address the next and subsequent years' challenges), identify any material deviations from the financial plan (the approved budget), and identify individual issues or concerns of individual funds.

As with other sections of this financial report, the information contained within this discussion and analysis of management should be considered only a part of a greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the footnotes and supplementary information that are provided in addition to this discussion and analysis of management.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's financial statements. The City's basic financial statements consist of the following components:

1. Government-wide financial statements

Government-wide financial statements are designed by GASB Statement No. 34 to provide readers with a concise "entity-wide" statement of net assets and statement of activities, seeking to give the users of the financial statements a broad overview of the City's financial position and results of operations in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. The difference between assets and liabilities is reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or weakening. Evaluation of the overall economic health of the City would extend to other nonfinancial factors in addition to the financial information provided in this report.

The statement of activities presents information detailing how the City's net assets changed during the most recent fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of this statement is to show the financial reliance of the City's distinct activities or functions on revenues provided by the citizenry of the City.

The government-wide financial statements report governmental activities of the City that are principally supported by taxes and intergovernmental revenues. Governmental activities include general administrative services, public safety, public works, sanitation, and public improvements.

2. Fund financial statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. All of the funds of the City are governmental funds that are used to account for all of the City's basic services and are reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and commitment of spendable resources for the near-term.

3. Notes to financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

In addition to the basic financial statements, the City also includes in this report additional information to supplement the basic financial statements.

Government-Wide Financial Analysis

The following provides a summary of the net assets (in thousands of dollars) of the City's governmental activities as of June 30:

	<u>2009</u>	<u>2008</u>
Other assets	\$ 9,406	\$ 8,424
Capital assets	<u>6,749</u>	<u>6,295</u>
Total assets	<u>\$ 16,155</u>	<u>\$ 14,719</u>
Other liabilities	\$ 790	\$ 708
Long-term liabilities	<u>10,394</u>	<u>11,317</u>
Total liabilities	<u>\$ 11,184</u>	<u>\$ 12,025</u>
Net assets:		
Invested in capital assets, net of related debt	\$ 6,031	\$ 5,650
Restricted	5,304	5,299
Unrestricted (deficit)	<u>(6,364)</u>	<u>(8,255)</u>
Total net assets	<u>\$ 4,971</u>	<u>\$ 2,694</u>

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. *Restricted net assets of the governmental activities represent resources that are subject to external restrictions as to how they may be used.*

The following summarizes the City's net asset changes (in thousands of dollars) of the governmental activities between the two years ended June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Revenues and special item:		
Program revenues:		
Charges for services	\$ 2,060	\$ 1,854
Operating grants and contributions	1,324	770
Capital grants and contributions	578	510
General revenues:		
Taxes	9,440	9,468
Intergovernmental	961	684
Unrestricted investment earnings	66	270
Miscellaneous	392	379
Special item	(3)	30
Total revenues and special item	<u>\$ 14,818</u>	<u>\$ 13,965</u>
Expenses:		
General government	\$ 3,284	\$ 3,396
Public safety	5,051	4,933
Public works	2,230	4,610
Sanitation	1,464	1,328
Economic development	66	21
Debt service	435	475
Total expenses	<u>\$ 12,530</u>	<u>\$ 14,763</u>
Change in net assets	\$ 2,288	\$(798)
Net assets - beginning	2,684	2,664
Prior period adjustments	<u>-</u>	<u>828</u>
Net assets - ending	<u>\$ 4,972</u>	<u>\$ 2,694</u>

The City's total revenues increased by only \$853,000 while the total costs of all programs and services decreased by \$2,233,000. Public works expenses decreased by \$2,380,000 due largely to a decrease in street overlay projects from the year ended June 30, 2008 by \$2,432,000.

General revenues are those available for the City to pay for the governmental activities. For the year ended June 30, 2009, taxes were the largest general revenue source for the City and charges for services were second. Sales taxes were the largest tax revenue source.

Program revenues derive directly from the program itself or from parties outside the City's taxpayers or citizenry. As a whole, they reduce the cost of the function to be financed from the City's general revenues.

Financial Analysis of Governmental Funds

As of June 30, 2009, the City's governmental funds reported combined ending fund balances of \$8,647,019, an increase of \$896,032 from \$7,750,987 as of June 30, 2008. Reserved fund balances from June 30, 2008 to June 30, 2009 increased from \$5,352,893 to \$5,378,594.

Budgetary Highlights

The City made amendments to all of its budgets with there being no unfavorable variances of 5% or more in the final budgets.

The total expenditures and other financing uses originally budgeted for the Sewer Use Fee Fund and Sales Tax Fund for the year ended June 30, 2009 exceeded the total revenues, other financing sources, and beginning fund balances originally budgeted by \$92,374 and \$2,633,824, respectively.

Capital Assets and Debt Administration

The City's major capital asset additions during the current fiscal year were for equipment for the police and fire departments funded by capital grants and capital lease proceeds, respectively. Depreciation of capital assets of \$527,081 for the year ended June 30, 2009 was recorded in the governmental activities of the government-wide financial statements.

As of June 30, 2009, the City had long-term liabilities comprised of the following:

Certificates of indebtedness	\$	1,312,063
Capital leases		374,320
Compensated absences		200,450
Pension liabilities		156,334
Sewer revenue bonds		6,410,000
Sales tax revenue bonds		<u>1,940,000</u>
Total long-term liabilities	\$	<u>10,393,167</u>

All debt service requirements of the current fiscal year were timely met. The majority of long-term debt liabilities incurred for the year ended June 30, 2009 were capital leases while the majority of long-term debt retirements were made for sewer revenue bonds.

Economic Factor's and Next Year's Budget

The City expected some changes in operations for the fiscal year ending June 30, 2010 adopting the budget of the General Fund with revenues increasing only by approximately \$589,000 and expenditures decreasing by approximately \$1,740,000. The original budget adopted for the Sewer Use Fee Fund had revenues decreasing by approximately \$767,000 from the year ended June 30, 2009 and budgeted expenditures decreasing by \$225,000. Construction costs of \$1,700,000 were originally budgeted for the Sales Tax Fund to be paid with already available funds.

Requests for Information

This financial report is designed to provide a general overview of the City's financial picture for all those with an interest in the City's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the City Clerk, P. O. Box 431, Bastrop, Louisiana 71221-0431.

BASIC FINANCIAL STATEMENTS

CITY OF BASTROP, LOUISIANA

STATEMENT OF NET ASSETS - GOVERNMENTAL ACTIVITIES

June 30, 2009

ASSETS

Cash	\$ 2,573,300
Pooled deposits	3,138,501
Receivables:	
Accounts	152,197
Taxes	100,235
Other	26,170
Inventory	49,859
Due from other governments	1,849,291
Restricted assets:	
Cash	349,151
Money market mutual funds	284,582
Pooled deposits	882,459
Capital assets:	
Land	921,798
Construction in progress	186,674
Other capital assets, net of depreciation	<u>5,641,011</u>
 Total assets	 <u>\$ 16,155,228</u>

(continued)

CITY OF BASTROP, LOUISIANA

STATEMENT OF NET ASSETS - GOVERNMENTAL ACTIVITIES (Continued)
June 30, 2009

LIABILITIES

Accounts payable	\$ 577,959
Accrued salaries	140,478
Refund due	39,172
Payable from restricted assets	1,117
Accrued interest	32,072
Long-term liabilities:	
Due within one year	1,172,917
Due in more than one year	<u>9,220,250</u>
Total liabilities	<u>\$ 11,183,965</u>

NET ASSETS

Invested in capital assets, net of related debt	\$ 6,030,902
Restricted for debt service	5,303,943
Unrestricted (deficit)	<u>(6,363,582)</u>
Total net assets	<u>\$ 4,971,263</u>
 Total liabilities and net assets	 <u>\$ 16,155,228</u>

See notes to financial statements.

CITY OF BASTROP, LOUISIANA

STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
As of and for the Year Ended June 30, 2009

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
Functions/Programs:					
Current:					
General government	\$ 3,283,654	\$ 717,442	\$ 967,317	\$ 51,392	\$(1,547,503)
Public safety	5,050,721	191,148	326,639	526,592	(4,006,342)
Public works	2,230,371	116,270	-	-	(2,114,101)
Sanitation	1,464,114	1,035,290	30,000	-	(398,824)
Economic development	65,739	-	-	-	(65,739)
Debt service:					
Interest and fiscal charges	<u>435,172</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(435,172)</u>
Totals	<u>\$ 12,529,771</u>	<u>\$ 2,060,150</u>	<u>\$ 1,323,956</u>	<u>\$ 577,984</u>	<u>\$(8,567,681)</u>
General revenues:					
					\$ 9,439,957
					961,464
					65,598
					391,535
Special item:					
					<u>(3,461)</u>
					<u>\$ 10,855,093</u>
					\$ 2,287,412
					<u>2,683,851</u>
					<u>\$ 4,971,263</u>

See notes to financial statements.

