

RECEIVED
LEGISLATIVE AUDITOR

2000 JAN -3 AM 9:45

TOWN OF BLANCHARD, LOUISIANA

OFFICIAL
FILE COPY

DO NOT SEND OUT

(Xerox necessary
copies from this
copy and PLACE
BACK in FILE)

FINANCIAL STATEMENTS

June 30, 1999

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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 2-2-00

TOWN OF BLANCHARD, LOUISIANA

Table of Contents
Year Ended June 30, 1999

	<u>Exhibit</u>	<u>Page</u>
Independent Auditor's Report		1
General Purpose Financial Statements:		
Combined Balance Sheet – All Fund Types and Account Group.....	1	2
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Fund Types.....	2	3
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (GAAP Basis) and Actual - General Fund	3	4
Statement of Revenues, Expenses, and Changes in Retained Earnings – Proprietary Fund Type.....	4	5
Statement of Cash Flows – Proprietary Fund Type.....	5	6
Statement of Revenues, Expenses, and Changes in Retained Earnings – Actual Compared to Budgetary Basis – Proprietary Fund Type.....	6	7
Notes to Financial Statements		8-18
	<u>Statement/ Schedule</u>	<u>Page</u>
Financial Statements of Individual Funds and Account Group:		
General Fund:		
Balance Sheet	A-1	19
Schedule of Expenditures Compared to Budget (GAAP Basis).....	A-2	20-21
Proprietary Fund:		
Balance Sheet	B-1	22
Statement of Revenues, Expenses, and Changes in Retained Earnings.....	B-2	23
Schedule of Actual Operating Expenses Compared to Budgetary Basis	B-3	24

TOWN OF BLANCHARD, LOUISIANA

Table of Contents (Continued)
Year Ended June 30, 1999

	<u>Statement/ Schedule</u>	<u>Page</u>
General Fixed Assets Account Group:		
Schedule of General Fixed Assets – By Source	C-1	25
Schedule of General Fixed Assets Account Group – by Function and Activity	C-2	26
Schedule of Changes in General Fixed Assets Account Group – by Function and Activity	C-3	27
Supplemental Schedule:		
Schedule of Mayor’s, Aldermen’s and Alderwomen’s Compensation and Reimbursed Expenses	D-1	28
Other Report:		
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>		29
Schedule of Current Year Findings and Questioned Costs		30-31
Summary Schedule of Prior Audit Findings		32
Corrective Action Plan for Current Year Audit Findings		33

GENERAL PURPOSE FINANCIAL STATEMENTS



SMITH PUGH RABINOWITZ L.L.P. CERTIFIED PUBLIC ACCOUNTANTS

610 MARSHALL STREET SUITE 800 • SHREVEPORT, LOUISIANA • 71101-5332 • TELEPHONE 318 222 5701 • FAX 318 424 4736
401 HAMILTON ROAD SUITE 112 • BOSSIER CITY, LOUISIANA 71111 • TELEPHONE 318 742 4935 • FAX 318 742 4989

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying general purpose financial statements of the Town of Blanchard, Louisiana, as of and for the year ended June 30, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the Town of Blanchard, Louisiana's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

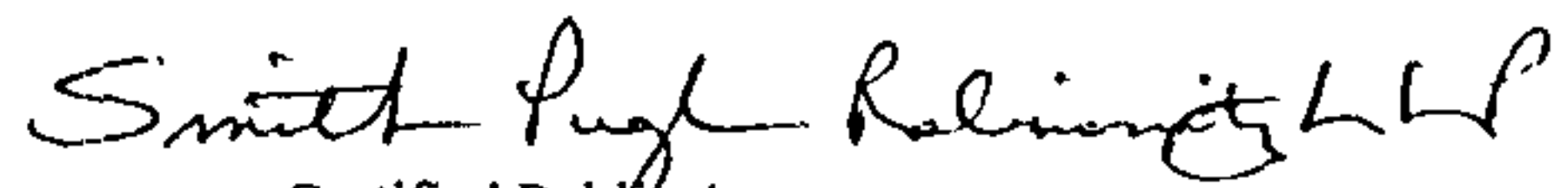
Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require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

Government Accounting Standards Board Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, requires disclosure of certain matters regarding the year 2000 issue. The Town of Blanchard, Louisiana has included such disclosures in Note 11. Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, insufficient audit evidence exists to support the Town of Blanchard, Louisiana's disclosures with respect to the year 2000 issue made in Note 11. Further, we do not provide assurance that the Town of Blanchard, Louisiana is or will be year 2000 ready, that the Town of Blanchard, Louisiana's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Town of Blanchard, Louisiana does business will be year 2000 ready.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding year 2000 disclosures, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Town of Blanchard, Louisiana as of June 30, 1999, and the results of its operations and cash flows of its proprietary fund type for the year then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 1999, on our consideration of the Town of Blanchard, Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying financial information listed as supporting schedules and on the individual fund and account group financial statements in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Town of Blanchard, Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.


Certified Public Accountants
Shreveport, Louisiana

October 11, 1999

TOWN OF BLANCHARD, LOUISIANA

Combined Balance Sheet - All Fund Types and Account Group
 June 30, 1999

	Fund Types		Account Group		Totals (Memorandum Only)	
	Governmental		Proprietary		General Fixed Assets	
	General	Capital Projects	Enterprise		1999	1998
Assets and Other Debits						
Cash and cash equivalents	\$ 51,179	\$	\$ 186,125	\$	\$ 237,304	\$ 245,434
Investments	5,551		21,693		27,244	26,270
Receivables:						
Accounts			149,736		149,736	189,007
Grants	17,000				17,000	30,898
Due from other funds	7,797	9,702			17,499	37,750
Other	8,137		582		8,719	29,100
Prepaid expenses and deposits	50				50	5,965
Restricted assets:						
Cash and cash equivalents			1,411,703		1,411,703	932,471
Investments			92,522		92,522	837,062
Fixed assets, net of accumulated depreciation			8,133,169	805,371	8,938,540	9,171,638
Unamortized bond issue costs			96,366		96,366	82,466
Total Assets and Other Debits	\$ 89,714	\$ 9,702	\$ 10,091,896	\$ 805,371	\$ 10,996,683	\$ 11,588,061

	Fund Types		Account Group		Totals (Memorandum Only)	
	Governmental		Proprietary		General Fixed	
	General	Capital Projects	Enterprise	Assets	1999	1998
Liabilities, Equity, and Other Credits						
Liabilities:						
Accounts payable and accrued expenses	\$ 19,976	\$	20,998	\$	40,974	\$ 165,231
Due to other funds	9,702		7,797		17,499	37,750
Payable from restricted assets:						
Current maturities of long-term debt			138,847		138,847	107,665
Accrued interest on long-term debt			116,651		116,651	125,423
Retainage payable					-	126,771
Meter deposits			158,078		158,078	149,993
Long-term debt, excluding current maturities			5,807,715		5,807,715	5,958,937
Total Liabilities	29,678	-	6,250,086	-	6,279,764	6,671,770
Equity and Other Credits:						
Contributed capital			2,602,266		2,602,266	2,626,252
Investment in general fixed assets				805,371	805,371	790,968
Retained earnings:						
Reserved for revenue bond retirement			251,097		251,097	245,455
Unreserved			988,447		988,447	1,165,010
Fund balance	60,036	9,702			69,738	88,606
Total Equity and Other Credits	60,036	9,702	3,841,810	805,371	4,716,919	4,916,291
Total Liabilities, Equity, and Other Credits	\$ 89,714	\$ 9,702	\$ 10,091,896	\$ 805,371	\$ 10,996,683	\$ 11,588,061

See accompanying notes to financial statements.

