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TOWN OF BLANCHARD, LOUISIANA

Financial Statements June 30, 2004

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Release Date 1-26-05

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122 Jefferson Street
Mansfield, Louisiana 71052
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TOWN OF BLANCHARD, LOUISIANA

Annual Financial Statements
As of and for the Year Ended June 30, 2004
With Supplemental Information Schedules

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INDEPENDENT AUDITOR'S REPORT

The Honorable Larry Permenter, Mayor
and the Members of the Board of Aldermen
Town of Blanchard, Louisiana

I have audited the accompanying financial statements of the governmental activities and business-type activities of the Town of Blanchard, Louisiana, as of and for the year ended June 30, 2004, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Blanchard, Louisiana's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the business-type activities the Town of Blanchard, Louisiana, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, the Town has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as of June 30, 2004.

In accordance with *Government Auditing Standards*, I have also issued my report dated October 8, 2004, on my consideration of the Town of Blanchard, Louisiana's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

The Management's Discussion and Analysis pages 6 through 11 and the budgetary comparison information (Schedule 1) on page 38, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I 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, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The other supplemental information schedules (Schedules 2 through 7) on pages 40 to 45 are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Town of Blanchard, Louisiana. These supplementary schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements.

Delviah D. Lee, CPA

Mansfield, Louisiana
October 8, 2004

Required Supplemental Information (Part I)

TOWN OF BLANCHARD, LOUISIANA
Management Discussion and Analysis
JUNE 30, 2004

The management of the Town of Blanchard, Louisiana offers readers of the Town of Blanchard, Louisiana's (Town) financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2004. This management discussion and analysis ("MD&A") is designed to provide an objective analysis of the Town's financial activities based on currently known facts, decisions, and conditions. It is intended to provide readers with a broad overview of Town finances. It is also intended to provide readers with an analysis of the Town's short-term and long-term activities based on information presented in the financial report and fiscal policies that have been adopted by the Town. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the Town's financial activity, identify changes in the Town's financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns.

This is the first year the Town has presented its financial statements under the reporting model required by the Governmental Accounting Standards Board Statement No. 34. This reporting model changes the presentation of financial data, and also the manner in which the information is recorded. We encourage readers to consider the information presented here in conjunction with additional information presented throughout this report.

Overview of the Financial Statements

This Section is intended to serve as an introduction to the Town's financial statements. The Town's basic financial statements consist of the government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information, which is in addition to the basic financial statements.

Government-Wide Financial Statements

Government-wide financial statements are designed by GASB Statement No. 34 to change the way in which governmental financial statements are presented. It now provides readers with a concise "entity-wide" Statement of Net Assets and Statement of Activities, which seek to give the user of the financial statements a broad overview of the Town's financial position and results of operations in a manner similar to private sector businesses.

The statement of net assets presents information on all of the Town'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 the two 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 Town is improving or weakening.

The statement of activities presents information which shows how the government's net assets changed during this fiscal year. All changes in net assets are reported as soon as the underlying event occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g. uncollected taxes).

Each of these reports is broken down between governmental activities and business-type activities. Governmental activities normally are those activities that are supported by taxes, licenses, permits, fines, and intergovernmental revenues; for example the police and fire departments. Business-type activities are functions that are intended to support their costs through charges for services or fees; such as the Water and Sewer Department.

TOWN OF BLANCHARD, LOUISIANA
Management Discussion and Analysis
JUNE 30, 2004

Government-wide Financial Analysis

As noted earlier, net assets may, over time, serve as a useful indicator of a government's financial position. At the close of the most recent fiscal year, the Town's assets exceeded its liabilities by \$3,408,877 (net assets); this represents a decrease of \$155,847 from last fiscal year. Of this total net asset amount, \$699,491 is unrestricted net assets. The Town's net assets are comprised of \$362,416 from governmental activities and \$3,046,461 from business type activities.

The following is a condensed statement of the Town of Blanchard's net assets of June 30, 2004:

STATEMENT OF NET ASSETS
06/30/04

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash equivalents	\$ 28,729	\$ 448,995	\$ 477,724
Investments	5,551		5,551
Receivables	11,632	174,096	185,728
Internal balances		2,036	2,036
Restricted assets		939,574	939,574
Other assets	50	141,503	141,553
Capital assets (net)	<u>323,581</u>	<u>7,255,970</u>	<u>7,579,551</u>
TOTAL ASSETS	<u>369,543</u>	<u>8,962,174</u>	<u>9,331,717</u>
LIABILITIES			
Accounts, payroll, and other payables	11,983	82,428	94,411
Payable from restricted assets		552,103	552,103
Internal balance	2,036		2,036
Bonds payable		<u>5,274,289</u>	<u>5,274,289</u>
TOTAL LIABILITIES	<u>14,019</u>	<u>5,908,820</u>	<u>5,922,839</u>
NET ASSETS			
Invested in capital assets, net of related debt	323,581	1,751,334	2,074,915
Restricted for debt service		387,471	387,471
Unrestricted	<u>31,943</u>	<u>914,549</u>	<u>946,492</u>
TOTAL NET ASSETS	<u>\$ 355,524</u>	<u>\$ 3,053,354</u>	<u>\$ 3,408,878</u>

By far the largest portion of the Town's net assets (\$2,074,915 or 68%) reflects its investment in capital assets (e.g. land, buildings, machinery and equipment, Town infrastructure, etc.) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the town's capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities. The amount restricted for debt service was \$387,471 or 11% of total net assets.

TOWN OF BLANCHARD, LOUISIANA
Management Discussion and Analysis
JUNE 30, 2004

The remaining balance (\$946,492 or 21%) is unrestricted net assets, which may be used to meet the government's on-going obligations to citizens and creditors.

The Town has total outstanding bond debt of \$5,504,636, which was used to finance some of the \$7,579,551 net capital assets. Total liabilities of \$5,922,289 are equal to 63% of the total assets.

The Town's governmental activities decreased net assets by \$63,758. This decrease is mainly due to the booking of depreciation for the first time and a decrease in operating transfers from Blanchard's business-type activity.

The following is a summary of the statement of activities:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenue			
Program revenue	\$ 96,655	\$ 1,548,991	\$ 1,645,646
General revenue and transfers	242,683	15,715	258,398
Total revenue and transfers	<u>\$ 339,338</u>	<u>\$ 1,564,706</u>	<u>\$ 1,904,044</u>
Expenses			
General and administrative	\$ 46,050	\$	\$ 46,050
Public safety	229,486		229,486
Public works	115,734		115,734
Culture and recreation	11,826		11,826
Water and sewer		1,656,794	1,656,794
Total expenses	<u>\$ 403,096</u>	<u>\$ 1,656,794</u>	<u>\$ 2,059,890</u>
Increase (decrease) in net assets	\$ (63,758)	\$ (92,088)	\$ (155,846)
Net assets June 30, 2003	<u>419,282</u>	<u>3,145,442</u>	<u>3,564,724</u>
Net assets June 30, 2004	<u>\$ 355,524</u>	<u>\$ 3,053,354</u>	<u>\$ 3,408,878</u>

Because of the change in accounting principles described in Note 3 of the Notes to the Financial Statements, a comparison of various items included in the Statement of Activities with the previous year amounts is not presented. In future years these amounts will be available and comparisons presented.