CITY OF BASTROP, LOUISIANA

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2009

ASSETS	<u>General Fund</u>	<u>Sewer Use Fee Fund</u>	<u>Sales Tax Fund</u>	<u>Totals</u>
Cash	\$ 403,826	\$ 75,226	\$ 2,094,248	\$ 2,573,300
Pooled deposits	1,657,189	1,481,312	-	3,138,501
Receivables:				
Accounts	-	152,197	-	152,197
Taxes	96,695	-	3,540	100,235
Other	26,170	-	-	26,170
Inventory	49,859	-	-	49,859
Due from other governments	1,849,291	-	-	1,849,291
Due from other funds	-	-	18,408	18,408
Restricted assets:				
Cash	288	48,502	300,361	349,151
Money market mutual funds	-	284,582	-	284,582
Pooled deposits	-	882,459	-	882,459
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 4,083,318</u>	<u>\$ 2,924,278</u>	<u>\$ 2,416,557</u>	<u>\$ 9,424,153</u>

(continued)

CITY OF BASTROP, LOUISIANA

BALANCE SHEET - GOVERNMENTAL FUNDS (Continued)
June 30, 2009

LIABILITIES AND FUND BALANCES	<u>General Fund</u>	<u>Sewer Use Fee Fund</u>	<u>Sales Tax Fund</u>	<u>Totals</u>
Liabilities:				
Accounts payable	\$ 577,959	\$ -	\$ -	\$ 577,959
Accrued salaries	140,478	-	-	140,478
Due to other funds	6,308	12,100	-	18,408
Refund due	39,172	-	-	39,172
Payable from restricted asset	<u>1,117</u>	<u>-</u>	<u>-</u>	<u>1,117</u>
Total liabilities	<u>\$ 765,034</u>	<u>\$ 12,100</u>	<u>\$ -</u>	<u>\$ 777,134</u>
Fund balances:				
Reserved for inventory	\$ 49,859	\$ -	\$ -	\$ 49,859
Reserved for debt service	-	2,912,178	2,416,557	5,328,735
Unreserved and undesignated	<u>3,268,425</u>	<u>-</u>	<u>-</u>	<u>3,268,425</u>
Total fund balances	<u>\$ 3,318,284</u>	<u>\$ 2,912,178</u>	<u>\$ 2,416,557</u>	<u>\$ 8,647,019</u>
Total liabilities and fund balances	<u>\$ 4,083,318</u>	<u>\$ 2,924,278</u>	<u>\$ 2,416,557</u>	<u>\$ 9,424,153</u>

See notes to financial statements.

CITY OF BASTROP, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE
IN FUND BALANCES - GOVERNMENTAL FUNDS

As of and for the Year Ended June 30, 2009

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Sewer Use Fee Fund</u>	<u>Sales Tax Fund</u>	<u>Totals</u>
Revenues:					
Taxes	\$ 8,516,745	\$ -	\$ -	\$ 923,212	\$ 9,439,957
Licenses and permits	700,765	-	-	-	700,765
Intergovernmental	2,699,923	30,000	-	-	2,729,923
Fees, charges, and commissions for services	311,613	-	1,035,290	-	1,346,903
Fines and forfeitures	158,053	-	-	-	158,053
Interest and miscellaneous	402,087	-	32,854	10,102	445,043
Total revenues	<u>\$ 12,789,186</u>	<u>\$ 30,000</u>	<u>\$ 1,068,144</u>	<u>\$ 933,314</u>	<u>\$ 14,820,644</u>
Expenditures:					
Current:					
General government	\$ 3,166,282	\$ -	\$ -	\$ -	\$ 3,166,282
Public safety	4,794,779	-	-	-	4,794,779
Public works	1,939,639	-	-	191,459	2,131,098
Sanitation	1,086,708	82,325	225,181	-	1,394,214
Economic development	65,739	-	-	-	65,739
Debt service:					
Principal	1,804,755	-	505,000	323,293	2,633,048
Interest and fiscal charges	60,419	-	272,970	104,667	438,056
Capital outlay	910,149	-	-	94,789	1,004,938
Total expenditures	<u>\$ 13,828,470</u>	<u>\$ 82,325</u>	<u>\$ 1,003,151</u>	<u>\$ 714,208</u>	<u>\$ 15,628,154</u>
Excess (deficiency) of revenues over expenditures	<u>\$(1,039,284)</u>	<u>\$(52,325)</u>	<u>\$ 64,993</u>	<u>\$ 219,106</u>	<u>\$(807,510)</u>

(continued)

CITY OF BASTROP, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS (Continued)

As of and for the Year Ended June 30, 2009

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Sewer Use Fee Fund</u>	<u>Sales Tax Fund</u>	<u>Totals</u>
Other financing sources (uses):					
Sale of capital assets	\$ 9,492	\$ -	\$ -	\$ -	\$ 9,492
Operating transfers in (out)	-	52,325	(52,325)	-	-
Revenue anticipation note proceeds	1,500,000	-	-	-	1,500,000
Capital lease proceeds	<u>194,050</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>194,050</u>
Total other financing sources (uses)	<u>\$ 1,703,542</u>	<u>\$ 52,325</u>	<u>\$(52,325)</u>	<u>\$ -</u>	<u>\$ 1,703,542</u>
Net change in fund balances	\$ 664,258	\$ -	\$ 12,668	\$ 219,106	\$ 896,032
Fund balances - beginning	<u>2,654,026</u>	<u>-</u>	<u>2,899,510</u>	<u>2,197,451</u>	<u>7,750,987</u>
Fund balances - ending	<u>\$ 3,318,284</u>	<u>\$ -</u>	<u>\$ 2,912,178</u>	<u>\$ 2,416,557</u>	<u>\$ 8,647,019</u>

See notes to financial statements.

CITY OF BASTROP, LOUISIANA

RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET
TO GOVERNMENT-WIDE STATEMENT OF NET ASSETS

June 30, 2009

Total fund balances - governmental funds balance sheet	\$ 8,647,019
Amounts reported for governmental activities in statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	6,749,483
Long-term liabilities and accrued interest are not due and payable in the current period and therefore are not reported in the funds.	<u>(10,425,239)</u>
Total net assets of governmental activities - government-wide statement of net assets	<u>\$ 4,971,263</u>

See notes to financial statements.

CITY OF BASTROP, LOUISIANA

RECONCILIATION OF GOVERNMENTAL FUND STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

June 30, 2009

Net change in fund balances - governmental funds \$ 896,032

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as a depreciation expense. This is the amount by which capital outlays (\$1,004,938) exceeded depreciation expense (\$527,081) in the current period. 477,857

In the statement of activities, only the net loss on the sale of capital assets (\$3,461) is reported, whereas in the governmental funds, the proceeds from the sale (\$9,492) increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold. (12,953)

Governmental funds report debt proceeds as current financial resources. However, in the statement of activities, debt proceeds increase long-term liabilities. This is the amount of current debt proceeds. (1,694,050)

Governmental funds report principal and interest payments on long-term obligations as an expense when actually paid. However, in the statement of activities, interest is expensed as accrued and principal payments are reported as reductions of the related debt. This is the amount related to these reporting differences. 2,635,932

Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (15,406)

Changes in net assets of governmental activities - government-wide statement of activities \$ 2,287,412

See notes to financial statements.

CITY OF BASTROP, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2009

Note 1. Organization and Summary of Significant Accounting Policies

City of Bastrop, Louisiana (the "City"), operates under a mayor-board of aldermen form of government in accordance with the provisions of the charter adopted July 3, 1952. Citizens elect the mayor (at large) and five council members (by districts) who are each compensated. The City is located in northeast Louisiana, its population is approximately 13,000, and it employs approximately 175 people.

The following services are provided as authorized by its charter: general administrative services, public safety (police and fire), public works (building maintenance, cemetery, health, recreation, and streets), sanitation, and public improvements.

Governmental Accounting Standards Board (GASB) Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the City is considered a primary government, as it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the City may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt.

The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. the ability of the municipality to impose its will on that organization and/or
 - b. the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the municipality.
2. Organizations for which the municipality does not appoint a voting majority but are fiscally dependent on the municipality.
3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

NOTES TO FINANCIAL STATEMENTS

Based on the criteria, the City has determined that City of Bastrop Sales Tax District No. 1 is a component unit of the reporting entity. As required by generally accepted accounting principles, these financial statements present the primary government (the City) and its component unit. The component unit is reported as part of the municipality and blended with the appropriate municipality funds.

Component units that are legally separate from the municipality, but are so intertwined with the municipality that they are, in substance, the same as the municipality, are blended component units. For a component unit to be blended, the organization's board and the municipality's must be substantively the same or the organization must provide services entirely or almost entirely to the municipality.

Also considered in the determination of component units of the reporting entity were Bastrop City Marshal and City Court of Bastrop. The day-to-day operations of the marshal and court are funded by the City's General Fund and their activities are primarily for residents of the City. However, the agency funds of these two entities are not shown in this report and their individual financial statements are available by contacting the entities. These governmental entities are staffed by independently elected officials and are legally separate from the City.

The more significant of the City's accounting policies are described below:

Government-Wide Financial Statements:

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the City as a whole. Individual funds are not displayed but the statements report governmental activities, generally supported by taxes and intergovernmental revenues. The City has no business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses 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 for services which report licenses, permits, fees, fines, forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported instead as general revenues.

