

TOWN OF BLANCHARD, LOUISIANA

Financial Statements June 30, 2005

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

Release Date 11-23-05

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TOWN OF BLANCHARD, LOUISIANA

Annual Financial Statements As of and for the Year Ended June 30, 2005 With Supplemental Information Schedules

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Deborah D. Dees, MBA, CPA



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CERTIFIED PUBLIC ACCOUNTANT

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, 2005, 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, 2005, 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.

In accordance with *Government Auditing Standards*, I have also issued my report dated September 30, 2005, 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 9) on pages 40 to 47 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.

Deborah A. Ales, CPA

Mansfield, Louisiana
September 30, 2005

Required Supplemental Information (Part I)

TOWN OF BLANCHARD, LOUISIANA
Management Discussion and Analysis
June 30, 2005

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, 2005. 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.

The Town has presented its financial statements under the reporting model required by the Governmental Accounting Standards Board Statement No. 34. 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, 2005

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 \$3,478,408 (net assets); this represents an increase of \$69,530 from last fiscal year. Of this total net asset amount, \$1,199,887 is unrestricted net assets. The Town's net assets are comprised of \$341,181 from governmental activities and \$3,137,227 from business type activities.

The following is a condensed statement of the Town of Blanchard's net assets of June 30, 2005:

TOWN OF BLANCHARD, LOUISIANA		STATEMENT A		
STATEMENT OF NET ASSETS				
06/30/04				
	Governmental Activities	Business-Type Activities	Total June 30, 2005	Total June 30, 2004
ASSETS				
Cash and Cash equivalents	\$ 42,529	\$ 215,778	\$ 258,307	\$ 477,724
Investments	5,562		5,562	5,551
Receivables	8,770	453,649	460,419	185,728
Internal balances		366	366	2,036
Restricted assets		930,905	930,905	939,574
Other assets	2,043	258,754	260,797	141,553
Capital assets (net)	<u>298,924</u>	<u>7,128,984</u>	<u>7,427,888</u>	<u>7,579,551</u>
TOTAL ASSETS	<u>355,828</u>	<u>8,988,416</u>	<u>9,344,244</u>	<u>9,331,717</u>
LIABILITIES				
Accounts, payroll, and other payables	14,281	37,502	51,783	94,411
Payable from restricted assets		525,750	525,750	552,103
Internal balance	366		366	2,036
Bonds payable		<u>5,287,937</u>	<u>5,287,937</u>	<u>5,274,289</u>
TOTAL LIABILITIES	<u>14,847</u>	<u>5,851,189</u>	<u>5,865,836</u>	<u>5,922,839</u>
NET ASSETS				
Invested in capital assets, net of related debt	298,924	1,593,381	1,892,305	2,074,915
Restricted for debt service		386,216	386,216	387,471
Unrestricted	<u>42,257</u>	<u>1,157,630</u>	<u>1,199,887</u>	<u>946,492</u>
TOTAL NET ASSETS	<u>\$ 341,181</u>	<u>\$ 3,137,227</u>	<u>\$ 3,478,408</u>	<u>\$ 3,408,878</u>

By far the largest portion of the Town's net assets (\$1,892,305 or 54%) 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

TOWN OF BLANCHARD, LOUISIANA
Management Discussion and Analysis
June 30, 2005

The remaining balance (\$1,199,887 or 34%) 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 \$5,287,937, which was used to finance some of the \$7,427,888 net capital assets. Total liabilities of \$5,865,836 are equal to 62% of the total assets.

The Town's governmental activities decreased net assets by \$14,343. Although this is still a decrease in net assets, it is a \$49,404 improvement over last fiscal year.

The following is a summary of the statement of activities:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total June 30, 2005</u>	<u>Total June 30, 2004</u>
Revenue				
Program revenue	\$ 111,079	\$ 1,710,205	\$ 1,821,284	\$ 1,645,646
General revenue and transfers	<u>292,716</u>	<u>28,066</u>	<u>320,782</u>	<u>258,398</u>
Total revenue and transfers	<u>\$ 403,795</u>	<u>\$ 1,738,271</u>	<u>\$ 2,142,066</u>	<u>\$ 1,904,044</u>
Expenses				
General and administrative	\$ 45,413	\$	\$ 45,413	\$ 46,050
Public safety	240,523		240,523	229,486
Public works	117,050		117,050	115,734
Culture and recreation	15,152		15,152	11,826
Water and sewer		<u>1,654,398</u>	<u>1,654,398</u>	<u>1,656,794</u>
Total expenses	<u>\$ 418,138</u>	<u>\$ 1,654,398</u>	<u>\$ 2,072,536</u>	<u>\$ 2,059,890</u>
Increase (decrease) in net assets	\$ (14,343)	\$ 83,873	\$ 69,530	\$ (155,846)
Net assets June 30, 2004	<u>355,524</u>	<u>3,053,354</u>	<u>3,408,878</u>	<u>3,564,724</u>
Net assets June 30, 2005	<u>\$ 341,181</u>	<u>\$ 3,137,227</u>	<u>\$ 3,478,408</u>	<u>\$ 3,408,878</u>