TOWN OF BLANCHARD, LOUISIANA

Combined Statement of Revenues, Expenditures and Changes
in Fund Balances - All Governmental Fund Types
For the Year Ended June 30, 1999

	General	Capital Projects	Totals (Memorandum Only)	
			1999	1998
Revenues:				
Taxes	\$ 126,839	\$	\$ 126,839	\$ 107,125
Licenses and permits	36,591		36,591	37,108
Intergovernmental	60,619		60,619	47,620
Charges for services	60,578		60,578	59,206
Fines and forfeitures	17,060		17,060	30,062
Interest	338		338	4,836
Miscellaneous	8,085		8,085	4,639
Library grant				12,000
Total revenues	<u>310,110</u>	<u>-</u>	<u>310,110</u>	<u>302,596</u>
Expenditures:				
Current:				
General government	35,632		35,632	34,998
Public safety	215,031		215,031	167,640
Sanitation	57,263		57,263	56,121
Streets and right-of-ways	14,653		14,653	15,157
Buildings and grounds	11,554		11,554	18,777
Capital outlay		42,298	42,298	-
Total expenditures	<u>334,133</u>	<u>42,298</u>	<u>376,431</u>	<u>292,693</u>
Excess (deficiency) of revenues over expenditures	(24,023)	(42,298)	(66,321)	9,903
Other financing sources:				
Operating transfers in (out)	27,453	20,000	47,453	10,800
Excess (deficiency) of revenues and other sources over expenditures	3,430	(22,298)	(18,868)	20,703
Fund balance at beginning of year	<u>56,606</u>	<u>32,000</u>	<u>88,606</u>	<u>67,903</u>
Fund balance at end of year	<u>\$ 60,036</u>	<u>\$ 9,702</u>	<u>\$ 69,738</u>	<u>\$ 88,606</u>

See accompanying notes to financial statements.

TOWN OF BLANCHARD, LOUISIANA

Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget (GAAP Basis) and Actual - General Fund
For the Year Ended June 30, 1999

	Budget	Actual	Variance - Favorable (Unfavorable)
Revenues:			
Taxes	\$ 126,500	\$ 126,839	\$ 339
Licenses and permits	38,000	36,591	(1,409)
Intergovernmental	51,300	60,619	9,319
Charges for services	62,400	60,578	(1,822)
Fines and forfeitures	17,000	17,060	60
Interest	10,000	338	(9,662)
Miscellaneous	20,100	8,085	(12,015)
Total revenues	<u>325,300</u>	<u>310,110</u>	<u>(15,190)</u>
Expenditures:			
Current:			
General government	48,545	35,632	12,913
Public safety	180,220	215,031	(34,811)
Sanitation	60,000	57,263	2,737
Streets and right-of-ways	17,300	14,653	2,647
Buildings and grounds	36,200	11,554	24,646
Total expenditures	<u>342,265</u>	<u>334,133</u>	<u>8,132</u>
Excess (deficiency) of revenues over expenditures	(16,965)	(24,023)	(7,058)
Other financing sources:			
Operating transfers in (out)	23,000	27,453	4,453
Excess (deficiency) of revenues and other sources over expenditures	6,035	3,430	(2,605)
Fund balance at beginning of year	<u>56,606</u>	<u>56,606</u>	<u>-</u>
Fund balance at end of year	<u>\$ 62,641</u>	<u>\$ 60,036</u>	<u>\$ (2,605)</u>

See accompanying notes to financial statements.

TOWN OF BLANCHARD, LOUISIANA

Statement of Revenues, Expenses, and
Changes in Retained Earnings -
Proprietary Fund Type
Year Ended June 30, 1999

With Comparative Amounts for the Year Ended June 30, 1998

	Enterprise Fund	
	1999	1998
Operating revenues:		
Charges for services	\$ 1,267,255	\$ 1,274,863
Operating expenses:		
Personal services	251,566	228,392
Maintenance and supplies	238,037	184,646
Insurance	38,909	29,335
Automotive	14,734	15,561
Employee benefits	65,463	42,130
Telephone and utilities	72,841	57,058
Depreciation	340,846	234,798
Professional services	16,565	6,271
Aldermen fees	8,951	8,700
Miscellaneous	14,761	15,870
Payroll taxes	17,142	18,559
Total operating expenses	1,079,815	841,320
Operating income	187,440	433,543
Non-operating revenues (expenses):		
Interest revenue	58,662	117,601
Ad valorem taxes	12,185	12,511
Gain on sale of assets	1,444	1,588
Amortization of bond issue costs	(5,830)	(3,364)
Interest expense	(401,355)	(432,854)
Net non-operating revenues (expenses)	(334,894)	(304,518)
Income (loss) before operating transfers	(147,454)	129,025
Operating transfers to other funds	(47,453)	(10,800)
Net income (loss)	(194,907)	118,225
Depreciation transferred to contributed capital	23,986	33,210
Increase (decrease) in retained earnings for revenue bond retirement	(5,642)	245,749
Net change in unreserved retained earnings for the year	(176,563)	397,184
Retained earnings unreserved July 1	1,165,010	767,826
Retained earnings unreserved June 30	\$ 988,447	\$ 1,165,010

TOWN OF BLANCHARD, LOUISIANA

Statement of Cash Flows - Proprietary Fund Type
For the Year Ended June 30, 1999

	Enterprise Fund	
	<u>1999</u>	<u>1998</u>
Cash flows from operating activities:		
Cash received from customers	\$ 1,314,611	\$ 1,231,923
Cash payments to suppliers for goods and services	(717,175)	(141,447)
Cash payments to employees for services	<u>(244,539)</u>	<u>(230,877)</u>
Net cash provided by operating activities	<u>352,897</u>	<u>859,599</u>
Cash flows from noncapital financing activities:		
Ad valorem taxes	<u>12,185</u>	<u>12,511</u>
Cash flows from capital and related financing activities		
Acquisition of property, plant and equipment	(93,601)	(2,954,787)
Proceeds from sale of equipment	1,700	1,588
Proceeds from issuance of revenue bonds	657,684	-
Bond issuance costs	(19,730)	-
Principal paid on revenue bonds	(782,982)	(101,821)
Interest paid on revenue bonds	(404,869)	(410,342)
Transfer to General Fund	<u>(47,453)</u>	<u>(10,800)</u>
Net cash used in capital and related financing activities	<u>(689,251)</u>	<u>(3,476,162)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	748,000	11,213,484
Purchase of investments	-	(8,427,582)
Interest on investments	<u>54,582</u>	<u>90,213</u>
Net cash provided by investing activities	<u>802,582</u>	<u>2,876,115</u>
Net increase in cash and cash equivalents	478,413	272,063
Cash and cash equivalents at beginning of year (including \$932,471 in restricted accounts for 1999, \$662,312 in 1998)	<u>1,119,415</u>	<u>847,352</u>
Cash and cash equivalents at end of year (including \$1,411,703 in restricted accounts for 1999, \$932,471 in 1998)	<u>\$ 1,597,828</u>	<u>\$ 1,119,415</u>

See accompanying notes to financial statements.