NOTES TO FINANCIAL STATEMENTS

Fund Financial Statements:

Fund financial statements are provided for governmental funds with major individual governmental funds reported in separate columns.

Basis of Accounting, Measurement Focus, and Financial Statement Presentation:

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include services provided to City departments. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Ad valorem tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest related to long-term debt, as well as expenditures related to compensated absences, which are reported as expenditures only when payment is due.

Major revenue sources susceptible to accrual are ad valorem taxes, sales taxes, gross receipts taxes, intergovernmental revenues, and sewer use fees. In general, other revenues are recognized when cash is received.

Fund Types and Major Funds:

The City reports the following major governmental funds:

General Fund - the general operating fund of the City and accounts for all financial resources, except those required to be accounted for in other funds.

Capital Projects Fund - accounts for financial resources received and used for the acquisition, construction, or improvement of capital assets not reported in the other governmental funds.

NOTES TO FINANCIAL STATEMENTS

Sewer Use Fee Fund - accounts for a dedicated source of revenue available for repayment of funds borrowed to make improvements to the sewage treatment and collection systems.

Sales Tax Fund - accounts for a dedicated source of revenue available for maintaining, improving, repairing, and extending streets, sidewalks, alleys, roadways, and related drainage within the territorial limits of City of Bastrop Sales Tax District No. 1.

Budgets and Budgetary Accounting:

The Board of Aldermen adopted annual budgets for the General Fund and Special Revenue Funds (Sewer Use Fee and Sales Tax) on June 30, 2008. The annual budgets were prepared in accordance with the basis of accounting utilized by the funds. The City Clerk is authorized to transfer budgeted amounts within and among departments; however, any revisions that alter total expenditures, resulting from revenues exceeding amounts estimated, must be approved by the Board of Aldermen. Final amendments were made to all budgets on June 11, 2009 and the budgetary comparison schedules, included as supplementary information in the accompanying financial statements, include the original and final amended budgeted amounts. All annual appropriations lapse at the end of each fiscal year.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash:

Cash includes amounts in interest-bearing demand and time deposits. Under state law, the City may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Money Market Mutual Funds and Pooled Deposits:

Money market mutual funds and pooled deposits are stated at fair value based on quoted market values. The fair value of the deposits is determined on a weekly basis to monitor any variances between amortized cost and market value. Legally binding guarantees have not been obtained to support the value of the deposits as all are short-term, highly-liquid securities.

NOTES TO FINANCIAL STATEMENTS

State statutes authorize the City to invest in United States bonds, treasury notes and bills, or certificates or time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. In addition, local governments in Louisiana are authorized to invest in Louisiana Asset Management Pool, Inc. (LAMP), a non-profit corporation formed by an initiative of the State Treasurer in 1993 and organized under the laws of the State of Louisiana, which operates a local government investment pool.

Receivables and Due From Other Governments:

Significant receivables include franchise taxes, sales taxes, intergovernmental revenues, and amounts due from customers for utility services. Un-billed utility service receivables resulting from utility services rendered from the last date prior to the end of the fiscal year that meters were read to the end of the fiscal year are included in the amounts recorded as due from utility customers. Intergovernmental receivables are primarily comprised of amounts due from Bastrop Area Fire Protection District No. 2 (see Note 18). Revenue from grants is recorded as earned when eligibility requirements are met.

Uncollectible Allowance:

The statements contain no provision for uncollectible accounts. City management is of the opinion that such allowance would be immaterial in relation to the financial statements taken as a whole.

Inventory:

Inventory of the General Fund consists of expendable supplies held for consumption and is reported at cost. Expenditures are recognized when the items are purchased.

Interfund Transactions:

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are reported as due to/from other funds (i.e. the current portion of interfund loans) in the fund financial statements.

Transfers and payments within the reporting entity that are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis are reported as operating transfers between funds of the reporting entity.

Interfund transactions are eliminated in the government-wide financial statement of activities within the segregated governmental activities.

NOTES TO FINANCIAL STATEMENTS

Restricted Assets:

Restricted assets are reported for cash, money market mutual funds, or pooled deposits legally restricted for specified uses such as payment of debt service and fiscal fees on long-term debt.

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

Capital Assets and Depreciation:

Capital assets, which include property, plant, and equipment, with useful lives of more than one year, are reported in the government-wide financial statements. Capital assets are recorded at historical cost or estimated cost if historical cost is not available. Donated assets are stated at fair value on the date of donation.

The City generally capitalizes all individual assets (including infrastructure) with costs of \$2,500 or more as purchase and construction outlays occur. City's management opted, upon implementing GASB No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* during the fiscal year ended June 30, 2007, not to retroactively report general infrastructure assets.

The costs of normal maintenance and repairs not adding to an asset's value or materially extending its useful life are not capitalized. Upon disposition of capital assets, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

As surplus assets are sold when declared no longer needed for public purposes, salvage value is taken into consideration for depreciation purposes. All capital assets, other than land and construction in progress, are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	25 - 40 years
Machinery and equipment	5 - 15 years
Roads	20 years

NOTES TO FINANCIAL STATEMENTS

Accumulated Compensated Absences:

Allowable annual vacation and sick leave is prescribed by municipal ordinance, based on length of continuous employment by the City, accrued on an employment anniversary basis, and accrued to specified maximums. Compensatory time is also granted to supervisory personnel in lieu of overtime pay. Employees may accumulate unused compensatory time which is paid to the employee in the form of time off or at the employee's current rate of pay upon separation from service.

The City's recognition and measurement criteria for compensated absences follows:

GASB Statement No. 16, *Accounting for Compensated Absences*, provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

1. The employees' rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employee for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

GASB Statement No. 16 provides that a liability for sick leave should be accrued using one of the following approaches:

1. An accrual for earned sick leave should be made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals.
2. Alternatively, a governmental entity should estimate its accrued sick leave liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments.

Estimated accrued compensated absences resulting from unused vacation and compensatory time at the end of the fiscal year are recorded as long-term liabilities in the government-wide financial statements. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

NOTES TO FINANCIAL STATEMENTS

Compensated absences are paid from the General Fund that is responsible for all employees' compensation.

Long-Term Liabilities:

Accrued compensated absences, outstanding debt, and the related accrued interest is reported as liabilities in the government-wide financial statements. The fund financial statements recognize proceeds of debt as other financing sources of the current period. Expenditures for compensated absences, long-term debt principal, and interest payments are recorded in the fund financial statements only when payment is due.

Equity Classifications:

In the government-wide financial statements, equity is classified as net assets and classified into two components:

1. Restricted - consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
2. Unrestricted - consists of all other assets.

In the fund financial statements, governmental fund balances are classified as reserved or unreserved, with unreserved further classified as undesignated as amounts are available for appropriation and not legally restricted for specified purposes. Fund balance is reserved for amounts not available for appropriation or legally restricted for specified purposes.

Revenue Recognition - Ad Valorem and Sales/Use Taxes:

Ad valorem taxes attach as an enforceable lien on property as of January 1. Taxes are levied by the City in September or October, are actually billed to the taxpayers in November, and are due and payable on or before December 31 of the same year or the unpaid taxes become delinquent. The City bills and collects its own property taxes using the assessed values determined by the tax assessor of Morehouse Parish.

Sales/use taxes collected and held by other governments at year end on behalf of the City and those collected by other governments and remitted to the City within 60 days after June 30 for preceding months are recognized as revenue. The sales/use taxes are collected by Morehouse Sales and Use Tax Commission and remitted to the City.

NOTES TO FINANCIAL STATEMENTS

Note 2. Cash and Deposits

The following is a summary of cash and deposits of the City as of June 30, 2009:

Non-pooled deposits:	
Interest-bearing demand deposits	\$ 2,921,049
Petty cash	1,400
Money market mutual funds	284,584
Pooled deposits	<u>4,020,960</u>
	<u>\$ 7,227,993</u>

The non-pooled deposits are stated at cost, which approximates market. Under state law, the non-pooled deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held by the City or its agent in the name of the City in a holding or custodial bank that is mutually acceptable to both parties.

As of June 30, 2009, the City had \$3,188,146 in non-pooled demand deposits (collected bank balances). These deposits were secured from risk by \$500,000 of federal deposit insurance and \$2,688,146 of pledged securities held by the City and the pledging financial institution's trust department or their agents in the City's name.

Collateralization is not required for investments in money market mutual funds.

Pooled deposits are held as of June 30, 2009 by Louisiana Asset Management Pool, Inc. (LAMP) and the corporate trust department of Regions Bank. In accordance with GASB, the pooled deposits held by the City as of June 30, 2009 are not categorized in the three risk categories provided by GASB because the pooled deposits are in pools of funds and thereby not evidenced by securities that exist in physical or book entry form.

LAMP is administered by a Louisiana non-profit corporation, LAMP, Inc., which is governed by a board of members elected by the pool's participants each year at the annual meeting. The objective of LAMP is to provide safety of principal and daily liquidity with a competitive rate of return. LAMP invests its assets only in securities and other obligations that are permissible under Louisiana state law for local governments. Regions Bank restricts its investments to securities issued, guaranteed, or otherwise backed by the U.S. Treasury, the U.S. government, or one of its agencies or instrumentalities, government-only money market funds rated AAAM by Standard & Poor's, and commercial paper of domestic United States corporations rated A-1 or A-1+ by Standard & Poor's.