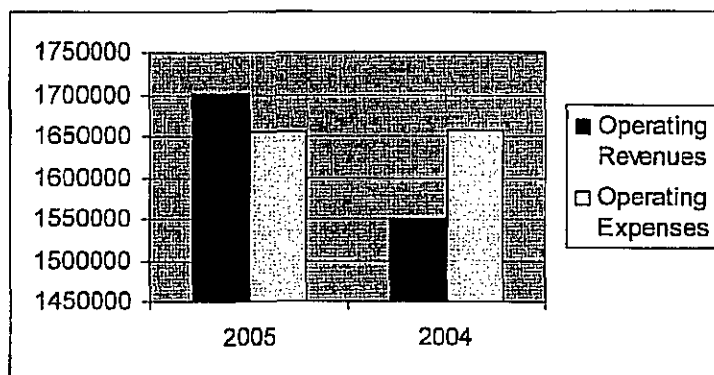
Governmental Activities

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, 2005

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 \$215,713 in 2005 over 2004. This increase was mainly due to a 10% water rate increase implemented in the 3rd quarter of our fiscal year and an increase in customers.

The increase in Water and Sewer Operating Expenditures was due to rapid growth and cost of living wage increases.

There was also a decrease in Water and Sewer non-operating expenses over revenues was due to a decrease in interest expense because of the early pay-off of the 1966 Water Revenue Bonds and the refunding bond issue.

The net effect was an overall gain in the Water and Sewer which resulted in an increase in net assets of \$83,873.

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

TOWN OF BLANCHARD, LOUISIANA
Management Discussion and Analysis
June 30, 2005

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 \$42,257, which is an increase of over \$10,000 from last year.

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 an increase in ending net assets of \$83,873. The 2005 operating income of the Water and Sewer Departments totaling \$359,302 represents an increase of \$170,187 from fiscal year 2004. This increase was due to the 10% water rate increase implemented in March, 2005.

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 \$29,600 is due mainly to additional revenue received from the following 3 categories: ad valorem taxes, sales taxes and licenses/permits.
2. Expenditures budgeted decreased from \$418,800 to \$397,675 for a difference of \$21,125. This decrease was due to the postponement of purchasing a police vehicle which was originally budgeted.

Capital Asset and Debt Administration

The total investment in net capital assets as of June 30, 2005 is \$7,427,888--\$298,924 for the general fund and \$7,128,964 for the enterprise fund.

New major capital assets purchased or constructed in fiscal 2005 are:

Governmental activities:

- In-car Video System for the Police Dept. \$4,859
- HD9H Porta Mole Boring System for the Water and Sewer Dept. \$4,100
- Chlorination Storage Buildings for the Water & Sewer Dept. \$65,000
- Cummins- Onan 200 DGFC Generator for the Water & Sewer Dept. \$102,733
- Water Treatment Facility re-design for Water & Sewer Dept. \$25,600
- Dell Optiplex Computer for Water & Sewer Dept. \$1,157
- Dell Laser Printer for Water & Sewer Dept. \$1,180

TOWN OF BLANCHARD, LOUISIANA
Management Discussion and Analysis
June 30, 2005

Current Financial Factors

The Town of Blanchard has taken the first step towards addressing the Fund Balance deficits in the General and Enterprise Funds which resulted in an increase in Fund Balances this year. There will be 5% water rate increase implemented in March of the next 4 years. Also there will be a franchise tax rate increase implemented sometime in the next fiscal year. These increases will help maintain our Fund Balances and allow for repairs and expansions as needed.

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, 2005

ASSETS	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents	\$ 42,529	\$ 215,778	\$ 258,307
Investments	5,582		5,582
Receivables	6,770	453,649	460,419
Internal balances		366	366
Restricted Assets:			
Cash and cash equivalents		780,905	780,905
Investments		150,000	150,000
Other assets	2,043	258,754	260,797
Capital assets (net)	<u>298,924</u>	<u>7,128,964</u>	<u>7,427,888</u>
TOTAL ASSETS	<u>\$ 355,828</u>	<u>\$ 8,988,416</u>	<u>\$ 9,344,244</u>
LIABILITIES			
Accounts, payroll, and other payables	\$ 14,281	\$ 37,502	\$ 51,783
Payable from restricted assets		525,750	525,750
Internal balance	366		366
Bonds payable		<u>5,287,937</u>	<u>5,287,937</u>
TOTAL LIABILITIES	<u>\$ 14,647</u>	<u>\$ 5,851,189</u>	<u>\$ 5,865,836</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 298,924	\$ 1,593,381	\$ 1,892,305
Restricted for debt service		386,216	386,216
Unrestricted	<u>42,257</u>	<u>1,157,630</u>	<u>1,199,887</u>
TOTAL NET ASSETS	<u>\$ 341,181</u>	<u>\$ 3,137,227</u>	<u>\$ 3,478,408</u>

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

TOWN OF BLANCHARD, LOUISIANA
STATEMENT OF ACTIVITIES
For the year ended June 30, 2005