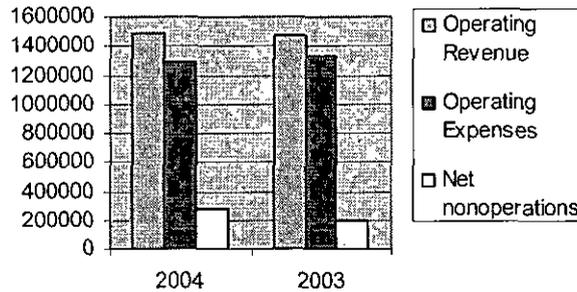
Governmental Activities

The governmental activities of the Town include General Government, Public Safety, Public Works, and Cultural and Recreational. Revenues normally associated with municipal operations, (e.g. sales tax, property tax, franchise fees, license fees, sanitation fees, permits, fines and operating grants) are insufficient for the funding of these activities; therefore, the town relies on transfers of excess revenue from its enterprise funds to cover the cost of these activities.

TOWN OF BLANCHARD, LOUISIANA
Management Discussion and Analysis
JUNE 30, 2004

Business-Type Activities

The business-type activities of the Town are those that charge a fee to customers for the services provided. The Town has one business-type activity, which is accounted for in the enterprise fund. The Town uses the enterprise fund to account for the revenues and expenses related to the provision of water and sewer services. The following is a summary of the business-type activities of the Town:



The reasons for fluctuations noted in the table above are as follows:

The operating revenue increased \$6,843 in 2004 over 2003.

The decrease in Water and Sewer Operating Expenditures was associated with better operational expense control.

The increase in Water and Sewer non-operating expenses over revenues was due to less grant related income, yet the non-operating expenses were still within 1% of the prior year.

The net effect was an overall loss in the Water and Sewer.

Fund Financial Statements-Governmental Funds

The fund financial statements provide more detailed information about the Town's most significant funds-not the Town as a whole. Funds are accounting devices that the Town uses to keep track of specific sources of funding and spending for a particular purpose.

The Town currently only maintains one individual governmental fund type. This fund type is the General Fund. Information is presented separately in the Governmental Funds Balance Sheet (Statement C) and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances (Statement E) for the General Fund, which is considered to be a major fund.

The Town adopts an annual budget for the General Fund. A Statement of Revenues, Expenditures, and Changes in Fund Balance for the General Fund is presented in the Required Supplemental Information (Part II), which compares actual revenues and expenditures to the original budget and amended budget figures.

Financial Analysis of the Town's Governmental Fund

The Town of Blanchard's governmental fund (General Fund) reported an ending fund balance of \$31,943, which is a decrease of \$38,124. The fund balance decreased \$31,496 in 2003. If the General Fund continues to decrease at this rate there will be a deficit within the next year or two.

TOWN OF BLANCHARD, LOUISIANA
Management Discussion and Analysis
JUNE 30, 2004

Fund Financial Statements –Proprietary Funds

The Town maintains one proprietary fund. Proprietary funds are used to report the same functions as business-type activities. The Town uses an enterprise fund (a type of proprietary fund) to account for its Water and Sewer Operations. This enterprise fund reports the same functions presented as business-type activities in the government-wide financial statements.

Financial Analysis of the Town's Proprietary Fund

The Town's proprietary fund shows a decrease in ending net assets of \$92,088. The 2004 operating income of the Water and Sewer Departments totaling \$189,115 represents an increase of \$46,307 from fiscal year 2003. The decrease in ending net assets is due to less grant funds received in 2004.

General Fund Budgetary Highlights

The major differences between the original budget and the final amended budget of the General Fund are:

1. The increase in budgeted revenue of \$13,900 is due mainly to an increase in sales tax revenue and rental receipts. Also a .25 increase for garbage collection was implemented. Transfers-in were decreased from \$19,000 to \$15,000.
2. Expenditures budgeted decreased from \$389,100 to \$374,766 for a difference of \$14,334. This decrease was due mainly by Blanchard Utilities paying three additional months of the Town Clerk's salary and by capital expenses for the police department dropping by \$9,000.

Capital Asset and Debt Administration

The total investment in net capital assets as of June 30, 2004 is \$ 7,610,314--\$323,581 for the general fund and \$7,255,970 for the enterprise fund.

New major capital assets purchased or constructed in fiscal 2004 are:

Governmental activities:

- Firearms for the Police Department \$1,964
- New computer and software for the Police Department \$2,702
- 3 new dell computers and software for Water and Sewer Department \$2,712
- F150 truck for Water and Sewer Department \$11,147
- Elevated water storage tank for Water and Sewer Department \$75,181
- Aeration Unit for Water and Sewer Department \$19,492
- IPS pumps for Water and Sewer Department \$5,867

Current Financial Factors

The Town of Blanchard understands the severity of our Fund Balances dropping every year. Generation of revenue for the General Fund is limited as to the number of sources available. The largest part of the General Fund's income has to go before a public vote for an increase. There will be a slight increase in Ad valorem Taxes in the next year due to a roll forward and property values increasing. This should allow for an increase in revenue of approximately \$10,000. Also, the Town will be implementing a rate increase for water. The exact rate increase has not been determined as of yet, but we are looking at a slight increase over a five year period in order to help maintain our Fund Balance and allow for repairs and expansions as needed.

TOWN OF BLANCHARD, LOUISIANA
Management Discussion and Analysis
JUNE 30, 2004

Request for Information

This financial report is designed to provide a general overview of the Town of Blanchard's finances for all with an interest in the government's operations. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Larry Permenter, Mayor, P. O. Box 428, Blanchard, Louisiana, 71009.