NOTES TO FINANCIAL STATEMENTS

There were no repurchase or reverse repurchase agreements as of June 30, 2009. The City had not formally adopted deposit and investment policies as of June 30, 2009 that limit the City's allowable deposits or investments and address the specific types of risk to which the City is exposed.

Note 3. Receivables and Due From Other Governments

The following is a summary of receivables and due from other governments of the governmental activities as of June 30, 2009:

	<u>General Fund</u>	<u>Sewer Use Fee Fund</u>	<u>Sales Tax Fund</u>	<u>Totals</u>
User fees:				
Sewer	\$ -	\$ 152,197	\$ -	\$ 152,197
Taxes:				
Ad valorem	10,343	-	-	10,343
Franchise	69,317	-	-	69,317
Sales	17,035	-	3,540	20,575
Other	26,170	-	-	26,170
Intergovernmental:				
Federal	100,362	-	-	100,362
State	123,631	-	-	123,631
Local	<u>1,625,298</u>	<u>-</u>	<u>-</u>	<u>1,625,298</u>
	<u>\$ 1,972,156</u>	<u>\$ 152,197</u>	<u>\$ 3,540</u>	<u>\$ 2,127,893</u>

NOTES TO FINANCIAL STATEMENTS

Note 4. Taxes

For the year ended June 30, 2009, ad valorem taxes of 40.35 mills were levied on property with assessed valuations totaling \$474,353 as follows:

	<u>Maximum Millage</u>	<u>Levied Millage</u>	<u>Expiration Date</u>
General corporate purposes	9.58	9.55	Perpetual
Police	6.80	6.78	2021
Street improvements	6.80	6.78	2021
Sewer maintenance	6.80	6.78	2021
Fire (#1)	3.40	3.39	2021
Fire (#2)	3.23	3.22	2023
Recreation	2.56	2.55	2023
Cemetery	.65	.65	2023
Building maintenance	.65	.65	2023

The following are the principal ad valorem taxpayers for the City:

	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>	<u>Ad Valorem Tax Revenue</u>
International Paper Co.	\$ 23,086,110	29.80%	\$ 931,525
International Paper Company	4,509,390	5.82%	181,954

Total ad valorem taxes levied were \$3,126,112. There were \$10,343 of uncollected ad valorem taxes as of June 30, 2009.

The following sales and use taxes were levied as of June 30, 2009:

<u>Rate</u>	<u>Purpose</u>	<u>Expiration Date</u>
½%	any lawful municipal purposes	June 1, 2020
½%	any lawful municipal purposes	August 1, 2019
1%	any and all lawful municipal purposes	August 1, 2018
½%	general, fire, and police operations	Perpetual
½%	streets, sidewalks, alleys, roadways, and related drainage	December 31, 2014

Note 5. Restricted Assets and Liabilities Payable From Same

Restricted assets of \$1,215,543 of the Sewer Use Fee Fund and \$300,361 of the Sales Tax Fund consist of funds required to be maintained and the use is restricted.

NOTES TO FINANCIAL STATEMENTS

Note 6. Capital Assets and Depreciation

Capital assets and depreciation activity as of and for the year ended June 30, 2009 for the governmental activities is as follows:

	Balance - July 1, <u>2008</u>	<u>Increases</u>	<u>Decreases</u>	Balance - June 30, <u>2009</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 921,798	\$ -	\$ -	\$ 921,798
Construction in progress	<u>-</u>	<u>186,674</u>	<u>-</u>	<u>186,674</u>
Total capital assets not being depreciated	<u>\$ 921,798</u>	<u>\$ 186,674</u>	<u>\$ -</u>	<u>\$ 1,108,472</u>
Capital assets being depreciated:				
Infrastructure	\$ 1,665,498	\$ -	\$ -	\$ 1,665,498
Buildings and improvements	4,146,577	-	-	4,146,577
Machinery and equipment	<u>5,580,584</u>	<u>818,264</u>	<u>(129,535)</u>	<u>6,269,313</u>
Total capital assets being depreciated	<u>\$ 11,392,659</u>	<u>\$ 818,264</u>	<u>\$(129,535)</u>	<u>\$ 12,081,388</u>
<i>Less accumulated depreciation for:</i>				
Infrastructure	\$ 71,104	\$ 38,858	\$ -	\$ 109,962
Buildings and improvements	2,498,453	86,858	-	2,585,311
Machinery and equipment	<u>3,460,321</u>	<u>401,365</u>	<u>(116,581)</u>	<u>3,745,105</u>
Total accumulated depreciation	<u>\$ 6,029,878</u>	<u>\$ 527,081</u>	<u>(116,581)</u>	<u>\$ 6,440,378</u>
Total capital assets being depreciated, net	<u>\$ 5,362,781</u>	<u>\$ 291,183</u>	<u>\$(12,954)</u>	<u>\$ 5,641,010</u>

Depreciation expense of the City for the year ended June 30, 2009 was charged to the following governmental functions:

General government	\$ 117,569
Public safety	236,674
Public works	102,938
Sanitation	<u>69,900</u>
	<u>\$ 527,081</u>

Note 7. Short-Term Debt

On August 22, 2008, the City issued a \$1,500,000 revenue anticipation note for the purpose of paying current general expenses for the fiscal year ended June 30, 2009. The maturity date was on or before March 1, 2009 and the City paid the note in full with interest thereon in February 2009.

NOTES TO FINANCIAL STATEMENTS

Note 8. Changes in Long Term Debt

The following is a summary of long-term debt transactions of the governmental activities of the City for the year ended June 30, 2008:

		<u>General Fund</u>		<u>Sewer Use Fee Fund</u>	<u>Sales Tax Fund</u>				
	Certificates of Indebtedness	Subordinated Certificates of Indebtedness	Capital Leases	Compensated Absences	Pension Liabilities	Sewer Revenue Bonds	Sales Tax Revenue Bonds	Capital Leases	Totals
Long-term debt payable -									
July 1, 2008	\$ 202,500	\$ 1,298,157	\$ 38,675	\$ 186,034	\$ 241,596	\$ 6,915,000	\$ 2,220,000	\$ 214,797	\$ 11,316,759
Additions	-	-	194,050	14,417	-	-	-	-	208,467
Retirements	(47,000)	(141,594)	(29,910)	-	(85,262)	(505,000)	(280,000)	(43,293)	(1,132,059)
Long-term debt payable -									
June 30, 2009	\$ 155,500	\$ 1,156,563	\$ 202,815	\$ 200,451	\$ 156,334	\$ 6,410,000	\$ 1,940,000	\$ 171,504	\$ 10,393,167

The following is a summary of the current (due within one year) and long-term (due in more than one year) portions of long-term obligations of the governmental activities as of June 30, 2009:

		<u>General Fund</u>		<u>Sewer Use Fee Fund</u>	<u>Sales Tax Fund</u>				
	Certificates of Indebtedness	Subordinated Certificates of Indebtedness	Capital Leases	Compensated Absences	Pension Liabilities	Sewer Revenue Bonds	Sales Tax Revenue Bonds	Capital Leases	Totals
Current portion	\$ 49,000	\$ -	\$ 31,730	\$ 146,572	\$ 90,996	\$ 510,000	\$ 295,000	\$ 49,619	\$ 1,172,917
Long-term portion	106,500	1,156,563	171,085	53,879	65,338	5,900,000	1,645,000	121,885	9,220,250
	\$ 155,500	\$ 1,156,563	\$ 202,815	\$ 200,451	\$ 156,334	\$ 6,410,000	\$ 1,940,000	\$ 171,504	\$ 10,393,167

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NOTES TO FINANCIAL STATEMENTS

The outstanding certificates of indebtedness and bonds as of June 30, 2009 are comprised of the following individual issues:

Certificates of Indebtedness Series 2002 - dated July 11, 2002, bear interest at 5.0% per annum, interest due January 1 and July 1 of each year, principal due July 1 of each year.

The City issued the certificates of indebtedness to a local bank (\$382,500) for the purpose of (a) refunding prior certificates; (b) paying costs of acquiring public works equipment; (c) the acquisition, construction, and installation of improvements to the City's infrastructure, including streets and drainage; and (d) paying costs incurred in connection with the issuance of the certificates.

The certificates are payable as to principal and interest from an irrevocable pledge and dedication of the City's excess revenues above statutory, necessary, and usual charges in each fiscal year during which the certificates are outstanding.

\$494,000 Subordinated Certificate of Indebtedness Series 2006A - dated April 27, 2006, initially shall not bear interest except in the event of a default in payment until the fifth anniversary, then bears interest at 5.0% per annum, interest and principal due January 14th of each year until the balance is paid.

\$1,040,000 Subordinated Certificate of Indebtedness Series 2006B - dated August 16, 2006, initially shall not bear interest except in the event of a default in payment until the fifth anniversary, then bears interest at 5.0% per annum, interest and principal due January 14th of each year until the balance is paid.