	Enterprise Fund	
	<u>1999</u>	<u>1998</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 187,440	\$ 433,543
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	346,676	238,162
Changes in assets and liabilities:		
(Increase) decrease in customer accounts receivable	39,271	(54,858)
(Increase) decrease in other accounts receivable	23,974	(23,974)
(Increase) decrease in other assets	85	(9,279)
Increase (decrease) in accounts payable and accrued expenses	(254,681)	258,337
Increase in customer deposits	8,085	10,368
Net increase in due to/from other funds	<u>2,047</u>	<u>7,300</u>
Net cash provided by operating activities	<u>\$ 352,897</u>	<u>\$ 859,599</u>

TOWN OF BLANCHARD, LOUISIANA

Statement of Revenues, Expenses, and Changes in Retained Earnings -
Actual Compared to Budgetary Basis - Proprietary Fund Type
Year Ended June 30, 1999

	Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
Operating revenues:			
Water/sewer sales	\$ 1,280,000	\$ 1,208,566	\$ (71,434)
Installations	30,000	35,402	5,402
Permits and other fees	21,500	23,287	1,787
Total operating revenues	<u>1,331,500</u>	<u>1,267,255</u>	<u>(64,245)</u>
Operating expenses:			
Salaries, wages and fees	253,300	251,566	1,734
Other operating expenses	454,920	487,403	(32,483)
Total operating expenses	<u>708,220</u>	<u>738,969</u>	<u>(30,749)</u>
Operating income	<u>623,280</u>	<u>528,286</u>	<u>(94,994)</u>
Non-operating revenues (expenses):			
Interest revenue	49,000	58,662	9,662
Debt reduction	(90,000)	(120,040)	(30,040)
Interest expense	(465,500)	(401,355)	64,145
Ad valorem taxes	14,000	12,185	(1,815)
Gain on sale of assets	-	1,444	1,444
Capital expenditures	(24,000)	(93,601)	(69,601)
Total non-operating revenues (expenses)	<u>(516,500)</u>	<u>(542,705)</u>	<u>(26,205)</u>
Income (loss) before other financing sources	<u>106,780</u>	<u>(14,419)</u>	<u>(121,199)</u>
Other financing sources (uses):			
Liquidation of investments	25,000	748,000	723,000
Operating transfers out	10,000	(47,453)	(57,453)
Total other financing sources (uses)	<u>35,000</u>	<u>700,547</u>	<u>665,547</u>
Net income (loss) before adjustments	141,780	686,128	544,348
Adjustments to actual to convert to budgetary basis:			
Depreciation	(340,846)	(340,846)	-
Amortization of bond issue costs	(5,830)	(5,830)	-
Principal paid on debt	90,000	120,040	30,040
Liquidation of investments	(25,000)	(748,000)	(723,000)
Fixed assets	24,000	93,601	69,601
Net income (loss) after adjustments	<u>(115,896)</u>	<u>(194,907)</u>	<u>(79,011)</u>
Depreciation transferred to contributed capital	-	23,986	23,986
Decrease in retained earnings for revenue bond retirement	-	(5,642)	(5,642)
Net change in unreserved retained earnings	(115,896)	(176,563)	(60,667)
Retained earnings July 1, 1998	1,165,010	1,165,010	-
Retained earnings June 30, 1999	<u>\$ 1,049,114</u>	<u>\$ 988,447</u>	<u>\$ (60,667)</u>

See accompanying notes to financial statements.

TOWN OF BLANCHARD, LOUISIANA

Notes to Financial Statements

June 30, 1999

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.

1. *Summary Of Significant Accounting Policies:*

The accounting and reporting policies of the Town of Blanchard conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the "Louisiana Municipal Audit and Accounting Guide."

The Town applies all Governmental Accounting Standards Board (GASB) pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

The following is a summary of certain significant accounting policies:

Financial Reporting Entity – This report includes all funds and account groups which are controlled by or dependent on the Town's Executive and Legislative Branches (the Mayor and Board of Aldermen). Control by or dependence on the Town was determined on the basis of budget adoption, taxing authority, authority to issue debt, election or appointment of governing body, and other general oversight responsibility.

Fund Accounting – The accounts of the Town are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The following funds and group of accounts are used by the Town:

Governmental Funds:

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

Capital Projects Fund – The Capital Projects Fund is used to account for a grant for the construction of a new library.

Proprietary Fund:

Enterprise Fund – The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/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 provided.

TOWN OF BLANCHARD, LOUISIANA

Notes to Financial Statements June 30, 1999

1. *Summary Of Significant Accounting Policies (Continued):*

Account Group:

General Fixed Assets Account Group – The General Fixed Assets Account Group is used to account for fixed assets used in governmental fund type operations for control purposes. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date of donation. No depreciation is recorded on general fixed assets.

Basis of Accounting – The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined, and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental revenues. Expenditures are recorded when the related fund liability is incurred.

Those revenues susceptible to accrual are property taxes, franchise taxes, interest revenue and charges for services. Fines, permit and license revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The accrual basis of accounting is utilized by the proprietary fund type. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

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

Budgets and Budgetary Accounting – The Town follows these procedures in establishing the budgetary data reflected in these financial statements:

The Mayor and the City 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.

A summary of the proposed budget is published and the public notified that the proposed budget is available for inspection in the office of the Town Clerk.

TOWN OF BLANCHARD, LOUISIANA

Notes to Financial Statements June 30, 1999

1. *Summary Of Significant Accounting Policies (Continued):*

The budget resolution is adopted by the Town Council prior to the fiscal year for which the budget is adopted.

The adoption of the budget resolution constitutes an appropriation of the sums for the specified purpose and from the funds indicated. The appropriations which are not encumbered or expended lapse at the end of the fiscal year.

No funds are expended or obligation incurred other than in accordance with the budget resolution and/or budgetary amendments, except that the Mayor is authorized to expend in any fiscal year up to 105% of any Department budget approved by the Board of Aldermen.

The Board of Aldermen may revise or amend the budget at its discretion during legally convened sessions. Amendments to the budget were made and adopted by the Board of Aldermen for the fiscal year ended June 30, 1999.

The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). The budget for the Water and Sewer Enterprise Fund is adopted on a basis consistent with GAAP, except that depreciation and amortization are not considered and capital expenses and note principal payments are included.

Cash and Cash Equivalents – Cash includes amounts in demand deposits, interest-bearing demand deposits, and time deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. 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.

Investments – Investments are limited by Louisiana Revised Statute (R.S.) 33:2955 and the Town's investment policy. If the original maturities of investments exceed 90 days, they are classified as investment; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

All investments at June 30, 1999 are certificates of deposit with original maturity dates in excess of 90 days. These investments are stated at cost, which approximates market value.

Inventories – Inventory of supplies in the proprietary fund is not material and is charged to operations as purchased.

Bad Debts – Uncollectible amounts due for the customers' utility receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable. No provision has been deemed necessary for 1999 or 1998.

TOWN OF BLANCHARD, LOUISIANA

Notes to Financial Statements
June 30, 1999

1. Summary Of Significant Accounting Policies (Continued):

Fixed Assets --

General Fixed Assets Account Group:

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, and are recorded as expenditures in the governmental fund types when purchased. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets.