Basic Financial Statements

Government-Wide Financial Statements

TOWN OF BLANCHARD, LOUISIANA

STATEMENT OF NET ASSETS

June 30, 2004

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 28,729	\$ 448,995	\$ 477,724
Investments	5,551		5,551
Receivables	11,632	174,096	185,728
Internal balances		2,036	2,036
Restricted assets		939,574	939,574
Other assets	50	141,503	141,553
Capital assets (net)	323,581	7,255,970	7,579,551
TOTAL ASSETS	\$ 369,543	\$ 8,962,174	\$ 9,331,717
LIABILITIES			
Accounts, payroll, and other payables	\$ 11,983	\$ 82,428	\$ 94,411
Payable from restricted assets		552,103	552,103
Internal balance	2,036		2,036
Bonds payable		5,274,289	5,274,289
TOTAL LIABILITIES	\$ 14,019	\$ 5,908,820	\$ 5,922,839
NET ASSETS			
Invested in capital assets, net of related debt	323,581	\$ 1,751,334	\$ 2,074,915
Restricted for debt service		387,471	387,471
Unrestricted	31,943	914,549	946,492
TOTAL NET ASSETS	\$ 355,524	\$ 3,053,354	\$ 3,408,878

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

TOWN OF BLANCHARD, LOUISIANA
STATEMENT OF ACTIVITIES
 For the year ended June 30, 2004

	Program Revenues			Net (Expenses) Revenue	Net (Expenses), Revenues, and Changes		Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Governmental Activities	Business-type Activities	
Governmental Activities							
General government	\$ 46,050	\$	\$	\$ (46,050)	\$ (46,050)	\$	\$ (46,050)
Public safety: Police	229,486	1,896		(208,041)	(208,041)		(208,041)
Public works:							
Streets and right of ways	26,568			(24,173)	(24,173)		(24,173)
Sanitation	76,518			(3,703)	(3,703)		(3,703)
Buildings and grounds	12,648			(12,648)	(12,648)		(12,648)
Culture and recreation	11,826			(11,826)	(11,826)		(11,826)
Total Governmental Activities	403,096	1,896		(306,441)	(306,441)		(306,441)
Business-Type Activities							
Water	1,477,527	64,499		(40,044)	(40,044)		(40,044)
Sewer	179,267			(67,759)	(67,759)		(67,759)
Total Business-type Activities	\$ 1,656,794	\$ 64,499	\$	\$ (107,803)	\$ (107,803)	\$	\$ (107,803)
Total Primary Government	\$ 2,059,890	\$ 66,395	\$ 0.00	\$ (414,244)	\$ (306,441)	\$ (107,803)	\$ (414,244)
General Revenues:							
Ad valorem taxes					57,256	15,744	73,000
Sales tax					64,916		64,916
Franchise taxes					37,409		37,409
Occupational licenses					18,841		18,841
Insurance licenses					24,346		24,346
Investment earnings					395	12,793	13,188
Other general revenues					26,698		26,698
Transfers					12,822	(12,822)	
Total general revenues and transfers					\$ 242,683	\$ 15,715	\$ 258,398
Change in Net Assets					(63,758)	(92,088)	(155,846)
Net assets--beginning					419,282	3,145,442	3,564,724
Net assets--ending					\$ 355,524	\$ 3,053,354	\$ 3,408,878

The accompanying notes are an integral part of this statement.

Fund Financial Statements

TOWN OF BLANCHARD, LOUISIANA

BALANCE SHEET, GOVERNMENTAL FUND

June 30, 2004

	ASSETS	<u>General Fund</u>
Cash and cash equivalents		\$ 28,729
Investments		5,551
Receivables		11,632
Deposits		<u>50</u>
TOTAL ASSETS		\$ 45,962
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts, salaries, and other payables		\$ 11,983
Due to utility fund		<u>2,036</u>
<i>Total Liabilities</i>		<u>14,019</u>
Fund balance:		
Unreserved, reported in:		
General Fund		<u>31,943</u>
<i>Total Fund Balance</i>		<u>31,943</u>
TOTAL LIABILITIES AND FUND BALANCES		\$ 45,962

TOWN OF BLANCHARD, LOUISIANA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS
June 30, 2004

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Fund Balances, Total Governmental Funds, Statement C	\$ 31,943
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the government funds	<u>323,581</u>
Net Assets of Governmental Activities, Statement A	<u><u>\$ 355,524</u></u>

TOWN OF BLANCHARD, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND

For the Year Ended June 30, 2004

	<u>General Fund</u>
Revenues:	
Ad valorem taxes	\$ 57,256
Sales taxes	64,916
Franchise taxes	37,409
Intergovernmental revenues	
Federal grant	1,896
Licenses and permits	50,658
Charges for services	75,209
Fines and forfeitures	19,549
Use of Money and Property	395
Other	19,226
Total Revenues	<u>326,514</u>
Expenditures:	
Current:	
General government	41,989
Public safety: Police	212,720
Public works:	
Sanitation	76,518
Street and right of ways	26,568
Buildings and grounds	10,017
Culture and recreation	4,982
Capital Outlays	4,666
Total Expenditures	<u>377,460</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(50,946)</u>
Other Financing Sources (Uses)	
Operating transfers in	12,822
Total Other Financing Sources (Uses)	<u>12,822</u>
Net change in Fund Balances	(38,124)
Fund balances, beginning of year	70,067
Fund balances, end of year	<u>\$ 31,943</u>

TOWN OF BLANCHARD, LOUISIANA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2004

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

Net Change in Fund Balances, Total Governmental Funds, Statement E	\$	38,124
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 depreciation expense. This is the amount by which capital outlays exceeded the depreciation in the current period.		<u>25,634</u>
Change in Net Assets of Governmental Activities, Statement B	\$	<u>63,758</u>

TOWN OF BLANCHARD, LOUISIANA

STATEMENT OF NET ASSETS, PROPRIETARY FUND
June 30, 2004

ASSETS	<u>Business-Type Activity Enterprise Fund</u>
Current assets:	
Cash and cash equivalents	\$ 448,995
Receivables	174,096
Due from other funds	<u>2,036</u>
Total current assets	625,127
Non-current assets:	
Restricted cash	939,574
Unamortized bond issue costs	141,503
Capital assets, net of accumulated depreciation	<u>7,255,970</u>
Total non-current assets	<u>8,337,047</u>
TOTAL ASSETS	\$ <u>8,962,174</u>
LIABILITIES	
Current liabilities:	
Accounts, salaries, and other payables	<u>\$ 82,428</u>
Total current liabilities	82,428
Current liabilities payable from restricted assets:	
Current portion of revenue bonds payable	230,347
Accrued interest on long-term debt	104,506
Meter deposits	<u>217,250</u>
Total current liabilities payable from restricted assets	552,103
Noncurrent liabilities	
General obligation bonds, net of unamortized discounts	247,000
Revenue bonds, net of unamortized discounts	<u>5,027,289</u>
Total noncurrent liabilities	<u>5,274,289</u>
TOTAL LIABILITIES	\$ <u>5,908,820</u>
NET ASSETS	
Invested in capital assets, net of related debt	\$ 1,751,334
Restricted for debt service	387,471
Unrestricted	<u>914,549</u>
TOTAL NET ASSETS	\$ <u>3,053,354</u>

TOWN OF BLANCHARD, LOUISIANA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
For the Year Ended June 30, 2004

	Utility Fund
Operating Revenues	
Charges for services:	
Water sales	\$ 1,278,324
Sewer service fees	103,558
Installations	64,245
Permits and fees	31,062
Other services	7,303
Total Operating Revenues	1,484,492
 Operating Expenses	
Cost of sales and services	780,596
Administration	128,208
Depreciation	386,573
Total Operating Expenses	1,295,377
 Operating Income	189,115
 Nonoperating Revenues (Expenses)	
Act 14 emergency water repair funds	64,499
Ad valorem taxes	15,744
Interest earnings	12,793
Interest expense	(352,210)
Amortization of bond discount	(9,207)
Total Nonoperating Revenues (Expenses)	(268,381)
 Income Before Transfers	(79,266)
 Transfers out	(12,822)
 Change in Net Assets	(92,088)
 Total net assets, beginning of year	3,145,442
Total net assets, end of year	\$ 3,053,354

The accompanying notes are an integral part of this statement.