Each annual principal installment for the total subordinated certificates shall be equal to the lesser of the current outstanding principal balance of the certificates or 50% of the City's incremental sales tax revenue calculated by subtracting each of the current month's sales tax collections in the current year from the same month in the base year. The City's bond counsel has corresponded that "the term on repayment is essentially until the balance is paid".

The City issued the subordinated certificates of indebtedness to Wal-Mart for the City to construct and install improvements on Wal-Mart's behalf.

NOTES TO FINANCIAL STATEMENTS

The certificates are payable as to principal and interest solely from a pledge and dedication of the excess of annual revenues of the City above statutory, necessary, and usual charges in each fiscal year during which the certificates are outstanding after payment of the superior indebtedness (series 2002 certificates).

\$7,500,000 Sewer Revenue Bonds - dated December 1, 1994, bear interest at 2.45% per annum, interest and principal payable July 1 of each year.

\$1,700,000 Sewer Revenue Bonds - dated November 1, 2002, bear interest at a rate not to exceed 7.0% per annum, interest due May 1 and November 1 of each year, principal due November 1 of each year.

\$2,100,000 Sewer Revenue Bonds - dated September 24, 2003, bear interest at a rate not to exceed 6.0% per annum, interest due May 1 and November 1 of each year, principal due November 1 of each year.

Proceeds of the sewer revenue bonds dated in 1994 were received in two separate series and for the purpose of financing the acquisition and construction of extensions and improvements to the City's sewage and wastewater collection, treatment, and disposal systems.

The proceeds of the sewer revenue bonds dated in 2002 and 2003 were for the purpose of providing funds to (a) construct and acquire improvements, extensions, replacements, and renovations to the City's sewage system, including appurtenant equipment, accessories, and properties, both personal and real; (b) fund the reserve requirement; and (c) pay the costs of issuance of the bonds.

The sewer revenue bonds are payable as to principal, interest, and administrative fees solely from the revenues and income derived or to be derived from the operation of the sewage system.

\$3,000,000 Sales Tax Revenue Bonds - dated July 1, 2005, bear interest at rate varying from 3.85% to 4.05%, interest and principal payable July 1 of each year.

Proceeds of the sales tax revenue bonds were for the purpose of maintaining, improving, repairing, and extending the streets, sidewalks, alleys, roadways, and related drainage within the territorial limits of City of Bastrop Sales Tax District No. 1.

The bonds are payable solely from and secured by an irrevocable pledge and dedication of the avails or proceeds of a one-half percent sales and use tax subject only to the prior payment of the reasonable and necessary costs and expenses of collecting and administering the tax.

NOTES TO FINANCIAL STATEMENTS

All of the bond covenants contain significant requirements for annual debt service and flow of funds through various restricted accounts. Specifically, the revenue bond indentures require the use of revenue, bond proceeds, operations and maintenance, reserve, sinking, construction, and renewal and replacement accounts. The City is in compliance with all significant requirements of the various bond covenants.

The interest and principal payments on both the series 2002 certificates of indebtedness and bonds due July 1 of the succeeding fiscal year are consistently being reported and budgeted by the City in the current fiscal year when payments are actually made.

The annual requirements to amortize the series 2002 certificates of indebtedness, pension liabilities, and revenue bonds of the governmental activities as of June 30, 2009 are as follows:

Year Ending June 30,	<u>General Fund</u>		<u>Sewer Use Fee Fund</u>	<u>Sales Tax Fund</u>	<u>Totals</u>
	<u>Certificates of Indebtedness</u>	<u>Pension Liabilities</u>	<u>Sewer Revenue Bonds</u>	<u>Sales Tax Revenue Bonds</u>	
2010	\$ 49,000	\$ 90,996	\$ 510,000	\$ 295,000	\$ 944,996
2011	52,000	65,338	535,000	305,000	957,338
2012	54,500	-	550,000	315,000	919,500
2013	-	-	565,000	330,000	895,000
2014	-	-	570,000	340,000	910,000
2015 - 19	-	-	1,685,000	355,000	2,040,000
2020 - 24	-	-	925,000	-	925,000
2025 - 29	-	-	1,070,000	-	1,070,000
Totals	<u>\$ 155,500</u>	<u>\$ 156,334</u>	<u>\$ 6,410,000</u>	<u>\$ 1,940,000</u>	<u>\$ 8,661,834</u>

NOTES TO FINANCIAL STATEMENTS

The City incurred and charged to expense \$438,056 of interest costs and fiscal charges during the year ended June 30, 2009. The annual requirements to amortize all interest and administrative fees applicable to the series 2002 certificates of indebtedness, pension liabilities, and revenue bonds of the governmental activities as of June 30, 2009 are as follows:

Year Ending June 30,	<u>General Fund</u>		<u>Sewer Use Fee Fund</u>		<u>Sales Tax Fund</u>	
	<u>Certificates of Indebtedness</u>	<u>Pension Liabilities</u>	<u>Sewer Revenue Bonds</u>		<u>Revenue Bonds</u>	
	<u>Interest</u>	<u>Interest</u>	<u>Interest</u>	<u>Administrative Fees</u>	<u>Interest</u>	<u>Totals</u>
2010	\$ 7,775	\$ 9,830	\$ 237,128	\$ 15,650	\$ 77,642	\$ 348,025
2011	5,325	4,574	222,881	13,625	65,990	312,395
2012	2,725	-	207,874	11,525	53,881	276,005
2013	-	-	192,329	9,350	41,312	242,991
2014	-	-	176,134	7,125	28,080	211,339
2015 - 19	-	-	646,854	7,275	14,377	668,506
2020 - 24	-	-	408,379	-	-	408,379
2025 - 29	-	-	134,485	-	-	134,485
Totals	<u>\$ 15,825</u>	<u>\$ 14,404</u>	<u>\$ 2,226,064</u>	<u>\$ 64,550</u>	<u>\$ 281,282</u>	<u>\$ 2,602,125</u>

NOTES TO FINANCIAL STATEMENTS

The General Fund acquired an asset costing \$221,940 under capital lease during the year ended June 30, 2009. The City had four equipment capital leases in effect as of June 30, 2009 with original recorded amounts totaling \$502,587. The capital leases were recorded as capital assets and long-term obligations in the government-wide financial statements. The following is a schedule of future minimum lease payments together with the present value of the net minimum lease payments to be paid on the four lease obligations outstanding as of June 30, 2009:

Year Ending <u>June 30,</u>	General <u>Fund</u>	Sales Tax <u>Fund</u>	<u>Totals</u>
2010	\$ 41,231	\$ 57,313	\$ 98,544
2011	41,231	57,313	98,544
2012	26,576	57,313	83,889
2013	26,576	14,958	41,534
2014	26,576	-	26,576
2015 - 17	<u>79,730</u>	<u>-</u>	<u>79,730</u>
Total minimum lease payments	\$ 241,920	\$ 186,897	\$ 428,817
Less amounts representing interest	<u>(39,105)</u>	<u>(15,393)</u>	<u>(54,498)</u>
Present value of net minimum lease payments	<u>\$ 202,815</u>	<u>\$ 171,504</u>	<u>\$ 374,319</u>

As of June 30, 2009 employees of the City had accumulated and vested \$200,451 of employee leave benefits that will be liquidated by the General Fund.

Note 9. Fund Balances - Reserved

Inventory at year end is equally offset by a fund balance reservation of the General Fund under the purchase method. Fund balance has also been reserved for the repayment of outstanding long-term debt to indicate the current unavailability of the net assets to pay current expenditures.

Revenues collected by the Sewer Use Fee Fund are dedicated for repayment of funds borrowed for acquisition, construction, and improvements to the sewage and wastewater collection, treatment, and disposal systems; therefore fund balance is reserved. Likewise, fund balance of the Sales Tax Fund has been reserved as revenues collected by the fund are dedicated for maintaining, improving, repairing, and extending streets and related improvements.

NOTES TO FINANCIAL STATEMENTS

Note 10. Deferred Compensation Plan

The City offers all full-time employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency except for a one-time withdrawal which is subject to certain restrictions.

All assets of the plan, including all deferred amounts, property, and rights purchased with deferred amounts, and all income attributable to such deferred amounts, property, or rights, are held in a qualified trust, custodial account, or annuity contract for the exclusive benefit of the participants and beneficiaries. The assets are not subject to the claims of the City's creditors nor can they be used by the City for any purpose other than the payment of benefits to those individuals participating in the plan or their designated beneficiaries.

Note 11. Pension Plans and Other Pension Liabilities

For the year ended June 30, 2009, the City paid retirement benefits of \$73,668 from the General Fund to firemen who were already receiving benefits prior to December 1981. In December 1981, active City firemen were accepted into the Firefighters' Retirement System of Louisiana. The liability associated with this acceptance has been recorded in the government-wide financial statements as a long-term liability of the General Fund.

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

Municipal Employees' Retirement System of Louisiana (the "System"):

Plan Description:

The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All participating employees of the city are members of Plan A.

NOTES TO FINANCIAL STATEMENTS

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from City funds and all elected City officials are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3% of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produces the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

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

Funding Policy:

Under Plan A, members are required by state statute to contribute 9.25% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 13.50% of annual covered payroll. Contributions to the System also include 1/4 of 1% (except Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the City are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City's contributions to the System under Plan A for the years ended June 30, 2009, 2008, and 2007 were \$205,234, \$212,234, and \$264,879, respectively, equal to the required contributions for each year.