Water and Sewer System:

Additions to the utility plant in service are recorded at cost or, if contributed property, at their estimated fair value at time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of fixed assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Depreciation is provided in the Enterprise Fund in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives on the straight-line basis. The estimated service lives by asset type are as follows:

Water Utility:

Purification Plant	50 Years
Lines and Meters	30 Years
Other Equipment.....	3-15 Years

Sewerage Utility:

Lines and Pumps.....	30-50 Years
Other Equipment.....	3-4 Years

Restricted Assets -- The Enterprise Funds, because of certain bond covenants, are required to establish and maintain prescribed amounts of resources (consisting of cash and temporary investments) that can be used only to service outstanding debt. The Enterprise Fund also restricts customer and vendor deposits.

Compensated Absences -- The Town's liability for accrued vacation leave is considered a current liability payable from current resources. The amounts applicable to the General Fund of \$2,727 and the Enterprise Fund of \$5,594 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.

Fund Equity -- Contributed capital is recorded in the Enterprise Fund for capital grants restricted for the acquisition or construction of capital assets. Contributed capital is amortized based on the depreciation recognized on that portion of the assets acquired or constructed from such resources. This depreciation is closed to the contributed capital account and is reflected as an adjustment to net income.

Reserves represent those portions of fund equity not appropriable for expenditures or legally segregated for a specific future use.

TOWN OF BLANCHARD, LOUISIANA

Notes to Financial Statements June 30, 1999

1. *Summary Of Significant Accounting Policies (Continued):*

Interfund Transactions – Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/ expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Refundable Deposits – The Enterprise Fund of the Town requires customers to place a deposit before service is rendered. These monies are considered restricted and are held until the customer disconnects service.

Comparative Data – Comparative totals for the prior year have been presented in the accompanying general purpose financial statements in order to provide an understanding of changes in the Town's financial position and operations. Comparative data by fund type is included in the individual fund type financial statements.

Total Columns on Combined Statements – Total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Reclassification – Certain 1998 amounts were reclassified to conform to 1999 presentation.

2. *Cash and Cash Equivalents:*

The following is a summary of cash and cash equivalents (book balances) at June 30, 1999:

Demand deposits	\$ 224,217
Interest-bearing demand deposits	677,351
FHLMC Discount Notes	<u>747,439</u>
Total cash equivalents	<u>\$ 1,649,007</u>

These deposits are stated at cost, which approximates market value. 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, 1999, the Town had \$938,292 in deposits (collected bank balances). These deposits were secured by \$200,000 of federal deposit insurance and \$1,426,186 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

TOWN OF BLANCHARD, LOUISIANA

Notes to Financial Statements June 30, 1999

2. Cash and Cash Equivalents (Continued):

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No. 3, R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities with 10 days of being notified that the fiscal agent bank has failed to pay deposited funds upon demand.

At June 30, 1999, the Town held FHLMC discount notes with par values totaling \$748,000. These notes are direct obligations of the United States Government which are pledged by its full faith and credit.

3. Ad Valorem Taxes:

Taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied on September 15 and are payable by December 31. The Town bills and collects its own property taxes. Property tax revenues are recognized when levied to the extent that they result in current receivables.

The Town levies taxes at the rate of 9.39 mills on the dollar of assessed valuation of property. Of the total millage levied, 7.37 mills is available for general purposes and 2.02 mills is available for sewer depreciation. The assessed valuation of property was \$6,987,220 for the year ended June 30, 1999. Total taxes levied after adjustments were \$61,494.

4. Dedication of Proceeds and Flow of Funds – 1% Sales and Use Tax:

Proceeds of a 1% sales and use tax levied by the Town of Blanchard (collections for the year ended June 30, 1999 are \$45,574) are dedicated to the police department for the purpose of maintaining, providing police protection.

5. Components of Restricted Assets:

Restricted Assets in the Enterprise Fund consists of the following at June 30:

	1999	1998
Cash and cash equivalents:		
Revenue Bonds and Interest Sinking Fund	\$ 59,648	\$ 51,554
Water Depreciation Fund	13,116	11,702
Construction Fund	89,659	395,182
Note Fund	55,895	68,597
Contingency Fund	44,648	26,400
Reserve Fund	23,387	26,281
1997 Sinking Fund	144,879	132,449
Bond Contingency Fund	165,023	161,559
Meter Deposit Fund	68,010	58,747
1997 Water Expansion	747,439	-
Total cash and cash equivalents	\$ 1,411,703	\$ 932,471
Investments:		
Meter Deposits Fund	\$ 92,522	\$ 92,522
1997 Water Expansion	-	744,540
	\$ 92,522	\$ 837,062

TOWN OF BLANCHARD, LOUISIANA

Notes to Financial Statements
June 30, 1999

5. Components of Restricted Assets (Continued):

The resolutions authorizing the Water and Sewer System revenue bonds requires that the Town establish a sinking fund (Revenue Bond and Interest Sinking Fund), a reserve fund (Water Depreciation Fund), and a contingency fund (Bond Contingency Fund) and make monthly payments in order to satisfy payments of principal and interest on all bonds payable. At June 30, 1999, the funds were in compliance with required deposits.

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

Restricted Assets, Sinking Reserve, and Contingency Funds	\$ 506,592
Less:	
Accrued interest, attributable to revenue bond payable from restricted assets	116,651
Current maturities of revenue bonds payable from restricted assets	<u>138,847</u>
Reserve for debt retirement	<u>\$ 251,097</u>

6. Changes in General Fixed Assets:

A summary of changes in general fixed assets is as follows:

	<u>Balance June 30, 1998</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 1999</u>
Land	\$ 2,000	\$	\$	\$ 2,000
Buildings and improvements	591,545		139	591,406
Equipment	<u>197,423</u>	<u>31,901</u>	<u>17,359</u>	<u>211,965</u>
	<u>\$ 790,968</u>	<u>\$ 31,901</u>	<u>\$ 17,498</u>	<u>\$ 805,371</u>

A summary of Enterprise Fund fixed assets at June 30, 1999 and 1998 is as follows:

	<u>1999</u>	<u>1998</u>
Land	\$ 43,850	\$ 43,850
Buildings	210,209	210,209
Water system	8,911,439	8,870,996
Sewer system	1,413,941	1,413,941
Equipment	<u>262,234</u>	<u>259,568</u>
	10,841,673	10,798,564
Less accumulated depreciation	<u>2,708,504</u>	<u>2,417,894</u>
Fixed assets – net	<u>\$ 8,133,169</u>	<u>\$ 8,380,670</u>

TOWN OF BLANCHARD, LOUISIANA

Notes to Financial Statements
June 30, 1999

7. Due to/from Other Funds:

As of June 30, 1999, interfund receivables and payables were as follows:

	Due From	Due To
General Fund	\$ 7,797	\$ 9,702
Capital Projects Fund	9,702	-
Enterprise Fund	-	7,797
	\$ 17,499	\$ 17,499

8. Changes In Long-Term Debt:

The following is a summary of bond transactions of the Town of Blanchard for the year ended June 30, 1999:

<u>Obligations</u>	Enterprise Fund
Bonds payable at June 30, 1998	\$ 6,066,602
Add proceeds from new debt	657,684
Less bond payments	(777,724)
Bonds payable at June 30, 1999	5,946,562
Less current portion	138,847
Long-term debt	\$ 5,807,715