TOWN OF BLANCHARD, LOUISIANA
PROPRIETARY FUND TYPE - ENTERPRISE FUND

Statement of Cash Flows

For the Year Ended June 30, 2004

	Utility Fund
Cash flows from operating activities:	
Cash received from customers	\$ 1,506,493
Cash payments to suppliers for goods and services	(496,534)
Cash payments to employees for services	(363,731)
Net cash provided (used) by operating activities	646,228
Cash flows from noncapital financing activities:	
Ad valorem taxes	15,744
Cash flows from capital and related financing activities:	
Acquisition of property, plant, and equipment	(115,122)
Proceeds from sale of assets	
Proceeds from Act 319 state highway funds	64,499
Principal paid on revenue bonds	(214,903)
Bond issuance costs	
Interest paid on revenue bonds	(356,190)
Transfer to General Fund	(11,752)
Net cash (used) for capital and related financing activities	(633,468)
Cash flows from investing activities:	
Maturities of investments	0
Interest on investments	12,793
Net cash provided (used) from (in) investing activities	12,793
Net increase (decrease) in cash and cash equivalents	41,297
Cash and cash equivalents at beginning of year	1,347,272
Cash and cash equivalents at end of year	\$ 1,388,569
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 189,115
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation and amortization	386,573
Prior period sales tax paid	
Change in assets and liabilities:	
(Increase) decrease in customer accounts receivable	14,380
(Increase) decrease in other accounts receivable	
Increase (decrease) in accounts payable and accrued expenses	47,537
Increase (decrease) in accrued payroll taxes	1,002
Increase (decrease) in customer deposits	11,725
Net increase (decrease) in due to/from other funds	(4,104)
Total adjustments	457,113
Net cash provided (used) by operating activities	\$ 646,228
Reconciliation of balance sheet cash and cash equivalents to cash flow statement	
Current assets: Cash and cash equivalent	\$ 448,995
Non-Current assets: Restricted Cash	939,574
Total cash and cash equivalents	\$ 1,388,569

Notes to the Financial Statements

TOWN OF BLANCHARD, LOUISIANA
Notes to the Financial Statements
As of and for the Year Ended June, 2004

INTRODUCTION

The Town of Blanchard, Louisiana, (the Town) was incorporated in 1961 under the provisions of the Lawrason Act. The Town operates under the Mayor-Board of Aldermen form of government and provides the following services as authorized by the Act: public safety—police; sanitation; public improvements; culture and recreation; provision of water utility and sewer services; and general services. The Town is located in the northwest Louisiana parish of Caddo and has a population of more or less 2,050. The Town employs seventeen. The utility department serves approximately 3,500 customers.

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 Town is considered a primary government, since 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 Town 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. This report includes all funds which are controlled by or dependent on the Town's Executive and Legislative Branches (the Mayor and Board of Aldermen).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, and proprietary funds.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

TOWN OF BLANCHARD, LOUISIANA
Notes to the Financial Statements
As of and for the Year Ended June, 2004

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental funds:

The General Fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund

The Town reports the following major proprietary funds:

The Enterprise Fund is used for activities which are financed and operated in a manner similar to private business enterprise where the intent of the governing body is that the costs (expense, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The Town maintains an Enterprise Fund for water and sewer utilities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. An exception to this general rule is other charges between the government's enterprise operations. Elimination of this charge would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal revenues of the enterprise fund are direct sales and services, installation charges and permits and fees for use of the services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

TOWN OF BLANCHARD, LOUISIANA
Notes to the Financial Statements
 As of and for the Year Ended June, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Cash and Investments

Cash includes amounts in demand deposits, interest-bearing demand deposits, and time deposits. Cash equivalents include amounts in time deposits and these investments with original maturities of less than six months. Under state law, the Town 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. The Town may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

Under state law, the Town may invest in United States bonds treasury notes, or certificates. These are classified as investments if their original maturities exceed 182 days. All investments are recorded at fair value based on quoted market prices.

D. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year re referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources

There is no allowance for doubtful accounts. All receivables in the general fund are expected to be collected. The water and sewer receivables are backed by customer's meter deposits. Upon nonpayment and subsequent disconnection, the deposit is applied to any unpaid account balance with the remaining amount, if any, refunded to the customer within a reasonable period of time. Unbilled receivables represent amounts earned which have not yet been billed. Management anticipates that the June 30, 2004 unbilled receivables will be substantially billed and collected in fiscal year 2005.

Property taxes are levied on a calendar year basis and become due on January 1 of each year. The following is a summary of authorized and levied ad valorem taxes:

	Authorized Millage	Levied Millage
Taxes due for:		
General purposes	6.79	6.79
Sewer depreciation	1.86	1.86

Of the 1,287 taxpayers of the Town, there are two taxpayers that account for about one percent each of the total assessment.

Proceeds of a 1% sales and use tax are dedicated to the police department for the purpose of maintaining and providing police protection. Collections for the year ended June 30, 2004, are \$64,916.

TOWN OF BLANCHARD, LOUISIANA

Notes to the Financial Statements
As of and for the Year Ended June, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Restricted Assets

The Enterprise Fund, because of certain bond covenants, is required to establish and maintain prescribed amounts of resources (consisting of cash and cash equivalents) that can be used only to service outstanding debt. The restricted amount at June 30, 2004 for bond covenants is \$722,324. The Enterprise Fund also requires customers to place a deposit before service is rendered. These monies are restricted and held until the customer disconnects service. At June 30, 2004, the utility deposits restricted were \$217,250. Total restricted cash and cash equivalents are \$939,574.

F. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activity column in the government-wide financial statements. Capital assets are capitalized at historical cost. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The municipality maintains a threshold level of \$1,000 or more for capitalizing capital assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

	Estimated Lives
<u>Water Utility</u>	
Purification Plant	50 years
Lines and Meters	10-30 years
Other Equipment	3-15 years
<u>Sewerage Utility</u>	
Lines and Pumps	30-50 years
Other Equipment	3-4 years

G. Compensated Absences

The Town's liability for accrued compensated absences is considered a current liability payable from current resources and is reported in both the government-wide and governmental fund financial statements. The amounts applicable to the General Fund of \$4,747 and the Enterprise Fund of \$5,485 have been recorded. The accumulated unpaid vacation expires on the employee's anniversary date of employment following the year in which it is earned; therefore, no long-term liability exists.