NOTES TO FINANCIAL STATEMENTS

Municipal Police Employees' Retirement System of Louisiana (the "System"):

Plan Description:

All full-time police department employees engaged in law enforcement are required to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service, at or after age 55 with at least 12 years of creditable service, or at any age with 25 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3% of their final-average salary for each year of creditable service, not to exceed 100% of their final-average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produces the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

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

Funding Policy:

Plan members are required by state statute to contribute 7.5% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 13.75% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City's contributions to the System for the years ended June 30, 2009, 2008, and 2007 were \$102,900, \$161,089, and \$184,373, respectively, equal to the required contributions for each year.

NOTES TO FINANCIAL STATEMENTS

Firefighters' Retirement System of Louisiana (the "System"):

Plan Description:

Membership in the Firefighters' Retirement System of Louisiana is mandatory for all full-time firefighters employed by a municipality, parish, or fire protection district that did not enact an ordinance before January 1, 1980, exempting itself from participation in the System. Employees are eligible to retire at or after age 55 with at least 12 years of creditable service or at or after age 50 with at least 20 years of creditable service. Upon retirement, members are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3% of their final-average salary for each year of creditable service, not to exceed 100% of their final-average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produces the highest average. Employees who terminate with at least 12 years of service and do not withdraw their employee contributions may retire at or after 55 (or at or after age 50 with at least 20 years of creditable service at termination) and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Firefighters' Retirement System of Louisiana, P. O. Box 94095, Baton Rouge, Louisiana 70804, or by calling (225) 925-4060.

Funding Policy:

Plan members are required by state statute to contribute 8.0% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 13.75% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City's contributions to the System for the years ended June 30, 2009, 2008, and 2007 were \$144,911, \$169,243, and \$198,552, respectively, equal to the required contributions for each year.

NOTES TO FINANCIAL STATEMENTS

Legislative Changes:

Act 584 of 2006 implemented a new plan of benefits for employees hired January 1, 2007 and later. The changes affected the final average compensation, eligibility ages for normal retirement, years of service required for disability retirement eligibility, and the payment date of actuarial cost of leave conversion.

Note 12. On-Behalf Payments for Salaries

For the year ended June 30, 2009, the City recognized revenue and expenditures of \$10,129, \$167,890, and \$185,116 in salary supplements from State of Louisiana paid to employees of the administrative, police, and fire departments, respectively.

Note 13. Operating Leases

As of June 30, 2009, the City had entered into six equipment operating leases having initial or remaining noncancellable terms in excess of one year. The minimum annual commitment to be paid from the General Fund under the leases are as follows:

Year Ending <u>June 30,</u>	<u>Totals</u>
2010	\$ 18,233
2011	18,042
2012	16,217
2013	<u>6,450</u>
Total	<u>\$ 58,942</u>

Note 14. Agreement for Operations, Maintenance, and Management Services

In June 2006, the City entered into an automatically renewed five year term through May 31, 2011 with Veolia Water North America for operations, maintenance, and management services of the wastewater and related treatment facilities. The City agreed to adjust the annual fee (currently \$958,805 for the year ended June 30, 2009) by 3.0% through the term of the current agreement.

NOTES TO FINANCIAL STATEMENTS

Note 15. Billing and Collection Agreement

A sewer billing and collection agreement was signed on March 27, 2001 by the City with Water Treatment & Controls Company (WT&C) wherein WT&C acts and serves as billing, receiving, and collection agent for the City's sewerage charges owed by WT&C customers who are also the City's sewer customers. The City will pay WT&C a monthly fee of \$2,500 for their services. The contract is for a period of one year commencing at the date of execution and will automatically be extended from year to year unless one of the parties gives 90 days written notice prior to the end of the current year of its intention to terminate the agreement. Effective April 1, 2008, the monthly fee increased to \$2,993 for another incremental change in the CPI-Urban Index as agreed to in the original contract.

Note 16. Cooperative Endeavor Agreement

On February 19, 1999, the City entered into a contract and agreement with Bastrop Area Fire Protection District No. 2 (the "District") for the public benefit of the citizens of the City and the District. The term of the contract is for ten years commencing on January 1, 1999 and terminating on December 31, 2009.

Under the agreement, the District agreed to pay the City the base sum of \$367,000 during the first calendar year of the contract. For each calendar year thereafter, the District agreed to pay the base sum and an additional amount that may be revised annually. The calculated annual amount owed to the City by the District shall be paid in two equal installments with payments being due on February 1 and July 1.

During the year ended June 30, 2002, the District agreed to, with no formal agreement, and did pay the City \$17,500 for the use of a service truck and agreed to pay \$7,500 annually for its use also subject to an annual increase.

The City's legal counsel is of the opinion that amounts paid over the years under the contract that expired December 31, 2009 and previous contracts between the City and the District were miscalculated and underpaid by \$1,143,750. This underpayment was recorded in the financial statements as of June 30, 2007, but the District has not agreed to the correctness or to the payment of the amount as of the date of this report.

Note 17. Contingencies and Risk Management

As of June 30, 2009, there were various lawsuits pending against the City. Legal counsel for the City is of the opinion that each will have no potential material impact on the financial condition of the City.

NOTES TO FINANCIAL STATEMENTS

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for all risks of loss, including workers' compensation and employee health and accident insurance. There were no significant reductions in the insurance coverage during the fiscal year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior fiscal years.

The City participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable as of June 30, 2009 may be impaired. In the opinion of City management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Note 18. Commitments

On August 16, 2005, the City accepted a \$246,661 grant award from United States Department of Justice to replace, upgrade, and acquire equipment for and provide training to the City's police department. As of June 30, 2009, only \$102,706 of the funds had been expended or obligated. The award end date was extended to June 2010.

The City accepted another grant award of \$1,636,775 from United States Department of Justice on August 15, 2008 to acquire equipment, technology, technical support, and computer consultation. As of June 30, 2009, \$629,840 of the grant funds had been expended or obligated. The award end date is December 25, 2010.

On June 9, 2008, the City accepted a \$454,100 grant award from Louisiana Community Development Block Grant program for a sewer rehab project. The grant required the City to commit local funds of \$193,135 of which only \$62,400 had been obligated as of June 30, 2009. Only engineering and consulting fees totaling \$92,400 had been expended as of June 30, 2009.

The City was notified in June 2009 that a sewer system project had been tentatively recommended to receive a \$1,510,550 in funding from Louisiana Department of Environmental Quality (LDEQ) under the American Recovery and Reinvestment Act of 2009. The LDEQ recommended the City's project for a zero percent loan with 100 percent principal forgiveness, meaning that the loan would not have to be repaid. No funds had been received from the funding source as of June 30, 2009.

NOTES TO FINANCIAL STATEMENTS

Note 19. Subsequent Events

The State Bond Commission, State of Louisiana, approved on July 30, 2009 the City incurring debt and issuing not to exceed \$1,500,000 revenue anticipation notes for the purpose of paying current expenses and to pay the costs incurred in connection with the issuance of the notes. The proceeds of the notes were deposited by the City in September 2009. The notes matured with interest thereon no later than March 1, 2010 but were repaid in full by the City on January 25, 2010.

On March 23, 2010, the City and Bastrop Area Fire Protection District No. 2 entered into another cooperative endeavor agreement effective January 1, 2010 and expiring December 31, 2011. During the first year of the contract, the District agrees to pay the City \$753,000 to be used by the City to fund and defray the expenses or costs associated with furnishing fire protection to the citizens of the District. For the second year of the contract, the District will pay additional amounts as may be necessary to cover any increase in the actual costs incurred by the City.

On Friday, November 21, 2008, employees of International Paper Company were informed that the mill was closing indefinitely leaving 550 individuals without employment. As previously communicated in Note 4, approximately 35 percent of the City's ad valorem taxes were generated by the mill. Local sales taxes paid by the mill have been estimated at approximately \$15 million (15 to 20 percent of the total) by the local sales tax commission's administrator. The mill's manager estimated that the total current payroll of the mill prior to closure was approximately \$30 million. The full impact of this event remains uncertain as of the date of this report.

Note 20. Postemployment Benefits

The City pays 100% of a retired employee's health insurance premium and 50% of any additional coverage of the retiree's spouse or family. The City currently funds these benefits on a "pay-as-you-go" basis. As of June 30, 2009, the City was paying benefits for approximately 70 retirees.