Bonds payable at June 30, 1999, are comprised of the following:

Farmers Home Administration (FMHA), 3.75%, 40-year revenue promissory note in the original amount of \$351,780 dated June 9, 1966; payable in annual installments including principal and interest of \$17,678. The note is in the form of Water Revenue Bonds and is collateralized by revenue and fixed assets of the water system	\$ 98,815
Farmers Home Administration, 7%, 40-year note dated February 1, 1990, in the original amount of \$1,800,000; payable in annual installments including principal and interest of \$135,702. The note is in the form of Water Revenue Bonds and is collateralized by revenue of the water system.	1,677,663
Water Revenue Bonds, Series 1997, rates varying from 6.125% - 7%, dated April 1, 1997, in the original amount of \$3,715,000. Scheduled principal and interest payments due annually through March 1, 2022. The bonds are collateralized by the revenue of the water system.	3,557,160
Water Revenue Bonds, Series 1998, 7.2%, dated July 17, 1998, in the original amount of \$657,684. Scheduled principal and interest payments are due annually through April 1, 2007. The bonds are collateralized by revenue of the water system.	612,924
	\$ 5,946,562

TOWN OF BLANCHARD, LOUISIANA

Notes to Financial Statements
June 30, 1999

8. Changes In Long-Term Debt (Continued):

The annual requirements to service all debt outstanding as of June 30, 1999, including interest payments of \$6,015,645 are as follows:

Year Ending June 30,	Enterprise Fund Obligation
1999	\$ 522,310
2000	519,853
2001	522,097
2002	518,696
2003	519,842
2004-2013	4,749,663
2014-2023	3,978,292
2024-2029	<u>631,454</u>
	<u>\$ 11,962,207</u>

The 1966 FmHA 3.75 % note agreement requires the following payments be made monthly:

\$1,500 is to be deposited into an account entitled "Waterworks Revenue Bonds and Interest Sinking Fund" and \$100 is to be deposited into an account entitled "Depreciation Fund."

The 1990 FmHA note agreement requires the following payments be made monthly:

\$566 is to be deposited into a Reserve Fund until this fund has accumulated \$135,702; and \$1,246 is to be deposited into a Contingency Fund.

The required monthly payment to a Sinking Fund was re-computed at the issuance of the 1997 Water Revenue Bonds and has been combined with the Sinking Fund payment for the 1997 Bonds.

The 1997 Water Revenue Bonds require the following payments:

Various amounts are to be deposited monthly into a Sinking Fund. The combined monthly Sinking Fund payment at June 30, 1999 is \$34,077.

The 1998 Water Revenue Bonds require the following monthly payments:

An amount equal to the sum of one-twelfth (1/12th) of the next principal payment and one-sixth (1/6th) of the next interest payment is to be deposited into an account entitled "Waterworks Revenue Bond and Interest Sinking Fund." The amount at June 30, 1999 is \$8,395.

5% of the amount required to be deposited into the Waterworks Revenue Bond and Interest Sinking Fund is to be deposited into an account entitled "Waterworks Depreciation and Contingency Fund." The amount at June 30, 1999 is \$415.

TOWN OF BLANCHARD, LOUISIANA

Notes to Financial Statements

June 30, 1999

8. *Changes In Long-Term Debt (Continued):*

A sum equal to the maximum future bond year debt service on the 1997 bonds. This amount is \$329,525 at June 30, 1999.

On July 17, 1998, the Town issued \$698,716 in Water Revenue Refunding Bonds, Series 1998 with an interest rate of 7.2%. The Town issued the bonds to refund \$657,684 of the outstanding series 1989 Water Revenue Bonds with an interest rate of 11%. The Refunded Bonds were issued for the purpose of providing additions and improvements to the Town's water and sewerage collection system.

The current refunding reduced total debt service payments over the next ten years by approximately \$364,686. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$110,717.

9. *Interfund Operating Transfers:*

Individual fund operating transfers to cover operational expenditures for fiscal year 1998 were as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 47,453	\$ 20,000
Enterprise Fund	<u>20,000</u>	<u>47,453</u>
Totals	<u>\$ 67,453</u>	<u>\$ 67,453</u>

10. *Municipal Police Employees' Retirement System of Louisiana (System):*

All full-time police department employees engaged in law enforcement are required to participate in the System. The System is a cost-sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees.

Plan Description - 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.

TOWN OF BLANCHARD, LOUISIANA

Notes to Financial Statements June 30, 1999

10. *Municipal Police Employees' Retirement System of Louisiana (System) (Continued):*

Funding Policy - Plan members are required by state statute to contribute 7.5% of their annual covered salary and the Town 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 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 Town's contributions to the System for the years ending June 30, 1999, 1998, and 1997, were \$6,572, \$7,035, and \$7,265, respectively, equal to the required contributions for each year.

11. *Year 2000 Issue:*

Year 2000 is an issue arising from computers being programmed in prior years to use only two digits (under the assumption that the first two digits would always be 19) to identify the year when processing date-sensitive information. This method of identifying dates would cause problems when processing information with dates in the year 2000 or later. As a result, the systems that use only two digits to identify dates could process data incorrectly or stop functioning altogether. The effect of the year 2000 is expected to extend beyond systems and any equipment that is dependent on microchip technology.

As stated in Note 1, the Town provides public services, public safety and various other public works to its citizens. The execution of these services generally does not rely upon microchip technology since these services are not automated in nature. However, the effect of the year 2000 issue upon the Town's vendors, entities and utility providers from which it obtains services has not been determined. As a result, the effect of any of these entities' non-compliance with the year 2000 issue upon the Town has also not been determined.

For the year ended June 30, 1999, the Town of Blanchard, Louisiana incurred no material remediation costs concerning the year 2000 issue. No significant loss due to impairment of equipment that is not year 2000 compliant was recognized for the year ended June 30, 1999.

12. *Contingent Liabilities:*

The Town 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 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.

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 which 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.

13. *Related Party Transactions:*

Procedures, observations, and inquiries did not disclose any material related party transactions for the year ended June 30, 1999.

**FINANCIAL STATEMENTS OF
INDIVIDUAL FUNDS AND ACCOUNT GROUP**

GENERAL FUND

To account for resources, traditionally associated with governments, which are not required to be accounted for in another fund.