H. Long-Term Obligations

In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

TOWN OF BLANCHARD, LOUISIANA
Notes to the Financial Statements
As of and for the Year Ended June, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

J. Comparative Data/Reclassifications

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

K. Estimates

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The Mayor and Town Clerk prepare a proposed budget and submit same to the Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year. The proposed budget is reviewed by the board of alderman and made available to the public. At least ten days after publication of the call for a public hearing the Town holds a public hearing on the proposed budget in order to receive comments from citizens. Changes are made to the proposed budget based on the public hearing and the desires of the Board of Aldermen as a whole. The budget is then adopted through the passage of an ordinance during the June meeting, and notice is published in the official journal.

During the year, the Board of Aldermen receives monthly budget comparison statements, which are used as tools to control the operations of the Town. The Town Clerk presents necessary budget amendments to the board when she determines that actual operations are differing materially from those anticipated in the original budget. The board in regular session reviews the proposed amendments, makes necessary changes, and formally adopts the amendments. The budget was amended during the year. The adoption of amendments is included in the Town's minutes. The budget is established and controlled by the Mayor and the Board of Aldermen at the functional level of expenditure. Unexpended appropriations lapse at year-end and must be reappropriated for the following year to be expended. The Mayor and Board of Aldermen must approve all changes in the budget. The Town does not use encumbrance accounting in its accounting system.

3. CHANGES IN ACCOUNTING PRINCIPLES

For the year ended June 30, 2004, the Town has implemented GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. GASB No. 34 creates new basic financial statements for reporting on the Town's financial activities. The financial statements now include government-wide financial statements prepared on the accrual basis of accounting, and fund financial statements which present information for individual major funds rather than by fund type which has been the mode of presentation in previously issued financial statements.

TOWN OF BLANCHARD, LOUISIANA
Notes to the Financial Statements
As of and for the Year Ended June, 2004

4. CASH AND CASH EQUIVALENTS

At June 30, 2004, the Town has cash and cash equivalents (book balances) totaling \$1,417,297 as follows:

Demand deposits	\$	170,789
Interest-bearing demand deposits		960,087
Time deposits		150,000
Other		136,421
Total	\$	<u>1,417,297</u>
Per financial statements;		
Cash and cash equivalents	\$	477,723
Restricted cash and cash equivalents		939,574
Total cash and cash equivalents per financial statements	\$	<u>1,417,297</u>

These deposits are stated at cost, which approximates market. Under state law, these 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 in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At June 30, 2004 the Town has \$1,473,423 in deposits (collected bank balances). These deposits are secured from risk by \$200,000 of federal deposit insurance and \$1,223,423 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). The remaining balance of \$50,000 is not secured by the pledge of securities and is a violation of state law.

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to *advertise and sell the pledged securities within 10 days of being notified by the Town that the fiscal agent has failed to pay deposited funds upon demand.*

Below is a reconciliation of the various restricted cash and cash equivalents:

Sinking fund requirements for current interest and principal payments	\$	190,384
Reserve for 1966 Water Revenue Bonds		17,678
Reserve for 1997 Water Revenue Bonds		329,525
Reserve for 2000 Water Revenue Bonds		132,405
Bond Contingency funds		52,332
Total cash restricted for Retirement of Revenue Bonds		<u>722,324</u>
Customer utility deposits		217,250
Total Restricted Cash and Cash Equivalents as of June 30, 2004	\$	<u>939,574</u>

TOWN OF BLANCHARD, LOUISIANA
Notes to the Financial Statements
As of and for the Year Ended June, 2004

5. INVESTMENTS

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the Town or its agent in the Town's name
2. Uninsured and unregistered, with securities held by the counter party's trust department or agent in the Town's name
3. Uninsured and unregistered, with securities held by the counter party, or by its trust department or agent but not in the Town's name

Fiscal year-end, the Town's investment balances were as follows:

<u>Type of Investment</u>	<u>Category</u>			<u>Carrying Amount</u>			<u>Total Carrying Amount</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Fair Value</u>	<u>Amortized Cost</u>	<u>Cost</u>	
Certificate of Deposit	<u>\$5,551</u>			<u>\$5,551</u>			<u>\$5,551</u>
Total Investments	<u>\$5,551</u>			<u>\$5,551</u>			<u>\$5,551</u>

6. RECEIVABLES

The receivables of \$185,728 at June 30, 2004, are as follows:

<u>Class of Receivable</u>	<u>General Fund</u>	<u>Enterprise Fund</u>	<u>Total</u>
Taxes:			
Ad valorem	\$ 114	\$	114
Sales and use	5,342		5,342
Other	6,176		6,176
Intergovernmental - grants:			
State		16,125	16,125
Local			
Accounts		157,663	157,663
Other		308	308
Total	<u>\$ 11,632</u>	<u>\$ 174,096</u>	<u>\$ 185,728</u>

7. INTERFUND RECEIVABLES/PAYABLES

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

	<u>General Fund</u>	<u>Enterprise Fund</u>
Due from other fund	\$	\$ 2,036
(Due to) other fund	(2,036)	
Net (Due to)/Due from	<u>\$ (2,036)</u>	<u>\$ 2,036</u>

TOWN OF BLANCHARD, LOUISIANA

Notes to the Financial Statements
As of and for the Year Ended June, 2004

8. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended June 30, 2004, for the primary government is as follows:

Governmental Activities:	Balance June 30, 2003	Additions	Deductions	Balance June 30, 2004
Capital assets, not being depreciated				
Land	\$ 2,000	\$	\$	\$ 2,000
Total capital assets, not being depreciated	<u>\$ 2,000</u>	<u>\$</u>	<u>\$</u>	<u>\$ 2,000</u>
Capital assets, being depreciated				
Buildings & improvements	\$ 357,917	\$ 85,359	\$ (5,157)	\$ 438,119
Equipment				
Police Department	216,444	4,666	(39,405)	181,705
Sanitation, Streets, & Right of Ways	24,365		(4,266)	20,099
General	28,790		(10,615)	18,175
Sewer plant for Enterprise Fund	440,746		(66,391)	374,355
Total capital assets, being depreciated	<u>\$ 1,068,262</u>	<u>\$ 90,025</u>	<u>\$ (125,834)</u>	<u>\$ 1,032,453</u>
Less accumulated depreciation for				
Buildings & improvements	\$ 145,324	\$ 12,675	\$	\$ 157,999
Equipment				
Police Department	138,630	14,883		153,513
Sanitation, Streets, & Right of Ways	4,087	2,743		6,830
General	18,175			18,175
Sewer plant for Enterprise Fund	374,355			374,355
Total accumulated depreciation	<u>680,571</u>	<u>\$ 30,301</u>	<u>\$ 0</u>	<u>710,872</u>
Total Capital assets being depreciated net	<u>\$ 387,691</u>			<u>\$ 321,581</u>
Business type Activities:				
	Balance		Reclassifications/ Decreases	Balance
	June 30, 2003	Increases		June 30, 2004
Capital assets, not being depreciated				
Land	\$ 43,850	\$	\$	\$ 43,850
Total capital assets, not being depreciated	<u>\$ 43,850</u>	<u>\$</u>	<u>\$</u>	<u>\$ 43,850</u>
Capital assets being depreciated				
Buildings	\$ 213,813	\$	\$ (85,359)	\$ 128,454
Water System	9,480,458	75,181		9,555,639
Sewer System	1,590,909	25,359	85,359	1,701,627
Fixtures & equipment	161,126	2,711		163,837
Automotive equipment	126,662	11,146	(31,106)	106,702
Total capital assets being depreciated	<u>\$ 11,572,968</u>	<u>\$ 114,397</u>	<u>\$ (31,106)</u>	<u>\$ 11,656,259</u>
Less accumulated depreciation for				
Buildings	\$ 57,487	\$ 5,054	\$ (18,968)	\$ 43,573
Water System	3,212,445	307,930		3,520,375
Sewer System	606,160	54,653	18,968	679,781
Fixtures & equipment	108,423	12,496		120,919
Automotive equipment	103,813	6,440	(30,762)	79,491
Total accumulated depreciation	<u>4,088,328</u>	<u>\$ 386,573</u>	<u>\$ (30,762)</u>	<u>4,444,139</u>
Total Capital assets being depreciated net	<u>\$ 7,484,640</u>			<u>\$ 7,212,120</u>