	Program Revenues			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	\$ 45,413	\$	\$	\$ (45,413)	\$	\$ (45,413)
Public safety: Police	240,523	21,276		(219,247)		(219,247)
Public works:						
Streets and right of ways	24,051	2,395		(21,656)		(21,656)
Sanitation	80,001	82,408		2,407		2,407
Buildings and grounds	12,998			(12,998)		(12,998)
Culture and recreation	15,152		5,000	(10,152)		(10,152)
Total Governmental Activities	<u>418,138</u>	<u>106,079</u>	<u>5,000</u>	<u>(307,059)</u>		<u>(307,059)</u>
Business-Type Activities						
Water	1,461,171	1,578,450	10,000	127,279	127,279	127,279
Sewer	193,227	121,755		(71,472)	(71,472)	(71,472)
Total Business-type Activities	<u>\$ 1,654,398</u>	<u>\$ 1,700,205</u>	<u>\$ 10,000</u>	<u>\$ 55,807</u>	<u>\$ 55,807</u>	<u>\$ 55,807</u>
Total Primary Government	<u>\$ 2,072,536</u>	<u>\$ 1,806,284</u>	<u>\$ 15,000.00</u>	<u>\$ (251,252)</u>	<u>\$ 55,807</u>	<u>\$ (251,252)</u>
General Revenues:						
Ad valorem taxes				70,689	33,375	104,064
Sales tax				80,343		80,343
Franchise taxes				38,150		38,150
Occupational licenses				20,111		20,111
Insurance licenses				23,233		23,233
Investment earnings				575	23,706	24,281
Other general revenues				30,600		30,600
Transfers				29,015	(29,015)	
Total general revenues and transfers				<u>\$ 292,716</u>	<u>\$ 28,066</u>	<u>\$ 320,782</u>
Change in Net Assets						
Net assets--beginning				(14,343)	83,873	69,530
Net assets--ending				355,524	3,053,354	3,408,878
				<u>\$ 341,181</u>	<u>\$ 3,137,227</u>	<u>\$ 3,478,408</u>

The accompanying notes are an integral part of the financial statements.

Fund Financial Statements

TOWN OF BLANCHARD, LOUISIANA

BALANCE SHEET, GOVERNMENTAL FUND
June 30, 2005

		<u>General Fund</u>
ASSETS		
Cash and cash equivalents		\$ 42,529
Investments		5,562
Receivables		6,770
Prepaid expenses		1,993
Deposits		<u>50</u>
TOTAL ASSETS		\$ <u>56,904</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts, salaries, and other payables		\$ 14,281
Due to utility fund		<u>366</u>
Total Liabilities		<u>14,647</u>
Fund balance:		
Unreserved, reported in:		
General Fund		<u>42,257</u>
Total Fund Balance		<u>42,257</u>
TOTAL LIABILITIES AND FUND BALANCES		\$ <u>56,904</u>

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

June 30, 2005

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

Fund Balances, Total Governmental Funds, Statement C	\$ 42,257
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the government funds	<u>298,924</u>
Net Assets of Governmental Activities, Statement A	<u>\$ 341,181</u>

TOWN OF BLANCHARD, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
For the Year Ended June 30, 2005

	General Fund
Revenues:	
Ad valorem taxes	\$ 70,689
Sales taxes	80,343
Franchise taxes	38,150
Intergovernmental revenues	
State grant	5,000
Licenses and permits	54,147
Charges for services	84,803
Fines and forfeitures	21,276
Use of Money and Property	575
Other	19,797
Total Revenues	374,780
Expenditures:	
Current:	
General government	46,352
Public safety: Police	224,543
Public works:	
Sanitation	80,001
Street and right of ways	24,051
Buildings and grounds	10,367
Culture and recreation	3,308
Capital Outlays	4,859
Total Expenditures	393,481
Excess (Deficiency) of Revenues over Expenditures	(18,701)
Other Financing Sources (Uses)	
Operating transfers in	29,015
Total Other Financing Sources (Uses)	29,015
Net change in Fund Balances	10,314
Fund balances, beginning of year	31,943
Fund balances, end of year	\$ 42,257

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, 2005

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

Net Change in Fund Balances, Total Governmental Funds, Statement E	\$ 10,314
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 depreciation (\$29,516) exceeded the capital outlays (\$4,859) in the current period.	<u>(24,657)</u>
Change in Net Assets of Governmental Activities, Statement B	<u>\$ (14,343)</u>

TOWN OF BLANCHARD, LOUISIANA

STATEMENT OF NET ASSETS, PROPRIETARY FUND

June 30, 2005

ASSETS	Business-Type Activity Utility Fund
Current assets:	
Cash and cash equivalents	\$ 215,778
Receivables	453,649
Prepaid expenses	7,611
Due from other funds	366
Total current assets	<u>677,404</u>
Restricted assets:	
Cash and cash equivalents	780,905
Investments	150,000
Total restricted assets	<u>930,905</u>
Non-current assets:	
Unamortized bond issue costs	251,143
Capital assets, net of accumulated depreciation	7,128,964
Total non-current assets	<u>7,380,107</u>
TOTAL ASSETS	<u>\$ 8,988,416</u>
LIABILITIES	
Current liabilities:	
Accounts, salaries, and other payables	\$ 37,502
Total current liabilities	<u>37,502</u>
Current liabilities payable from restricted assets:	
Current portion of long-term obligations	247,646
Accrued interest on long-term debt	50,093
Meter deposits	228,011
Total current liabilities payable from restricted assets	<u>525,750</u>
Noncurrent liabilities	
Long-term obligations, net of unamortized discounts	5,287,937
Total noncurrent liabilities	<u>5,287,937</u>
TOTAL LIABILITIES	<u>\$ 5,851,189</u>
NET ASSETS	
Invested in capital assets, net of related debt	\$ 1,593,381
Restricted for debt service	386,216
Unrestricted	1,157,630
TOTAL NET ASSETS	<u>\$ 3,137,227</u>