In November 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, requiring the accrual of postemployment benefits for retired employees. The City is required to implement this pronouncement for the fiscal year ending June 30, 2010. The City has not yet determined the full impact that adoption of GASB Statement No. 45 will have on the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION (Part 2 of 2)

CITY OF BASTROP, LOUISIANA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - GOVERNMENTAL FUND - GENERAL FUND

As of and for the Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance -
	<u>Original</u>	<u>Final</u>		Favorable <u>(Unfavorable)</u>
Revenues:				
Taxes	\$ 8,597,678	\$ 8,213,393	\$ 8,516,745	\$ 303,352
Licenses and permits	534,992	490,883	700,765	209,882
Intergovernmental	1,337,662	2,768,943	2,699,923	(69,020)
Fees, charges, and commission for services	384,229	277,067	311,613	34,546
Fines and forfeitures	135,419	142,798	158,053	15,255
Interest and miscellaneous	<u>373,889</u>	<u>354,579</u>	<u>402,087</u>	<u>47,508</u>
Total revenues	<u>\$ 11,363,869</u>	<u>\$ 12,247,663</u>	<u>\$ 12,789,186</u>	<u>\$ 541,523</u>
Expenditures:				
Current:				
General government	\$ 3,126,194	\$ 3,578,264	\$ 3,166,282	\$ 411,982
Public safety	4,905,398	5,946,584	4,794,779	1,151,805
Public works	1,978,443	2,156,136	1,939,639	216,497
Sanitation	1,151,926	1,055,078	1,086,708	(31,630)
Economic development	60,000	101,775	65,739	36,036
Debt service:				
Principal	1,651,908	1,726,057	1,804,755	(78,698)
Interest and fiscal charges	-	-	60,419	(60,419)
Capital outlay	-	-	<u>910,149</u>	<u>(910,149)</u>
Total expenditures	<u>\$ 12,873,869</u>	<u>\$ 14,563,894</u>	<u>\$ 13,828,470</u>	<u>\$ 735,424</u>
Excess (deficiency) of revenues over expenditures	<u>\$(1,510,000)</u>	<u>\$(2,316,231)</u>	<u>\$(1,039,284)</u>	<u>\$ 1,276,947</u>

(continued)

CITY OF BASTROP, LOUISIANA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -
 BUDGET AND ACTUAL - GOVERNMENTAL FUND - GENERAL FUND (Continued)

As of and for the Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Other financing sources:				
Sale of capital assets	\$ 10,000	\$ -	\$ 9,492	\$ 9,492
Revenue anticipation note proceeds	1,500,000	1,500,000	1,500,000	-
Capital lease proceeds	-	-	194,050	194,050
Total other financing sources	<u>\$ 1,510,000</u>	<u>\$ 1,500,000</u>	<u>\$ 1,703,542</u>	<u>\$ 203,542</u>
Net change in fund balance	\$ -	\$(816,231)	\$ 664,258	\$ 1,480,489
Fund balance - beginning	<u>-</u>	<u>2,654,026</u>	<u>2,654,026</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 1,837,795</u>	<u>\$ 3,318,284</u>	<u>\$ 1,480,489</u>

CITY OF BASTROP, LOUISIANA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - GOVERNMENTAL FUND - SEWER USE FEE FUND

As of and for the Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fees, charges, and commissions for services	\$ 1,000,000	\$ 913,096	\$ 1,035,290	\$ 122,194
Interest and miscellaneous	<u>118,000</u>	<u>32,714</u>	<u>32,854</u>	<u>140</u>
Total revenues	<u>\$ 1,118,000</u>	<u>\$ 945,810</u>	<u>\$ 1,068,144</u>	<u>\$ 122,334</u>
Expenditures:				
Current:				
Sanitation	\$ 257,724	\$ 237,815	\$ 225,181	\$ 12,634
Debt service:				
Principal	629,618	734,444	505,000	229,444
Interest and fiscal charges	143,753	143,753	272,970	(129,217)
Capital outlay	<u>63,179</u>	<u>206,800</u>	<u>-</u>	<u>206,800</u>
Total expenditures	<u>\$ 1,094,274</u>	<u>\$ 1,322,812</u>	<u>\$ 1,003,151</u>	<u>\$ 319,661</u>
Excess (deficiency) of revenues over expenditures	\$ 23,726	\$(377,002)	\$ 64,993	\$ 441,995
Other financing sources (uses):				
Operating transfers in (out)	<u>(116,100)</u>	<u>26,100</u>	<u>(52,325)</u>	<u>(78,425)</u>
Net change in fund balance	\$(92,374)	\$(350,902)	\$ 12,668	\$ 363,570
Fund balance - beginning	<u>-</u>	<u>2,899,510</u>	<u>2,899,510</u>	<u>-</u>
Fund balance - ending	<u>\$(92,374)</u>	<u>\$ 2,548,608</u>	<u>\$ 2,912,178</u>	<u>\$ 363,570</u>

CITY OF BASTROP, LOUISIANA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - GOVERNMENTAL FUND - SALES TAX FUND

As of and for the Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 870,000	\$ 945,000	\$ 923,212	\$(21,788)
Interest and miscellaneous	<u>50,852</u>	<u>10,000</u>	<u>10,102</u>	<u>102</u>
Total revenues	<u>\$ 920,852</u>	<u>\$ 955,000</u>	<u>\$ 933,314</u>	<u>\$(21,686)</u>
Expenditures:				
Current:				
Public works	\$ 2,947,150	\$ 235,750	\$ 191,459	\$ 44,291
Debt service:				
Principal	430,000	400,000	323,293	76,707
Interest and fiscal charges	-	-	104,667	(104,667)
Costs of debt issuance	10,000	5,000	-	5,000
Capital outlay	<u>167,526</u>	<u>230,000</u>	<u>94,789</u>	<u>135,211</u>
Total expenditures	<u>\$ 3,554,676</u>	<u>\$ 870,750</u>	<u>\$ 714,208</u>	<u>\$ 156,542</u>
Net change in fund balance	\$(2,633,824)	\$ 84,250	\$ 219,106	\$ 134,856
Fund balance - beginning	<u>-</u>	<u>2,197,451</u>	<u>2,197,451</u>	<u>-</u>
Fund balance - ending	<u>\$(2,633,824)</u>	<u>\$ 2,281,701</u>	<u>\$ 2,416,557</u>	<u>\$ 134,856</u>

CITY OF BASTROP, LOUISIANA

NOTE TO BUDGETARY COMPARISON SCHEDULES
As of and for the Year Ended June 30, 2009

Note 1. Revenues and Expenditures - Budget and Actual

Actual revenues and other financing uses of \$933,314 of the Sales Tax Fund failed to meet budgeted revenues and other financing sources of \$955,000 for the year ended June 30, 2009 by \$21,686 or 2.27%.

OTHER SUPPLEMENTARY INFORMATION

CITY OF BASTROP, LOUISIANA

SCHEDULE OF MAYOR'S AND ALDERMEN'S COMPENSATION

As of and for the Year Ended June 30, 2009

The schedule of compensation paid to the mayor and aldermen is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Compensation of the mayor and aldermen is included in the general administrative expenditures of the General Fund. The mayor and aldermen receive compensation pursuant to Louisiana Revised Statute 404.1.

Clarence Hawkins, Mayor	\$ 84,044
Betty Alford-Olive, Alderman	10,687
Willie Lenoir, Alderman	10,687
Arthur Hamlin, Alderman	10,687
Eddie Gorden, Alderman	10,687
Beulah Robinson, Alderman	<u>10,687</u>
Total mayor's and aldermen's compensation	<u>\$ 137,479</u>

CITY OF BASTROP, LOUISIANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
As of and for the Year Ended June 30, 2009

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures</u>
United States Department of Health and Human Services/ Louisiana Department of Social Services/ Temporary Assistance for Needy Families	93.558	672449	\$ 9,895
Housing DSS Employees	93.558	COB	9,488
United States Department of Housing and Urban Development/ Louisiana Division of Administration/ Community Development Block Grant	14.228	644267	30,000
Louisiana Office of Urban Revitalization/ HOPE VI Main Street	14.866	LA01URD71220M04	137,619
United States Department of Justice/ Office of Community Oriented Policing Services/ Public Safety Partnership and Community Policing	16.710	2008CKWX0399	629,838
Public Safety Partnership and Community Policing	16.710	2005CKWX0184	56,268
United States Department of Transportation/ Federal Aviation Administration/ Airport Improvement	20.106	3-22-004-011-2009	38,942
Federal Bureau of Investigation/ Safe Street Task Force		281D-NO-64194	12,940

(continued)

CITY OF BASTROP, LOUISIANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
As of and for the Year Ended June 30, 2009

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	<u>Expenditures</u>
United States Department of Interior/ Louisiana Department of Culture, Recreation, and Tourism/ Louisiana Main to Main	15.904	BASTROP	5,000
FY2007 Historic Preservation Fund	15.904	07-HP-08	20,192
FY2008 Historic Preservation Fund	15.904	08-HP-09	32,624
Preserve America Grant	15.929	22-06-PA-2057	27,403
 Department of Homeland Security/ Homeland Security and Emergency Preparedness/ FEMA	 97.036		 <u>25,233</u>
 Total expenditures of federal awards			 <u>\$ 1,035,442</u>

See note to schedule of expenditures of federal awards.

CITY OF BASTROP, LOUISIANA

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
As of and for the Year Ended June 30, 2009

Note 1. Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of the City and is being presented on the modified 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 presentation of, the financial statements.

HILL, INZINA & COMPANY

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

The Honorable Clarence W. Hawkins, Mayor,
and Members of the Board of Aldermen
City of Bastrop, Louisiana

We have audited the financial statements of the governmental activities and each major fund of City of Bastrop, Louisiana (the "City"), as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 19, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2009-1, 2009-3, and 2009-4 to be significant deficiencies in internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2009-2 and 2009-5.