TOWN OF BLANCHARD, LOUISIANA
Notes to the Financial Statements
As of and for the Year Ended June, 2004

8. CAPITAL ASSETS (Continued)

Depreciation expense of \$30,301 for the year ended June 30, 2004, was charged to the following governmental functions:

General Government	\$	4,060
Public Safety		16,766
Public Works		2,631
Recreation		6,844
Total Depreciation	\$	<u>30,301</u>

9. INTERFUND TRANSFERS

Interfund transfers totaled \$12,822 for operating transfers from the Utility Fund to the General Fund during the year ended June 30, 2004. The Utility Fund reimburses the General Fund for general operational support during the year.

10. ACCOUNTS, SALARIES, AND OTHER PAYABLES

The payables of \$311,662 at June 30, 2004, are as follows:

	<u>General Fund</u>	<u>Enterprise Fund</u>	<u>Total</u>
Payroll	\$ 1,092	\$ 2,346	\$ 3,438
Payroll Taxes		3,813	3,813
Compensated Absences	4,747	5,485	10,232
Trade Accounts Payable	6,144	66,763	72,907
Other		<u>4,021</u>	<u>4,021</u>
Total	<u>\$ 11,983</u>	<u>\$ 82,428</u>	<u>\$ 94,411</u>

11. LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligation transactions for the year ended June 30, 2004:

	<u>Bonded Debt</u>
Long-term obligations at beginning of year	\$ 5,719,539
Additions	-
Deductions	<u>(214,903)</u>
Long-term obligations at end of year	<u>\$ 5,504,636</u>

TOWN OF BLANCHARD, LOUISIANA
Notes to the Financial Statements
As of and for the Year Ended June, 2004

11. LONG-TERM OBLIGATIONS (continued)

The following is a summary of the current (due in one year or less) and the long-term (due in more than one year) portions of long-term obligations as of June 30, 2004:

	<u>Bonded Debt</u>
Current portion	\$ 230,347
Long-term portion, net unamortized discounts	5,274,289
Total	\$ 5,504,636

All Town bonds outstanding at June 30, 2004, for \$5,539,614, are revenue bonds (or other as indicated) with maturities from 2006 to 2027 and interest rates from 3.75% to 7.20%. Bond principal and interest payable in the next fiscal year are \$230,347 and \$338,926, respectively.

The individual issues are as follows:

Note	Original Issue	Interest Rate	Final Payment Due	Interest to Maturity	Principal Outstanding	Funding Source
1966 USDA Revenue Bonds	6/9/66	3.75%	6/9/06	1,115	23,458	water revenue
1997 Water Revenue Bonds	4/1/97	6.125-7.00%	3/1/22	2,393,541	3,360,000	water revenue
1998 Water Revenue Bonds	7/17/98	7.20%	4/1/07	38,315	266,156	water revenue
2000 Water Revenue Bonds	12/14/00	7.20%	3/1/27	1,477,301	1,610,000	water revenue
2001 Certificates of Indebtedness	2/8/01	5.50%	3/1/11	61,545	280,000	water revenue
Total outstanding bonds					5,539,614	

These bonds constitute obligations of the Town solely secured by a lien on and pledge of the net revenues of the water system. The revenue of the water system and the various special funds established by the bond ordinances collateralizes the revenue bonds. The ordinances provide that the revenue of the system is to be used first to pay operating and maintenance expenses of the system and second to establish and maintain the Revenue Bond fund. Remaining revenues may then be used for any lawful purpose.

The resolutions authorizing the Water Revenue Bonds requires that the Town establish a sinking fund, reserve funds, and a contingency fund and make monthly payments in order to satisfy payments of principal and interest on all bonds payable. To satisfy all bond sinking fund requirements the monthly amount to be deposited into the Sinking Fund is \$47,456. There is also a \$1,246 deposit required monthly to the contingency fund. All reserve requirements for the bonds have been met. The Town has complied with all significant financial requirements as of June 30, 2004.

The bonds are due as follows:

<u>Year Ending June 30, 2004</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2005	\$ 230,347	\$ 338,926	\$ 569,273
2006	236,856	324,113	560,969
2007	233,411	309,359	542,770
2008	215,000	294,770	509,770
2009	227,000	281,116	508,116
2010-2014	1,187,000	1,202,590	2,389,590
2015-2019	1,475,000	826,440	2,301,440
2020-	1,735,000	394,503	2,129,503
Total	\$ 5,539,614	\$ 3,971,817	\$ 9,511,431

TOWN OF BLANCHARD, LOUISIANA
Notes to the Financial Statements
As of and for the Year Ended June, 2004

12. RETIREMENT SYSTEMS

Substantially all employees of the Town of Blanchard, are members of the following statewide retirement systems: Town Employees Retirement System of Louisiana, Town Police Employees Retirement System of Louisiana, or Firefighters' Retirement System of Louisiana (list any others). These systems are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. Pertinent information relative to each plan follows:

A. Town Police Employees Retirement System of Louisiana (System)

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

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (504) 929-7411.

Funding Policy. Plan members are required by state statute to contribute 7.5% of their annual covered salary and the Town of Blanchard is required to contribute at an actuarially determined rate. The current rate is 9.0% of annual covered payroll. The contribution requirements of plan members and the Town of Blanchard are established and may be amended by state statute. As provided by R.S. 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 Town of Blanchard contributions to the System for the years ending June 31, 2004, 2003, and 2002, were \$13,492, \$8,074, and \$7,206, respectively, equal to the required contributions for each year. (If the required contributions and the actual amount contributed do not equal, disclose the required contribution in dollars and the percentage of that amount contributed for the current year and each of the two preceding years.)