TOWN OF BLANCHARD, LOUISIANA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
For the Year Ended June 30, 2005

	<u>Utility Fund</u>
Operating Revenues	
Charges for services:	
Water sales	\$ 1,478,886
Sewer service fees	112,755
Installations	60,590
Permits and fees	44,807
Other services	3,167
Total Operating Revenues	<u>1,700,205</u>
Operating Expenses	
Cost of sales and services	806,297
Administration	149,053
Depreciation	385,553
Total Operating Expenses	<u>1,340,903</u>
Operating Income	<u>359,302</u>
Nonoperating Revenues (Expenses)	
Ad valorem taxes	33,375
State rural development grant	10,000
Interest earnings	23,706
Interest expense	(284,817)
Amortization of bond discount	(18,084)
Bond agency fees	(6,300)
Gain (loss) on sale of asset	(4,294)
Total Nonoperating Revenues (Expenses)	<u>(246,414)</u>
Income Before Transfers	112,888
Transfers out	<u>(29,015)</u>
Change in Net Assets	<u>83,873</u>
Total net assets, beginning of year	<u>3,053,354</u>
Total net assets, end of year	<u>\$ 3,137,227</u>

TOWN OF BLANCHARD, LOUISIANA
PROPRIETARY FUND TYPE - ENTERPRISE FUND
Statement of Cash Flows
For the Year Ended June 30, 2005

	<u>Utility Fund</u>
Cash flows from operating activities:	
Cash received from customers	\$ 1,598,316
Cash payments to suppliers for goods and services	(622,495)
Cash payments to employees for services	(385,392)
Net cash provided (used) by operating activities	590,429
Cash flows from noncapital financing activities:	
Ad valorem taxes	33,375
Cash flows from capital and related financing activities:	
Acquisition of property, plant, and equipment	(263,770)
Proceeds from sale of assets	929
Proceeds from state revenue grant	10,000
Proceeds from borrowing net discount	3,871,534
Bond issuance costs	(123,986)
Cost of bond defeasance	(233,391)
Principal paid on debt	(3,784,015)
Interest paid on revenue bonds	(339,230)
Transfer to General Fund	(27,345)
Net cash (used) for capital and related financing activities	(889,274)
Cash flows from investing activities:	
Purchase of investments	(150,000)
Interest on investments	23,706
Net cash provided (used) from (in) investing activities	(126,294)
Net increase (decrease) in cash and cash equivalents	(391,764)
Cash and cash equivalents at beginning of year	1,388,447
Cash and cash equivalents at end of year	\$ 996,683
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 359,302
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation and amortization	385,554
Change in assets and liabilities:	
(Increase) decrease in customer accounts receivable	(114,320)
(Increase) decrease in other accounts receivable	
(Increase) decrease in due from other funds	1,670
(Increase) decrease in prepaids	(7,611)
Increase (decrease) in accounts payable and accrued expenses	(44,777)
Increase (decrease) in accrued payroll taxes	(150)
Increase (decrease) in customer deposits	10,761
Total adjustments	231,127
Net cash provided (used) by operating activities	\$ 590,429
Reconciliation of balance sheet cash and cash equivalents to cash flow statement	
Current assets: Cash and cash equivalent	\$ 215,778
Non-Current assets: Restricted Cash	780,905
Total cash and cash equivalents	\$ 996,683

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

Notes to the Financial Statements

TOWN OF BLANCHARD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended June, 2005

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, 2005

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, 2005

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 those 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 are 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, 2005 unbilled receivables will be substantially billed and collected in fiscal year 2006.

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	5.59	3.21

Of the 1,323 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, 2005, are \$80,343.

TOWN OF BLANCHARD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended June, 2005

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, 2005 for bond covenants is \$702,894. 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, 2005, the utility deposits restricted were \$228,011. Total restricted cash and cash equivalents are \$930,905.

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:

<u>Water Utility</u>	<u>Estimated Lives</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 \$4,973 and the Enterprise Fund of \$5,148 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, 2005

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. CASH AND CASH EQUIVALENTS

At June 30, 2005, the Town has cash and cash equivalents (book balances) totaling \$1,039,212 as follows:

Demand deposits	\$ 235,008
Interest-bearing demand deposits	666,043
Other	<u>138,161</u>
Total	<u>\$ 1,039,212</u>

Per financial statements;	
Cash and cash equivalents	\$ 258,307
Restricted cash and cash equivalents	<u>780,905</u>
Total cash and cash equivalents per financial statements	<u>\$ 1,039,212</u>

TOWN OF BLANCHARD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended June, 2005

3. CASH AND CASH EQUIVALENTS (continued)

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, 2005 the Town has \$1,072,263 in deposits (collected bank balances). These deposits are secured from risk by \$200,101 of federal deposit insurance and \$1,679,976 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

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	\$	228,714
Reserve for 2000 Water Revenue Bonds		132,405
Reserve for 2005 Water Revenue Bonds		341,775
Total cash restricted for Retirement of Revenue Bonds		<u>702,894</u>
Customer utility deposits		228,011
Total Restricted Cash and Cash Equivalents as of June 30, 2004	\$	<u><u>930,905</u></u>