TOWN OF BLANCHARD, LOUISIANA

General Fund

Balance Sheet

June 30, 1999

With Comparative Amounts as of June 30, 1998

	<u>1999</u>	<u>1998</u>
ASSETS		
Cash and cash equivalents	\$ 51,179	\$ 58,490
Investments	5,551	5,551
Grants receivable	17,000	30,898
Other receivable	8,137	4,050
Due from utility fund	7,797	5,750
Returned checks	-	140
Utility deposits	50	50
Total assets	<u>\$ 89,714</u>	<u>\$ 104,929</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable and accrued expenses	\$ 19,976	\$ 16,323
Due to Capital Projects Fund	9,702	32,000
Total Liabilities	29,678	48,323
Fund balance - unreserved	60,036	56,606
Total liabilities and fund balance	<u>\$ 89,714</u>	<u>\$ 104,929</u>

TOWN OF BLANCHARD, LOUISIANA

General Fund

Schedule of Expenditures Compared to Budget (GAAP Basis)

Year Ended June 30, 1999

With Comparative Actual Amounts for Year Ended June 30, 1998

	1999		Variance Favorable (Unfavorable) Amount	%	1998 Actual
	Budget	Actual			
General government:					
Aldermen fees	\$ 7,200	\$ 7,350	\$ (150)	(0.0)	\$ 6,600
Election expense	50	22	28	0.6	-
Print minutes expense	1,000	939	61	0.1	994
Attorney fees	2,400	2,400	-	-	2,250
Insurance	-	-	-	-	4,000
Tourism	5,000	5,000	-	-	5,000
Dues and subscriptions	500	236	264	0.5	468
Miscellaneous services	20,400	1,988	18,412	0.9	710
Audit	2,000	2,000	-	-	2,000
Supplies	600	531	69	0.1	556
Salaries - Town Clerk	8,000	13,916	(5,916)	(0.7)	11,019
Employee Social Security	1,395	971	424	0.3	1,263
Employee benefits	-	279	(279)	-	138
Total general government	<u>48,545</u>	<u>35,632</u>	<u>12,913</u>	<u>0.3</u>	<u>34,998</u>
Public safety:					
Police:					
Personnel services	\$ 81,120	\$ 115,732	\$ (34,612)	(0.4)	\$ 77,321
Employee benefits	31,500	23,026	8,474	0.3	20,049
Insurance	8,800	8,800	-	-	12,903
Uniforms	2,400	2,495	(95)	(0.0)	2,517
Automotive expense	20,000	18,381	1,619	0.1	9,943
Utilities-phone	2,200	2,254	(54)	(0.0)	3,364
Communications expense	4,000	949	3,051	0.8	800
Equipment expense	4,700	3,826	874	0.2	4,143
Capital outlay	19,500	31,901	(12,401)	(0.6)	31,432
Miscellaneous	3,300	5,403	(2,103)	(0.6)	2,824
Conference education, training	2,700	2,264	436	0.2	2,344
Total public safety	<u>180,220</u>	<u>215,031</u>	<u>(34,811)</u>	<u>(0.2)</u>	<u>167,640</u>
Sanitation:					
Garbage collection	<u>60,000</u>	<u>57,263</u>	<u>2,737</u>	<u>0.0</u>	<u>56,121</u>

TOWN OF BLANCHARD, LOUISIANA

General Fund

Schedule of Expenditures Compared to Budget (GAAP Basis)

Year Ended June 30, 1999

With Comparative Actual Amounts for Year Ended June 30, 1998

	1999		Variance Favorable (Unfavorable) Amount	%	1998 Actual
	Budget	Actual			
Streets and right-of-ways:					
Street lights	\$ 15,000	\$ 13,385	\$ 1,615	0.1	\$ 13,781
Automotive expense	-	-	-	-	107
Miscellaneous	1,000	1,268	(268)	(0.3)	1,269
Capital outlay	1,300	-	1,300	1.0	-
Total streets and right-of-ways	<u>17,300</u>	<u>14,653</u>	<u>2,647</u>	<u>0.2</u>	<u>15,157</u>
Buildings and grounds:					
Utilities-Town Hall	-	-	-	-	1,386
Maintenance and supplies	5,000	4,375	625	0.1	15,483
Tennis courts	500	217	283	0.6	326
Community Center	-	3,642	(3,642)	-	564
Library	900	956	(56)	(0.1)	1,018
Miscellaneous	1,500	2,364	(864)	(0.6)	-
Capital outlay	28,300	-	28,300	1.0	-
Total building and grounds	<u>36,200</u>	<u>11,554</u>	<u>24,646</u>	<u>0.7</u>	<u>18,777</u>
Total expenditures	<u>\$ 342,265</u>	<u>\$ 334,133</u>	<u>\$ 8,132</u>	<u>0.0</u>	<u>\$ 292,693</u>

PROPRIETARY FUND

Water and Sewer Enterprise Fund – To account for the provision of water and sewer services to the residents of the Service area. All activities necessary to provide such services are accounted for in this fund including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

TOWN OF BLANCHARD, LOUISIANA

Water and Sewer Enterprise Fund

Balance Sheet

June 30, 1999

With Comparative Amounts as of June 30, 1998

	ASSETS	
	<u>1999</u>	<u>1998</u>
Current assets:		
Cash and cash equivalents	\$ 186,125	\$ 186,944
Investments	21,693	20,719
Prepaid expenses	-	5,915
Receivables:		
Customers	149,736	189,007
Interest	582	936
Other	-	23,974
Total current assets	<u>358,136</u>	<u>427,495</u>
Restricted assets:		
Cash and cash equivalents	1,411,703	932,471
Investments	92,522	837,062
Total restricted assets	<u>1,504,225</u>	<u>1,769,533</u>
Fixed assets:		
Land	43,850	43,850
Water system	8,911,439	8,870,996
Sewer system	1,413,941	1,413,941
Building	210,209	210,209
Fixtures and equipment	131,972	149,771
Automotive equipment	130,262	109,797
	<u>10,841,673</u>	<u>10,798,564</u>
Less accumulated depreciation	<u>2,708,504</u>	<u>2,417,894</u>
Fixed assets - net	<u>8,133,169</u>	<u>8,380,670</u>
Other assets:		
Unamortized bond issue costs	<u>96,366</u>	<u>82,466</u>
Total assets	<u>\$ 10,091,896</u>	<u>\$ 10,660,164</u>

 LIABILITIES AND FUND EQUITY

	<u>1999</u>	<u>1998</u>
Current liabilities payable from current assets:		
Accounts payable and accrued expenses	\$ 20,998	\$ 26,197
Due to General Fund	7,797	5,750
Total current liabilities payable from current assets	<u>28,795</u>	<u>31,947</u>
Current liabilities payable from restricted assets:		
Accounts payable	-	122,711
Retainage payable	-	126,771
Meter deposits	158,078	149,993
Current maturities of long-term debt	138,847	107,665
Accrued interest on long-term debt	<u>116,651</u>	<u>125,423</u>
Total current liabilities payable from restricted cash assets	<u>413,576</u>	<u>632,563</u>
Long-term debt excluding current maturities	<u>5,807,715</u>	<u>5,958,937</u>
Total liabilities	<u>6,250,086</u>	<u>6,623,447</u>
Contributed capital:		
Federal agencies	1,460,882	1,460,882
State and local government	701,801	725,787
Citizens	<u>439,583</u>	<u>439,583</u>
Total contributed capital	<u>2,602,266</u>	<u>2,626,252</u>
Retained earnings:		
Reserved for revenue bond retirement	251,097	245,455
Unreserved	<u>988,447</u>	<u>1,165,010</u>
Total retained earnings	<u>1,239,544</u>	<u>1,410,465</u>
Total fund equity	<u>3,841,810</u>	<u>4,036,717</u>
Total liabilities and fund equity	<u>\$ 10,091,896</u>	<u>\$ 10,660,164</u>

TOWN OF BLANCHARD, LOUISIANA

Water and Sewer Enterprise Fund
Statement of Revenues, Expenses, and Changes in Retained Earnings
Year Ended June 30, 1999
With Comparative Amounts for the Year Ended June 30, 1998