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

This report is intended solely for the information and use of management, others within the organization, federal and state 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 Louisiana Legislative Auditor as a public document.

/s/Hill, Inzina & Co.

June 19, 2010

HILL, INZINA & COMPANY

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

The Honorable Clarence W. Hawkins, Mayor,
and Members of the Board of Aldermen
City of Bastrop, Louisiana

Compliance

We have audited the compliance of City of Bastrop, Louisiana (the "City"), 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 its major federal program for the year ended June 30, 2009. The City's major federal program is 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 its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City'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'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 on the City's compliance with those requirements.

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

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control

over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2009-1 and 2009-3 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

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

This report is intended solely for the information and use of management, jurors, 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 Louisiana Legislative Auditor as a public document.

/s/Hill, Inzina & Co.

June 19, 2010

CITY OF BASTROP, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
WITH MANAGEMENT'S RESPONSE AND PLANNED CORRECTIVE ACTION

As of and for the Year Ended June 30, 2009

We have audited the financial statements of the governmental activities and each major fund of City of Bastrop, Louisiana (the "City"), as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 19, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the provisions of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Our audit of the financial statements as of June 30, 2009 resulted in an unqualified opinion.

Section I - Summary of Auditor's Reports

- a. Report on *Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*

Internal Control

Significant Deficiencies Yes No Material Weaknesses Yes No

Compliance

Material to Financial Statements Yes No

- b. Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

Type of Opinion on Compliance
for Major Programs

Unqualified Qualified
Disclaimer Adverse

Internal Control

Significant Deficiency Yes No Material Weakness Yes No

Are there findings required to be reported in accordance with Circular A-133, Section .510(a)? Yes No

c. Identification of Major Program: CFDA Number 16.710
Public Safety Partnership and Community Policing

Dollar threshold used to distinguish between Type A and Type B Programs \$300,000
Is the auditee a 'low risk' auditee, as defined by OMB Circular A-133? Yes No

Section II - Financial Statement Findings

2009-1 Inadequate Segregation of Duties (initial citing as of and for the ended June 30, 1985)

Criteria: Adequate segregation of duties is essential to a proper internal control structure.

Condition: The segregation of duties is inadequate to provide effective internal control.

Cause: The condition is due to economic limitations.

Effect: Not determined.

Recommendation: No action is recommended.

Management's response and planned corrective action: We concur in the finding but it is not economically feasible for corrective action to be taken.

2009-2 Noncompliance with Local Government Budget Act (initial citing as of and for the year ended June 30, 2003)

Criteria: Louisiana Revised Statute 39:1304(E) provides that the total budgeted expenditures of a fund shall not exceed the total of estimated funds available for the year.

Condition: The total expenditures and other financing uses originally budgeted for the Sewer Use Fee Fund and Sales Tax Fund for the year ended June 30, 2009 exceeded the total revenues, other financing sources, and beginning fund balances originally budgeted by \$92,374 and \$2,633,824, respectively.

Cause: Management of the City failed to include the beginning fund balances when preparing the original budgets.

Effect: The City is in violation of the Local Government Budget Act and the related statutes.

Recommendation: Deficit budgets should not be prepared and adopted.

**Management's
response and
planned cor-
rective action:**

We concur with the finding. When the budgets were originally prepared, we did not include the beginning fund balances of the Sewer Use Fee Fund and Sales Tax Fund. We will include the beginning fund balances for all funds.

2009-3 Internal Control over Financial Reporting (initial citing as of and for the year ended June 30, 2007)

Criteria: Management of the City should have suitable skill, knowledge, or experience to prepare financial statements, the related footnotes, and the supplementary information in accordance with accounting principles generally accepted in the United States of America. Internal controls should be adopted and implemented to prevent, detect, or correct a misstatement in the financial statements or footnotes.

Condition: Although management of the City does not actually prepare and draft the financial statements, the related footnotes, and the supplementary information, they do have the capability and experience to oversee the process. They provide all of the information to be included and they understand the presentation.

Cause: The condition is due to economic limitations.

Effect: Misstatements in the financial statements or footnotes may not be detected within a timely period.

Recommendation: No action is recommended.

**Management's
response and
planned cor-
rective action:**

We concur with the finding but it is not economically feasible for corrective action to be taken.

2009-4 Improvement of Controls (initial citing as of and for the year ended June 30, 2007)

Criteria: Management is responsible for establishing internal control policies and procedures that provide for proper accounting, reasonable assurance that assets are safeguarded against loss resulting from unauthorized use, and that transactions are executed in accordance with management's authorization.

Condition: The recipient of the excess funds from a previous bond issuance has still not been resolved.

Due to the untimely payment of payroll taxes, the City had to pay approximately \$12,000 in late payment penalties during the year ended June 30, 2009 in addition to approximately \$11,500 paid during the year ended June 30, 2008.

Amended returns for three of the four quarterly Forms 941 filed for the year ended June 30, 2009 and others for previous years were filed to claim refunds of approximately \$23,000 for amounts related to withholding payroll taxes from policemen participating in the state administered retirement plan. The City was also refunded approximately \$37,000 for excess payroll tax deposits made for the quarter ended December 31, 2008.

Entries made during the year ended June 30, 2009 to record charges and collections of the accounts receivable of the Sewer Use Fee Fund were incorrectly posted by the client. The general ledger amount of the receivable account was not reconciled to the correct balance provided by the outside billing and collection agency on a regular basis.

All information and signatures required on the travel vouchers and advanced travel request vouchers are not being completed and obtained prior to the issuance of checks by the City.

Continued efforts should be made to collect the amounts owed to the City by Morehouse Parish Police Jury and Bastrop Area Fire Protection District No. 2.

Cause: An internal control system was not designed and/or implemented to ensure that adequate controls were in place in all areas to prevent, detect, and correct noncompliance in a timely manner. Management of the City was not seeking advice and reviewing transactions on a regular basis to ensure that financial related matters were in compliance.

Effect: The failure to establish and/or implement internal controls may have resulted in improper accounting and/or loss of assets.

Recommendation: Management of the City should establish and enforce implementation of internal controls to ensure that transactions are timely made and recorded in compliance with the applicable laws and internal policies.

Management's response and planned corrective action: We concur with the finding. Each condition was corrected on an individual basis.

2009-5 Violation of State Statutes

Criteria: Pursuant to Louisiana Revised Statutes 24:513 and 24:514, all annual audits must be completed and submitted to the Legislative Auditor within six months of the close of the auditee's fiscal year.

Condition: The City's annual audit for the fiscal year ended June 30, 2009 was not submitted to the Legislative Auditor within six months of the end of the fiscal year.

Cause: Two of the five key staff members in the clerk's office left at the beginning of the fiscal year. Key personnel that coordinates the technology grant and capital assets acquired therewith was out for a significant time period due to illness. The software conversion did not go as smoothly as anticipated.

Effect: The City is in violation of the statutes.

Recommendation: Records of the City should be maintained and made available in a timely manner allowing completion and submission of the annual audits.

Management's
response and
planned cor-
rective action:

We concur with the finding. Future audits will be timely completed and submitted.

Section III - Federal Awards Finding

2009-1 Inadequate Segregation of Duties
(See 2009-1 in Section II.)

2009-3 Internal Control over Financial Reporting
(See 2009-3 in Section II.)

Program: Public Safety Partnership and Community Policing

Section IV - Management Letter

None issued.

CITY OF BASTROP, LOUISIANA

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

As of and for the Year Ended June 30, 2009

Section I - Financial Statements Findings

2008-1 Inadequate Segregation of Duties

Adequate segregation of duties is essential to a proper internal control structure.

Unresolved - 2009-1.

2008-2 Noncompliance with Local Government Budget Act

The chief executive officer, or equivalent, should notify in writing the governing authority during the year when actual receipts and other financing sources plus projected revenue collections for the year fail to meet budgeted revenues by 5% or more, or when actual expenditures and other financing uses plus projected expenditures to year end exceed expenditures by 5% or more.

Total budgeted expenditures of a fund shall not exceed the total of estimated funds available for the year.

Unresolved - 2009-2.

2008-3 Delinquency of Payment Collections on Loans Receivable

The City did not timely take legal action to enforce repayment of loans upon the lenders failing to meet the defined economic impact credits and/or ceasing operations.

Resolved.

2008-4 Internal Control over Financial Reporting

Management of the City should have sufficient capable expertise to prepare financial statements in accordance with accounting principles generally accepted in the United States of America and the related footnotes. Internal controls should be adopted and implemented to prevent, detect, or correct a misstatement in the financial statements or footnotes.

Unresolved - 2009-3.

2008-5 **Improvement of Controls**

Management is responsible for establishing internal control policies and procedures that provide reasonable assurance that assets are safeguarded against loss resulting from unauthorized use and that transactions are executed in accordance with management's authorization.

Unresolved - 2009-4.

2008-6 **Legislative Auditor's Findings and Recommendations**

Recommendations were made to assist the City's efforts to improve controls over financial operations, implement good business practices, and ensure compliance with the state constitution and laws. Management of the City was advised to consider the costs of implementing the recommendations compared to the benefits provided and to be aware of the associated risks.

Resolved.

Section II - Management Letter

None issued.