4. 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:

Type of Investment	Category			Carrying Amount			Total Carrying Amount
	1	2	3	Fair Value	Amortized Cost	Cost	
Certificate of Deposit	\$ 5,562			\$ 5,562			\$ 5,562
Restricted Certificates of Deposit	150,000			150,000			150,000
Total Investments	<u>\$ 155,562</u>			<u>\$ 155,562</u>			<u>\$ 155,562</u>

TOWN OF BLANCHARD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended June, 2005

5. RECEIVABLES

The receivables of \$460,419 at June 30, 2005, are as follows:

<u>Class of Receivable</u>	<u>General Fund</u>	<u>Enterprise Fund</u>	<u>Total</u>
Taxes:			
Ad valorem	\$ 390	\$	\$ 390
Sales and use	5,261		5,261
Other	1,119		1,119
Intergovernmental - grants:			
Accounts		287,691	287,691
Other		165,958	165,958
Total	\$ 6,770	\$ 453,649	\$ 460,419

6. INTERFUND RECEIVABLES/PAYABLES

Interfund receivables/payables at June 30, 2005 were as follows:

	<u>General Fund</u>	<u>Enterprise Fund</u>
Due from other fund	\$	\$ 366
(Due to) other fund	(366)	
Net (Due to)/Due from	\$ (366)	\$ 366

TOWN OF BLANCHARD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended June, 2005

7. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended June 30, 2005, for the primary government is as follows:

Governmental Activities:	<u>Balance</u> <u>June 30, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2005</u>
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	\$ 438,119	\$	\$	\$ 438,119
Equipment				
Police Department	181,705	4,859	(3,824)	182,740
Sanitation, Streets, & Right of Ways	20,099			20,099
General	18,175		(2,661)	15,514
Sewer plant for Enterprise Fund	374,355			374,355
Total capital assets, being depreciated	<u>\$ 1,032,453</u>	<u>\$ 4,859</u>	<u>\$ (6,485)</u>	<u>\$ 1,030,827</u>
Less accumulated depreciation for				
Buildings & improvements	\$ 157,999	\$ 12,673	\$	\$ 170,672
Equipment				
Police Department	153,513	14,100	(3,824)	163,789
Sanitation, Streets, & Right of Ways	6,830	2,743		9,573
General	18,175		(2,661)	15,514
Sewer plant for Enterprise Fund	374,355			374,355
Total accumulated depreciation	<u>\$ 710,872</u>	<u>\$ 29,516</u>	<u>\$ (6,485)</u>	<u>\$ 733,903</u>
Total Capital assets being depreciated net	<u>\$ 321,581</u>			<u>\$ 296,924</u>
Business type Activities:	<u>Balance</u> <u>June 30, 2004</u>	<u>Increases</u>	<u>Reclassifications/ Decreases</u>	<u>Balance</u> <u>June 30, 2005</u>
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	\$ 128,454	\$	\$	\$ 128,454
Water System	9,555,639	261,430		9,817,069
Sewer System	1,701,627			1,701,627
Fixtures & equipment	163,837	2,337	(33,628)	132,546
Automotive equipment	106,702		15,437	122,139
Total capital assets being depreciated	<u>\$ 11,656,259</u>	<u>\$ 263,767</u>	<u>\$ (18,191)</u>	<u>\$ 11,901,835</u>
Less accumulated depreciation for				
Buildings	\$ 43,573	\$ 5,054	\$	\$ 48,627
Water System	3,520,375	309,930		3,830,305
Sewer System	679,781	54,654		734,435
Fixtures & equipment	120,919	9,473	(33,284)	97,108
Automotive equipment	79,491	6,441	20,313	106,245
Total accumulated depreciation	<u>\$ 4,444,139</u>	<u>\$ 385,552</u>	<u>\$ (12,971)</u>	<u>\$ 4,816,721</u>
Total Capital assets being depreciated net	<u>\$ 7,212,120</u>			<u>\$ 7,085,114</u>

TOWN OF BLANCHARD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended June, 2005

7. CAPITAL ASSETS (Continued)

Depreciation expense of \$29,516 for the year ended June 30, 2005, was charged to the following governmental functions:

General Government	\$	4,061
Public Safety		15,980
Public Works		2,631
Recreation		6,844
Total Depreciation	\$	<u>29,516</u>

8. INTERFUND TRANSFERS

Interfund transfers totaled \$29,015 for operating transfers from the Utility Fund to the General Fund during the year ended June 30, 2005. The Utility Fund reimburses the General Fund for general operational support during the year.