	1999			1998
	Water Department	Sewer Department	Combined	Combined
Operating revenues:				
Sales and service	\$ 1,146,582	\$ 61,984	\$ 1,208,566	\$ 1,225,645
Installations	35,402	-	35,402	27,877
Permits and other fees	21,887	1,400	23,287	21,341
Total operating revenues	<u>1,203,871</u>	<u>63,384</u>	<u>1,267,255</u>	<u>1,274,863</u>
Operating expenses:				
Personnel services	230,231	21,335	251,566	228,392
Maintenance and supplies	202,665	35,372	238,037	184,646
Insurance	37,356	1,553	38,909	29,335
Automotive	14,576	158	14,734	15,561
Employee benefits	65,463	-	65,463	42,130
Telephone and utilities	57,589	15,252	72,841	57,058
Depreciation	299,958	40,888	340,846	234,798
Professional services	14,565	2,000	16,565	6,271
Alderman fees	6,551	2,400	8,951	8,700
Miscellaneous	12,961	1,800	14,761	15,870
Payroll taxes	15,510	1,632	17,142	18,559
Total operating expenses	<u>957,425</u>	<u>122,390</u>	<u>1,079,815</u>	<u>841,320</u>
Operating income (loss)	<u>246,446</u>	<u>(59,006)</u>	<u>187,440</u>	<u>433,543</u>
Non-operating revenues (expenses)				
Interest revenue	55,302	3,360	58,662	117,601
Ad valorem taxes	-	12,185	12,185	12,511
Gain on sale of asset	1,444	-	1,444	1,588
Amortization of bond issue costs	(5,830)	-	(5,830)	(3,364)
Interest expense	(401,355)	-	(401,355)	(432,854)
Total non-operating revenues (expenses)	<u>(350,439)</u>	<u>15,545</u>	<u>(334,894)</u>	<u>(304,518)</u>
Income (loss) before other financing sources	(103,993)	(43,461)	(147,454)	129,025
Other financing sources (uses):				
Operating transfers out	(47,453)	-	(47,453)	(10,800)
Net income (loss)	<u>\$ (151,446)</u>	<u>\$ (43,461)</u>	<u>(194,907)</u>	<u>118,225</u>
Depreciation transferred to contributed capital			23,986	33,210
Increase (decrease) in retained earnings for revenue bond retirement			(5,642)	245,749
Net change in unreserved retained earnings for the year			(176,563)	397,184
Retained earnings July 1			1,165,010	767,826
Retained earnings June 30			<u>\$ 988,447</u>	<u>\$ 1,165,010</u>

TOWN OF BLANCHARD, LOUISIANA

Water and Sewer Enterprise Fund
Schedule of Actual Operating Expenses

Compared to Budgetary Basis

Year Ended June 30, 1999

With Comparative Amounts for the Year Ended June 30, 1998

	1999				1998 Actual
	Budget	Actual	Variance Favorable (Unfavorable) Amount	%	
Water Department:					
Personnel services	\$ 230,800	\$ 230,231	\$ 569	0.0	\$ 209,547
Office supplies	3,000	3,045	(45)	(0.0)	1,308
Legal and audit	4,500	4,000	500	0.1	4,271
Paying agent fees	-	1,065	(1,065)	-	-
Computer costs & maintenance	5,000	3,638	1,362	0.3	6,607
Water bill printing	10,000	9,500	500	0.1	-
Postage	3,000	-	3,000	1.0	2,299
Occupational license	1,500	1,500	-	-	1,500
Maintenance and supplies	152,000	194,824	(42,824)	(0.3)	148,800
Auto expense	18,000	14,576	3,424	0.2	14,395
Telephone and utilities	60,000	57,589	2,411	0.0	45,103
Dottie System	1,000	1,370	(370)	(0.4)	1,200
Beeper	2,000	1,755	245	0.1	2,115
Uniforms	4,500	3,254	1,246	0.3	4,081
Conference and education	5,000	4,417	583	0.1	4,060
Mailing machine expense	1,000	1,158	(158)	(0.2)	1,313
Insurance	32,000	37,356	(5,356)	(0.2)	28,371
Miscellaneous	-	665	(665)	-	-
Alderman fees	6,300	6,551	(251)	(0.0)	6,300
Payroll taxes	25,000	15,510	9,490	0.4	16,934
Employee benefits	72,000	65,463	6,537	0.1	42,130
Total water operating expense	<u>636,600</u>	<u>657,467</u>	<u>(20,867)</u>	<u>(0.0)</u>	<u>540,334</u>
Sewer Department:					
Personnel services	22,500	21,335	1,165	0.1	18,845
Legal and audit	2,000	2,000	-	-	2,000
Maintenance	20,000	23,615	(3,615)	(0.2)	20,316
Office supplies	3,000	-	3,000	1.0	-
Chemical supplies	15,000	11,757	3,243	0.2	4,002
Insurance	9,000	1,553	7,447	0.8	964
Auto expense	1,000	158	842	0.8	1,166
Laboratory fees	2,500	1,800	700	0.3	2,070
Telephone and utilities	15,000	15,252	(252)	(0.0)	11,956
Miscellaneous	4,500	-	4,500	1.0	844
Alderman fees	2,400	2,400	-	-	2,400
Payroll taxes	1,720	1,632	88	0.1	1,625
Total sewer operating expense	<u>98,620</u>	<u>81,502</u>	<u>17,118</u>	<u>0.2</u>	<u>66,188</u>
Total Operating Expenses	<u>\$ 735,220</u>	<u>\$ 738,969</u>	<u>\$ (3,749)</u>	<u>(0.0)</u>	<u>\$ 606,522</u>

GENERAL FIXED ASSETS ACCOUNT GROUP

To account for fixed assets not used in proprietary fund operations.

TOWN OF BLANCHARD, LOUISIANA

General Fixed Assets Account Group
 Schedule of General Fixed Assets - By Source
 June 30, 1999
 With Comparative Amounts as of June 30, 1998

	<u>1999</u>	<u>1998</u>
General fixed assets:		
Land	\$ 2,000	\$ 2,000
Buildings and improvements	591,406	591,545
Police and fire department equipment	177,224	158,475
Other equipment	34,741	38,948
Total general fixed assets	<u>\$ 805,371</u>	<u>\$ 790,968</u>
Investments in general fixed assets by source:		
General Fund	796,685	782,282
Special Revenue Funds	4,233	4,233
Contributions	2,000	2,000
State grants	2,453	2,453
Total investments in general fixed assets	<u>\$ 805,371</u>	<u>\$ 790,968</u>

TOWN OF BLANCHARD, LOUISIANA

General Fixed Assets Account Group
 Schedule of General Fixed Assets Account Group -
 by Function and Activity
 June 30, 1999

	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Police and Fire Department Equipment</u>	<u>Other Equipment</u>	<u>Total</u>
General government	\$ 2,000	\$ 150,660	\$	\$ 28,790	\$ 181,450
Public safety:					
Police and fire department equipment			177,224		177,224
Sanitation, street, right-of-ways				5,951	5,951
Sewer plant for Enterprise Fund		440,746			440,746
Total general fixed assets	<u>\$ 2,000</u>	<u>\$ 591,406</u>	<u>\$ 177,224</u>	<u>\$ 34,741</u>	<u>\$ 805,371</u>

TOWN OF BLANCHARD, LOUISIANA

General Fixed Assets Account Group
 Schedule of Changes in General Fixed Assets Account Group -
 by Function and Activity
 June 30, 1999