13. RESTRICTED NET ASSETS

The amount of retained earnings restricted for revenue bond retirement is detailed as follows:

Restricted Sinking, reserve, and contingency funds	\$	722,324
Less:		
Accrued interest payable on revenue bonds		(104,506)
Current maturities of revenue bonds		(230,347)
Reserve for debt retirement		387,471

14. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; error and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance for all risks of loss, including workers' compensation and employee health and accident insurance. Settlements have not exceeded insurance coverage in any of the past three fiscal years.

TOWN OF BLANCHARD, LOUISIANA
Notes to the Financial Statements
As of and for the Year Ended June, 2004

15. CONTINGENT LIABILITIES

The Town participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement that may arise as the result of these audits is not believed to be material.

During the various fiscal years, the Town of Blanchard has been required to relocate water lines along Highway 1 to accommodate a Department of Transportation and Development, State of Louisiana, highway construction project. Funding is provided by the State of Louisiana to the Town pursuant to Act 319 (R.S. 48:381 (C)(2)). In accordance with provisions of this Act, the Town is henceforth prohibited from locating a utility installation in any state-owned right-of-way until the Town reimburses the State for the cost of the relocations.

16. ON-BEHALF PAYMENTS FOR FRINGE BENEFITS AND SALARIES

The Town recognizes as general fund revenues and expenses supplemental pay made by the State of Louisiana to the Town's police employees. For year ended June 30, 2004, the State made contributions of \$9,900.

Required Supplemental Information (Part II)

TOWN OF BLANCHARD, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES--
BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended June 30, 2004

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 65,000	\$ 59,000	\$ 57,256	\$ (1,744)
Sales taxes	58,000	65,000	64,916	(84)
Franchise taxes	42,000	42,000	37,409	(4,591)
Intergovernmental revenues				
Federal grant		1,900	1,896	(4)
Licenses and permits	47,000	45,000	50,658	5,658
Charges for services	71,900	74,900	75,209	309
Fines and forfeitures	21,000	17,500	19,549	2,049
Use of Money and Property	1,000	400	395	(5)
Other	6,700	20,800	19,226	(1,574)
Total Revenues	<u>312,600</u>	<u>326,500</u>	<u>326,514</u>	<u>14</u>
Expenditures:				
Current:				
General government	49,550	44,116	41,989	2,127
Public safety: Police	214,350	212,800	212,720	80
Public works:				
Sanitation	65,000	70,000	76,518	(6,518)
Street and right of ways	22,100	27,100	26,568	532
Buildings and grounds	10,600	9,150	10,017	(867)
Culture and recreation	10,000	5,600	4,982	618
Capital Outlays	17,500	6,000	4,666	1,334
Total Expenditures	<u>389,100</u>	<u>374,766</u>	<u>377,460</u>	<u>(2,694)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(76,500)</u>	<u>(48,266)</u>	<u>(50,946)</u>	<u>(2,680)</u>
Other Financing Sources (Uses)				
Operating transfers in	19,000	15,000	12,822	(2,178)
Total Other Financing Sources (Uses)	<u>19,000</u>	<u>15,000</u>	<u>12,822</u>	<u>(2,178)</u>
Net change in Fund Balances	<u>(57,500)</u>	<u>(33,266)</u>	<u>(38,124)</u>	<u>(4,858)</u>
Fund balances, beginning of year	70,067	70,067	70,067	
Fund balances, end of year	<u>\$ 12,567</u>	<u>\$ 36,801</u>	<u>\$ 31,943</u>	<u>\$ (4,858)</u>

The accompanying notes are an integral part of this statement.

Other Supplemental Schedules

TOWN OF BLANCHARD, LOUISIANA
GENERAL FUND
COMPARATIVE BALANCE SHEET
June 30, 2004 and 2003

	2004	2003
ASSETS		
Cash and cash equivalents	\$ 28,729	\$ 55,434
Investments	5,551	5,551
Other receivables	11,632	11,501
Due from utility fund		5,838
Deposits	50	50
 TOTAL ASSETS	 \$ 45,962	 \$ 78,374
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable and accrued expenses	\$ 11,983	\$ 4,537
Due to utility fund	2,036	3,770
Total liabilities	14,019	8,307
Fund balances:		
Unreserved, reported in:		
General Fund	31,943	70,067
Total Fund Balances	31,943	70,067
 TOTAL LIABILITIES AND FUND BALANCES	 \$ 45,962	 \$ 78,374

TOWN OF BLANCHARD, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GENERAL FUND

For the Year Ended June 30, 2004

With Comparative Amounts for Year Ended June 30, 2003

	<u>2004</u>	<u>2003</u>
Revenues:		
Ad valorem taxes	\$ 57,256	\$ 57,304
Sales taxes	64,916	57,649
Franchise taxes	37,409	39,903
Intergovernmental revenues:		
Federal grant	1,896	436
State grant	-	22,000
Licenses and permits	50,658	52,941
Charges for services:		
Sanitation	72,815	74,266
Mowing	2,395	3,613
Fines and forfeitures	19,549	19,001
Use of Money and Property	395	796
Other	19,226	5,969
Total Revenues	<u>326,514</u>	<u>333,878</u>
Expenditures:		
Current:		
General government	41,989	42,785
Public safety: Police	212,720	204,366
Public works:		
Sanitation	76,518	64,270
Street and right of ways	26,568	20,157
Buildings and grounds	10,017	9,157
Culture and recreation	4,982	9,232
Capital Outlays	4,666	34,418
Total Expenditures	<u>377,460</u>	<u>384,385</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(50,946)</u>	<u>(50,507)</u>
Other Financing Sources (Uses)		
Operating transfers in	12,822	19,012
Total Other Financing Sources (Uses)	<u>12,822</u>	<u>19,012</u>
Net change in Fund Balances	(38,124)	(31,495)
Fund balances, beginning of year	70,067	101,562
Fund balances, end of year	<u>\$ 31,943</u>	<u>\$ 70,067</u>

TOWN OF BLANCHARD, LOUISIANA
ENTERPRISE FUND
BALANCE SHEETS
June 30, 2004 and 2003

	2004	2003
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 448,995	\$ 443,428
Receivables	174,096	188,477
Due from other funds	2,036	3,770
Total current assets	625,127	635,675
Non-current assets:		
Restricted cash	939,574	903,847
Unamortized bond issue costs	141,503	150,710
Capital assets, net of accumulated depreciation	7,255,970	7,528,489
Total non-current assets	8,337,047	8,583,046
TOTAL ASSETS	\$ 8,962,174	\$ 9,218,721
LIABILITIES		
Current liabilities:		
Accounts, salaries, and other payables	\$ 82,428	\$ 33,886
Due to other funds		5,838
Total current liabilities	82,428	39,724
Current liabilities payable from restricted assets:		
Current portion of revenue bonds payable	230,347	214,147
Accrued interest on long-term debt	104,506	108,486
Meter deposits	217,250	205,527
Total current liabilities payable from restricted assets	552,103	528,160
Noncurrent liabilities		
General obligation bonds, net of unamortized discounts	247,000	280,000
Revenue bonds, net of unamortized discounts	5,274,289	5,505,392
Total noncurrent liabilities	5,521,289	5,785,392
TOTAL LIABILITIES	\$ 6,155,820	\$ 6,353,276
NET ASSETS		
Invested in capital assets, net of related debt	\$ 1,751,334	\$ 1,808,950
Restricted for debt service	387,471	378,761
Unrestricted	914,549	957,732
TOTAL NET ASSETS	\$ 3,053,354	\$ 3,145,443