9. ACCOUNTS, SALARIES, AND OTHER PAYABLES

The payables of \$51,783 at June 30, 2005, are as follows:

	<u>General Fund</u>	<u>Enterprise Fund</u>	<u>Total</u>
Payroll	\$ 1,248	\$ 2,369	\$ 3,617
Payroll Taxes	367	782	1,149
Compensated Absences	4,973	5,148	10,121
Trade Accounts Payable	7,693	15,588	23,279
Other		13,617	13,617
Total	<u>\$ 14,281</u>	<u>\$ 37,502</u>	<u>\$ 51,783</u>

10. LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligation transactions for the year ended June 30, 2005:

		<u>Bonded Debt</u>
Long-term obligations at beginning of year	\$	5,504,636
Additions		3,808,777
Deductions		<u>(3,777,830)</u>
Long-term obligations at end of year	\$	<u>5,535,583</u>

TOWN OF BLANCHARD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended June, 2005

10. **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, 2005:

	<u>Bonded Debt</u>
Current portion	\$ 247,646
Long-term portion, net unamortized discounts	5,287,937
Total	\$ 5,535,583

Town bonds outstanding at June 30, 2005, for \$5,675,599, are revenue bonds with maturities from 2006 to 2027 and interest rates from 3.75% to 7.20%. The unamortized discounts total \$305,549 to be recognized over the life of the bonds. The capital lease payable is \$165,233, has a five-year term at an interest rate of 5.65% and was issued to purchase generators for the water system. The principal and interest payable on these obligations in the next fiscal year are \$266,585 and \$228,714, respectively.

The individual issues are as follows:

Note	Original Issue	Interest Rate	Final Payment Due	Interest to Maturity	Principal Outstanding	Funding Source
1998 Water Revenue Bonds	7/17/98	7.20%	4/1/07	19,152	180,599	water revenue
2000 Water Revenue Bonds	12/14/00	7.20%	3/1/27	1,381,086	1,575,000	water revenue
2005 Water Revenue Bonds	05/24/05	3.25%	04/01/22	1,827,207	3,920,000	water revenue
Govt Capital Lease Corp.	06/21/05	5.65%	07/10/09	19,182	165,233	water revenue
					5,840,832	

These 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 between \$40,377 and \$42,887 for year end June 30, 2006. 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, 2005.

The bonds are due as follows:

Year Ending June 30	Principal Payments	Interest Payments	Total
2006	\$ 266,585	\$ 228,714	\$ 495,299
2007	250,015	259,651	509,666
2008	261,277	246,654	507,931
2009	268,044	236,512	504,556
2010	279,911	225,620	505,531
2011-2015	1,380,000	963,355	2,343,355
2016-2020	1,715,000	814,546	2,329,546
2020-2027	1,420,000	271,575	1,691,575
	\$ 5,840,832	\$ 3,046,627	\$ 8,887,459

TOWN OF BLANCHARD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended June, 2005

10. LONG-TERM OBLIGATIONS (continued)

Defeased Debt. On May 24, 2005, the Town issued the 2005 Water Revenue Bonds to pay the 2001 Certificates of Indebtedness of \$247,000 and to deposit \$3,533,391 into an irrevocable escrow to advance refund, through an In-substance defeasance, \$3,300,000 of the Series 1997 Water Revenue Bonds. As a result, the 1997 Bonds are considered to be defeased and the escrowed assets and the liability for the bonds have been removed from these financial statements. The reacquisition price exceeded the net carrying amount of the old debt by \$233,391. This amount is being netted against the new debt and amortized over the remaining life of the new debt, which is the same life as the refunded debt. The Town achieved a cash flow difference of \$211,424 and an economic gain of \$73,328 as a result of the refunding. At June 30, 2005, \$3,300,000 of the defeased bonds is outstanding.

11. 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. 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 21.5% 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, 2005, 2004, and 2003, were \$19,400, \$13,492, and \$8,074, respectively, equal to the required contributions for each year.

12. RESTRICTED NET ASSETS

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

Restricted Sinking, reserve, and contingency funds	\$	702,894
Less:		
Accrued interest payable on revenue bonds		(50,093)
Current maturities of revenue bonds		(266,585)
Reserve for debt retirement		386,216

TOWN OF BLANCHARD, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended June, 2005

13. 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.

14. 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.

15. 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, 2005, the State made contributions of \$14,400.

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, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Ad valorem taxes	\$ 60,000	\$ 71,000	\$ 70,889	\$ (311)
Sales taxes	65,000	79,000	80,343	1,343
Franchise taxes	42,000	42,000	38,150	(3,850)
Intergovernmental revenues:				
State grant	20,000	5,000	5,000	
Licenses and permits	45,500	56,000	54,147	(1,853)
Charges for services	77,400	85,400	84,803	(597)
Fines and forfeitures	18,000	20,000	21,276	1,276
Use of Money and Property	500	500	575	75
Other	20,800	19,900	19,797	(103)
Total Revenues	<u>349,200</u>	<u>378,800</u>	<u>374,780</u>	<u>(4,020)</u>
Expenditures:				
Current:				
General government	50,200	47,000	46,352	648
Public safety: Police	230,900	225,950	224,543	1,407
Public works:				
Sanitation	74,000	80,000	80,001	(1)
Street and right of ways	23,600	24,600	24,051	549
Buildings and grounds	10,100	10,125	10,367	(242)
Culture and recreation	5,000	4,000	3,308	692
Capital Outlays	25,000	6,000	4,859	1,141
Total Expenditures	<u>418,800</u>	<u>397,675</u>	<u>393,481</u>	<u>4,194</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(69,600)</u>	<u>(18,875)</u>	<u>(18,701)</u>	<u>174</u>
Other Financing Sources (Uses)				
Operating transfers in	31,000	31,000	29,015	(1,985)
Total Other Financing Sources (Uses)	<u>31,000</u>	<u>31,000</u>	<u>29,015</u>	<u>(1,985)</u>
Net change in Fund Balances	(38,600)	12,125	10,314	(1,812)
Fund balances, beginning of year	31,943	31,943	31,943	
Fund balances, end of year	<u>\$ (6,657)</u>	<u>\$ 44,068</u>	<u>\$ 42,257</u>	<u>\$ (1,812)</u>