	<u>Balance</u> <u>June 30, 1998</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 1999</u>
General government	\$ 185,477	\$	\$ 4,027	\$ 181,450
Public safety:				
Police and fire department equipment	158,475	31,901	13,152	177,224
Sanitation, street, right-of-ways	6,270		319	5,951
Sewer plant for Proprietary Fund	440,746			440,746
Total general fixed assets	<u>\$ 790,968</u>	<u>\$ 31,901</u>	<u>\$ 17,498</u>	<u>\$ 805,371</u>

SUPPLEMENTAL SCHEDULE

TOWN OF BLANCHARD, LOUISIANA

Schedule of Mayor's, Aldermen's and Alderwomen's
Compensation and Reimbursed Expenses
For the Year Ended June 30, 1999

	<u>Compensation</u>	<u>Reimbursed Expenses</u>	<u>Total</u>
Mayor Permenter	\$ 3,600	\$ -	\$ 3,600
Alderman Ashby	2,400		2,400
Alderman Digilormo	2,400		2,400
Alderman Guin	1,350		1,350
Alderwoman Jones	2,550		2,550
Alderwoman Presley	2,200		2,200
Alderman Prewett	1,000		1,000
Alderman Tupper	200		200
Total	<u>\$ 15,700</u>	<u>\$ -</u>	<u>\$ 15,700</u>

OTHER REPORT



SMITH PUGH RABINOWITZ L.L.P. CERTIFIED PUBLIC ACCOUNTANTS

610 MARSHALL STREET SUITE 800 • SHREVEPORT, LOUISIANA • 71101-5332 • TELEPHONE 318 222 5701 • FAX 318 424 4736
401 HAMILTON ROAD SUITE 112 • BOSSIER CITY, LOUISIANA 71111 • TELEPHONE 318 742 4935 • FAX 318 742 4989

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF 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

We have audited the general purpose financial statements of the Town of Blanchard, Louisiana, as of and for the year ended June 30, 1999, and have issued our report thereon dated October 11, 1999, which was qualified because insufficient audit evidence exists to support the Town of Blanchard, Louisiana's disclosures with respect to the year 2000 issue. Except as discussed in the preceding sentence, we conducted our audit in accordance with generally accepted auditing standards 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 general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Governmental Auditing Standards* which are described in the accompanying Schedule of Findings and Questioned Costs as items 99-1 and 99-2.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Blanchard, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Town of Blanchard, Louisiana's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 99-1 and 99-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of management and the Board of Aldermen and is not intended to be and should not be used by anyone other than these specified parties.

Smith Pugh Rabinowitz LLP
Certified Public Accountants

October 11, 1999

TOWN OF BLANCHARD, LOUISIANA

**Schedule of Findings and Questioned Costs
Year Ended June 30, 1999**

We have audited the general purpose financial statements of the Town of Blanchard, Louisiana, as of and for the year ended June 30, 1999, and have issued our report thereon dated October 11, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the general purpose financial statements as of June 30, 1999 resulted in a qualified opinion.

Section I – Summary of Auditor’s Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control
Material Weaknesses Yes No Reportable Conditions Yes No

Compliance
Compliance Material to Financial Statements Yes No

b. Federal Awards – None awarded for year ended June 30, 1999.

c. Identification of Major Programs: N/A

Section II – Financial Statement Findings

Current Year Findings:

**Questioned
Costs**

99-1 Public Bid Law

Statement of Condition: The Town of Blanchard, Louisiana, did not comply with the Public Bid Law in two instances.

Criteria: The Public Bid Law requires all purchases exceeding the sum of \$15,000 to be advertised and let by contract to the lowest responsible bidder. The law requires that purchases of \$7,500 or more, but less than \$15,000 be transacted by obtaining not less than three telephone or facsimile quotations. A written confirmation of the accepted offer shall be obtained and made a part of the purchase file. If quotations lower than the accepted quotation are received, the reasons for their rejection shall be recorded in the purchase file.

Effects of Condition: The Town purchased two vehicles with a cost totaling \$30,970; no bids are on file in the Town’s records as part of the purchase file. The Town purchased computer software with a cost of \$9,000; no quotes are on file in the Town’s records as part of the purchase file. Both of these purchases are in violation of the Public Bid Law.

\$ 39,970

Cause of Condition: The Town did not follow appropriate procedures in accordance with state law in the procurement of these assets.

TOWN OF BLANCHARD, LOUISIANA

Schedule of Findings and Questioned Costs
Year Ended June 30, 1999

Current Year Findings:

**Questioned
Costs**

Recommendation: The Town should ensure that proper procedures be followed and that proper documentation be maintained in the Town's records for purchases exceeding \$7,500. The Town should also review their purchase policy for adequacy; the policy should specify items that require bids and which are exempt. A purchase file should be maintained for all purchases exceeding \$7,500. Proper file documentation for these purchases would include, at a minimum, evidence of quotes obtained (or documentation supporting exemption from this requirement) and notation of the bid accepted.

Response: We concur with the auditor's recommendations. Procedures will be established immediately to prevent a reoccurrence of this situation.

99-2 Selected Revenue and Expenditure Restriction Laws

Statement of Condition: The Town of Blanchard, Louisiana, did not comply with Louisiana Constitution, Article 7, Section 14 regarding the donation, loan, or pledge of public credit.

Criteria: Per Article 7, Section 14 of the Louisiana Constitution, the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person.

Effect of Condition: An alderman of the Town of Blanchard, Louisiana used the Town's credit card to transact personal expenditures. Although these expenditures were repaid directly to the credit card company by the alderman, an instance occurred whereby a Town employee was denied use of the Town's credit card due to the outstanding balance of the card exceeding the credit limit. In addition, it appears that the Town paid \$548 of personal expenditures of this alderman. The above occurrences are prohibited by the Selected Revenue and Expenditure Restriction Laws.

\$ 548

Cause of Condition: Funds and credit of the Town of Blanchard, Louisiana were used by a Town official.

Recommendation: The Town should be reimbursed in full by the alderman for any personal expenditures paid for by the Town. The Town should establish and adhere to a policy that discontinues the use of a credit card. The policy should require adequate documentation of all employee business expenses that can be submitted to the Town management for approval. The approved business expenses can then be reimbursed to the employee.

Response: We concur with the auditor's recommendations. The recommended policy has been implemented and adhered to in order to prevent a reoccurrence of this situation.

TOWN OF BLANCHARD, LOUISIANA

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 1999**

Section I -- Internal Control and Compliance Material to the Financial Statements

There were no prior year audit findings.

TOWN OF BLANCHARD, LOUISIANA

**Corrective Action Plan for Current Year Audit Findings
Year Ended June 30, 1999**

Our corrective action plan is as follows:

Finding 99-1

Contact person responsible for action: Honorable Larry Permenter, Mayor

Anticipated completion date: Completed by audit report date.

Corrective action planned: The Town will amend their procedures for maintaining purchase files to ensure that adequate documentation exists for all purchases made.

Finding 99-2

Contact person responsible for action: Honorable Larry Permenter, Mayor

Anticipated completion date: Completed by audit report date.

Corrective action planned: The Town adopted a policy discontinuing the use of credit cards on July 13, 1999. The Town will request reimbursement from the alderman for any personal expenditures made using the Town's funds.