TOWN OF BLANCHARD, LOUISIANA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND

For the Years Ended June 30, 2004 and 2003

	2004	2003
Operating Revenues		
Charges for services:		
Water sales	\$ 1,278,324	\$ 1,270,907
Sewer service fees	103,558	107,814
Installations	64,245	68,644
Permits and fees	31,062	13,850
Other services	7,303	16,434
Total Operating Revenues	1,484,492	1,477,649
 Operating Expenses		
Cost of sales and services	780,596	802,088
Administration	128,208	148,646
Depreciation	386,573	384,106
Total Operating Expenses	1,295,377	1,334,841
 Operating Income	189,115	142,808
 Nonoperating Revenues (Expenses)		
Act 319 state highway funds	-	161,912
Act 14 emergency water repair funds	64,499	
Ad valorem taxes	15,744	14,930
Interest earnings	12,793	15,325
Interest expense	(352,210)	(365,081)
Amortization of bond discount	(9,207)	(9,207)
Gain (loss) on sale of asset		606
Total Nonoperating Revenues (Expenses)	(268,381)	(181,515)
 Income Before Transfers	(79,266)	(38,707)
Transfers out	(12,822)	(19,012)
 Change in Net Assets	(92,088)	(57,719)
 Total net assets, beginning of year	3,145,442	3,203,161
Total net assets, end of year	\$ 3,053,354	\$ 3,145,442

The accompanying notes are an integral part of this statement.

TOWN OF BLANCHARD, LOUISIANA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND--WATER AND SEWER DEPARTMENTS

For the Year Ended June 30, 2004

	Water	Sewer	Total
Operating Revenues			
Charges for services:			
Water sales	\$ 1,278,324	\$	\$ 1,278,324
Sewer service fees		103,558	103,558
Installations	64,245		64,245
Permits and fees	23,112	7,950	31,062
Other services	7,303		7,303
Total Operating Revenues	1,372,984	111,508	1,484,492
 Operating Expenses			
Cost of sales and services	681,507	99,089	780,596
Administration	107,324	20,884	128,208
Depreciation	327,279	59,294	386,573
Total Operating Expenses	1,116,110	179,267	1,295,377
 Operating Income	256,874	(67,759)	189,115
 Nonoperating Revenues (Expenses)			
Act 14 emergency water repair funds	64,499		64,499
Ad valorem taxes		15,744	15,744
Interest earnings	11,803	990	12,793
Interest expense	(352,210)		(352,210)
Amortization of bond discount	(9,207)		(9,207)
Total Nonoperating Revenues (Expenses)	(285,115)	16,734	(268,381)
 Income Before Transfers	(28,241)	(51,025)	(79,266)
 Transfers out	(11,752)	(1,070)	(12,822)
 Change in Net Assets	\$ (39,993)	\$ (52,095)	(92,088)
 Total net assets, beginning of year			3,145,442
Total net assets, end of year			\$ 3,053,354

The accompanying notes are an integral part of this statement.

TOWN OF BLANCHARD, LOUISIANA
SCHEDULE OF COMPENSATION AND REIMBURSED EXPENSES PAID BOARD MEMBERS
For the year ended June 30, 2004

	<u>Compensation</u>	<u>Reimbursed Expenses</u>	<u>Total</u>
Mayor Permenter	\$ 4,800	\$ 388	\$ 5,188
Alderman Digilormo	3,600	404	4,004
Alderwoman Jones	3,900		3,900
Alderwoman Lee	3,600	908	4,508
Alderman Tupper	3,600		3,600
Alderman Prewett	3,600	130	3,730
	<hr/>	<hr/>	<hr/>
Total	<u>\$ 23,100</u>	<u>\$ 1,830</u>	<u>\$ 24,930</u>

Other Reports

**Report on Compliance and on Internal Control over Financial Reporting Based
on an Audit of the Basic Financial Statements Performed in Accordance with
Government Auditing Standards**

The Honorable Larry Permenter
And the Members of the Board of Aldermen of
The Town of Blanchard, Louisiana

I have audited the basic financial statements of the Town of Blanchard, Louisiana, as of and for the year ended June 30, 2004, and have issued my report thereon dated October 8, 2004. I conducted my 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.

Compliance

As part of obtaining reasonable assurance about whether the Town of Blanchard, Louisiana's, financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2004-1.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Town of Blanchard's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which that design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the Town of Blanchard, Louisiana, Board of Aldermen and management, cognitive agencies, and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Deborah D. Dees, CPA

Mansfield, Louisiana
October 8, 2004

TOWN OF BLANCHARD, LOUISIANA
 Schedule of Findings and Questioned Costs
 For the Year ended June 30, 2004

SUMMARY OF AUDITOR'S REPORTS

INDEPENDENT AUDITOR'S REPORT:

I have audited the basic financial statements of Town of Blanchard, Louisiana as of and for the year ended June 30, 2004, and have issued my report thereon dated October 8, 2004. I conducted my 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. My audit of the basic financial statements as of June 30, 2004, resulted in an *unqualified opinion*.

REPORT ON INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS:

Compliance

Compliance Material to Financial Statements Yes No

Internal Control

Material Weaknesses Yes No
 Other Conditions Yes No

FEDERAL AWARDS

Not applicable

FINANCIAL STATEMENT FINDINGS

Compliance:

2004-1 Under LSA Revised Statute 33:2929 bank balances must be secured by federal deposit insurance or the pledge of securities. The Town had \$50,000 in a credit union that was not adequately collateralized.

Recommendation: The Town should inquire if the financial institution will pledge enough securities to secure their deposits. If the credit union is unable to pledge securities sufficient to cover the excess deposit, the money should be moved to an institution that provides collateralization of deposits. Subsequently, these amounts should be monitored monthly for proper compliance.

Management Response: Town management has inquired of the financial institution and moved the excess deposits to another bank. This issue has been resolved as of the date of these financial statements.

TOWN OF BLANCHARD, LOUISIANA

Schedule of Prior Years Audit Findings

For the year ended June 30, 2004

REPORT ON INTERNAL CONTROL AND COMPLIANCE OVER FINANCIAL REPORTING:

The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.