Other Supplemental Schedules

TOWN OF BLANCHARD, LOUISIANA
GENERAL FUND
COMPARATIVE BALANCE SHEET
June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Cash and cash equivalents	\$ 42,529	\$ 28,727
Investments	5,562	5,551
Other receivables	6,770	11,632
Prepaid expenses	1,993	
Deposits	<u>50</u>	<u>50</u>
TOTAL ASSETS	<u>\$ 56,904</u>	<u>\$ 45,960</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable and accrued expenses	\$ 14,281	\$ 11,982
Due to utility fund	<u>366</u>	<u>2,036</u>
Total liabilities	14,647	14,018
Fund balances:		
Unreserved, reported in:		
General Fund	<u>42,257</u>	<u>31,942</u>
Total Fund Balances	<u>42,257</u>	<u>31,942</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 56,904</u>	<u>\$ 45,960</u>

TOWN OF BLANCHARD, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GENERAL FUND
For the Year Ended June 30, 2005
With Comparative Amounts for Year Ended June 30, 2004

	2005	2004
Revenues:		
Ad valorem taxes	\$ 70,689	\$ 57,256
Sales taxes	80,343	64,916
Franchise taxes	38,150	37,409
Intergovernmental revenues:		
Federal grant	-	1,896
State grant	5,000	
Licenses and permits	54,147	50,658
Charges for services:		
Sanitation	82,408	72,815
Mowing	2,395	2,395
Fines and forfeitures	21,278	19,549
Use of Money and Property	575	395
Other	19,797	19,225
Total Revenues	374,780	326,514
 Expenditures:		
Current:		
General government	46,352	41,989
Public safety: Police	224,543	212,720
Public works:		
Sanitation	80,001	76,518
Street and right of ways	24,051	26,568
Buildings and grounds	10,367	10,017
Culture and recreation	3,308	4,982
Capital Outlays	4,859	4,666
Total Expenditures	393,481	377,460
 Excess (Deficiency) of Revenues over Expenditures	(18,701)	(50,946)
 Other Financing Sources (Uses)		
Operating transfers in	29,015	12,822
Total Other Financing Sources (Uses)	29,015	12,822
 Net change in Fund Balances	10,314	(38,124)
 Fund balances, beginning of year	31,943	70,067
Fund balances, end of year	\$ 42,257	\$ 31,943

TOWN OF BLANCHARD, LOUISIANA
ENTERPRISE FUND
BALANCE SHEETS
June 30, 2005 and 2004

	2005	2004
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 215,778	\$ 448,995
Receivables	453,849	174,096
Prepaid expenses	7,611	
Due from other funds	366	2,036
Total current assets	677,404	625,127
Restricted assets:		
Cash and cash equivalents	780,905	939,574
Investments	150,000	
Total restricted assets	930,905	939,574
Non-current assets:		
Restricted cash	930,905	939,574
Unamortized bond issue costs	251,143	141,503
Capital assets, net of accumulated depreciation	7,128,964	7,255,970
Total non-current assets	8,311,012	8,337,047
TOTAL ASSETS	\$ 8,988,416	\$ 8,962,174
LIABILITIES		
Current liabilities:		
Accounts, salaries, and other payables	\$ 37,502	\$ 82,429
Total current liabilities	37,502	82,429
Current liabilities payable from restricted assets:		
Current portion of long-term obligations	247,646	230,347
Accrued interest on long-term debt	50,093	104,506
Meter deposits	228,011	217,250
Total current liabilities payable from restricted assets	525,750	552,103
Noncurrent liabilities:		
Long-term obligations, net of unamortized discounts	5,287,937	5,274,289
Total noncurrent liabilities	5,287,937	5,274,289
TOTAL LIABILITIES	5,851,189	5,908,821
NET ASSETS		
Invested in capital assets, net of related debt	1,593,381	1,751,334
Restricted for debt service	386,216	387,471
Unrestricted	1,157,630	914,549
TOTAL NET ASSETS	3,137,227	3,053,354
TOTAL LIABILITIES & NET ASSETS	\$ 8,988,416	\$ 8,962,174

TOWN OF BLANCHARD, LOUISIANA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
For the Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Operating Revenues		
Charges for services:		
Water sales	\$ 1,478,886	\$ 1,278,324
Sewer service fees	112,755	103,558
Installations	60,590	64,245
Permits and fees	44,807	31,062
Other services	<u>3,167</u>	<u>7,302</u>
Total Operating Revenues	<u>1,700,205</u>	<u>1,484,492</u>
Operating Expenses		
Cost of sales and services	806,297	780,596
Administration	149,052	128,208
Depreciation	<u>385,554</u>	<u>386,573</u>
Total Operating Expenses	<u>1,340,903</u>	<u>1,295,377</u>
Operating Income	<u>359,302</u>	<u>189,115</u>
Nonoperating Revenues (Expenses)		
Act 14 emergency water repair funds	-	64,499
Ad valorem taxes	33,375	15,744
State rural development grant	10,000	
Interest earnings	23,706	12,793
Interest expense	(284,817)	(352,210)
Amortization of bond discount	(18,084)	(9,207)
Bond agency fees	(6,300)	
Gain (loss) on sale of asset	<u>(4,294)</u>	
Total Nonoperating Revenues (Expenses)	<u>(246,414)</u>	<u>(268,381)</u>
Income Before Transfers	112,888	(79,266)
Transfers out	<u>(29,015)</u>	<u>(12,822)</u>
Change in Net Assets	<u>83,873</u>	<u>(92,088)</u>
Total net assets, beginning of year	<u>3,053,354</u>	<u>3,145,442</u>
Total net assets, end of year	<u>\$ 3,137,227</u>	<u>\$ 3,053,354</u>

The accompanying notes are an integral part of the financial statements.

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, 2005

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating Revenues			
Charges for services:			
Water sales	\$ 1,478,886	\$	\$ 1,478,886
Sewer service fees		112,755	112,755
Installations	60,590		60,590
Permits and fees	35,807	9,000	44,807
Other services	3,167		3,167
Total Operating Revenues	<u>1,578,450</u>	<u>121,755</u>	<u>1,700,205</u>
 Operating Expenses			
Cost of sales and services	693,285	113,012	806,297
Administration	128,133	20,920	149,052
Depreciation	326,257	59,296	385,554
Total Operating Expenses	<u>1,147,675</u>	<u>193,228</u>	<u>1,340,903</u>
 Operating Income	<u>430,775</u>	<u>(71,473)</u>	<u>359,302</u>
 Nonoperating Revenues (Expenses)			
Ad valorem taxes		33,375	33,375
State rural development grant	10,000		10,000
Interest earnings	21,762	1,944	23,706
Interest expense	(284,817)		(284,817)
Amortization of bond discount	(18,084)		(18,084)
Bond agency fees	(6,300)		(6,300)
Gain (loss) on sale of asset	(4,294)		(4,294)
Total Nonoperating Revenues (Expenses)	<u>(281,733)</u>	<u>35,319</u>	<u>(246,414)</u>
 Income Before Transfers	149,042	(36,154)	112,888
 Transfers out	<u>(28,916)</u>	<u>(99)</u>	<u>(29,015)</u>
 Change in Net Assets	<u>\$ 120,126</u>	<u>\$ (36,253)</u>	<u>83,873</u>
 Total net assets, beginning of year			<u>3,053,354</u>
Total net assets, end of year			<u>\$ 3,137,227</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF BLANCHARD, LOUISIANA
SCHEDULE OF COMPENSATION AND REIMBURSED EXPENSES PAID BOARD MEMBERS
For the year ended June 30, 2005

	<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
	<u>23,100</u>	<u>1,830</u>	<u>24,930</u>
Total	<u>\$ 23,100</u>	<u>\$ 1,830</u>	<u>\$ 24,930</u>

TOWN OF BLANCHARD, LOUISIANA
SCHEDULE OF RATES
For the Year Ended June 30, 2005

	<u>Usage</u>	<u>Base</u>	<u>Per Additional 1000 Gallons</u>
Residential & Commercial Inside:			
	0-2,000 Gallons	\$12.93	N/A
	2,001 Gallons - 10,000		\$2.53
	10,001 - 20,000		\$3.25
	over 20,000		\$3.80
Residential and Commercial Outside:			
	0-2,000 Gallons	\$19.53	N/A
	2,001 Gallons - 10,000		\$3.03
	10,001 - 20,000		\$3.80
	over 20,000		\$4.35
Industrial Commercial:			
	0-30,000 Gals.	\$104.00	N/A
	30,001 -		\$4.68

TOWN OF BLANCHARD, LOUISIANA
SCHEDULE OF INSURANCE
For the Year Ended June 30, 2005

<u>Coverage</u>	<u>Inception Date</u>	<u>Expiration Date</u>	<u>Limits of Liability</u>	<u>Deductible Amount</u>
Workman's Compensation	01/01/05	12/31/05	\$100,000 each accident \$500,000 disease policy limit \$100,000 disease each employee	N/A
Automobile	06/11/05	06/10/06	\$500,000 combined single limit	N/A
Property and Contents	06/11/05	06/10/06	As scheduled from \$5,009 to \$345,801 based on replacement value of scheduled property.	\$1,000
General Liability	06/11/05	06/10/06	\$500,000 each occurrence \$30,000 damage-rented property \$500,000 personal & adv injury \$500,000 general aggregate \$500,000 products-comp/op agg.	N/A
Employee Dishonesty	03/18/05	03/17/06	\$10,000 Bond	N/A

Other Reports

Deborah D. Dees, MBA, CPA



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CERTIFIED PUBLIC ACCOUNTANT

**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, 2005, and have issued my report thereon dated September 30, 2005. 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 no instance of noncompliance that is required to be reported under *Government Auditing Standards*.

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
September 30, 2005

TOWN OF BLANCHARD, LOUISIANA
Schedule of Findings and Questioned Costs
For the Year ended June 30, 2005

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, 2005, and have issued my report thereon dated September 30, 2005. 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, 2005, 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

None.

TOWN OF BLANCHARD, LOUISIANA
Schedule of Prior Years Audit Findings
For the year ended June 30, 2005

2004-1 Pledged securities, resolved.