

TOWN OF RICHWOOD, LOUISIANA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 1996

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 ~~APR 09 1997~~

WILLIAM D. EDWARDS, CPA, APCA

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WILLIAM D. EDWARDS

Certified Public Accountant
A Professional Accounting Corporation
Member: AICPA / Society of LCPA'S

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor Harris
and Board of Aldermen
Town of Richwood, Louisiana

I was engaged to audit the accompanying general purpose financial statements of the Town of Richwood, Louisiana, as of and for the year ended June 30, 1996, as listed in the table of contents. *These general purpose financial statements are the responsibility of the Town of Richwood, Louisiana management.*

I was unable to obtain sufficient supporting records for financial activities of the Town of Richwood, Louisiana, nor was I able to satisfy myself as to those financial activities by other auditing procedures, *to form an opinion on these general purpose financial statements.*

Since I did not audit the financial statements of the Town of Richwood, Louisiana referred to above, the scope of my work was not sufficient to enable me to express, and I do not express, an opinion on these general purpose financial statements.

As part of my engagement, I also prepared reports, dated March 3, 1997, on internal control and compliance, as required by *Government Auditing Standards.*



Ruston, Louisiana
March 3, 1997

TOWN OF RICHWOOD, LOUISIANA

**COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
June 30, 1996**

	<u>GOVERNMENTAL FUND TYPES</u>	
	<u>General</u>	<u>Special Revenue Funds</u>
Cash and Cash Equivalents	\$ 22,132	\$ 7,877
Receivables	5,168	4,380
Due from Other - Governmental Units	16,052	
Interfund Receivables	1,739	
Property & Equipment (Net Accumulated Depreciation)		
TOTAL	<u>\$ 45,089</u>	<u>\$ 12,257</u>

ACCOUNT GROUPS

<u>Proprietary Fund</u>	<u>Fixed Assets Group</u>	<u>Total (Memo Only)</u>
\$ 3,624	\$	\$ 33,633
13,628		23,176
		16,050
		1,739
815,235	60,700	875,935
<u>\$ 832,487</u>	<u>\$ 60,700</u>	<u>\$ 950,533</u>

See accompanying notes and accountants' report.

TOWN OF RICHWOOD, LOUISIANA

**COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
June 30, 1996**

	<u>GOVERNMENTAL FUND TYPES</u>	
	<u>General</u>	<u>Special Revenue Funds</u>
LIABILITIES		
Accounts Payable	\$ 104,363	\$ 10,518
Accrued Expenses	116,004	
Payroll Tax Liability	4,096	
Interfund Payables		1,739
Total Liabilities	224,463	12,257
FUND EQUITY		
Contributed Capital-Grants		
Retained Earnings		
Fund Balance - Unreserved	(179,374)	
Total Equity	(179,374)	-0-
TOTAL LIABILITIES AND FUND EQUITY	\$ 45,089	\$ 12,257

See accompanying notes and accountants' report.

<u>Proprietary Fund</u>	<u>Fixed Assets</u>	<u>Total (Memo Only)</u>
\$ 1,411	\$	\$ 116,292
		116,004
		4,096
		1,739
<u>1,411</u>	<u>0</u>	<u>238,131</u>
1,207,755 (376,679)		1,207,755 (376,679)
	60,700	(118,674)
<u>831,076</u>	<u>60,700</u>	<u>712,402</u>
<u>\$ 832,487</u>	<u>\$ 60,700</u>	<u>\$ 950,533</u>

See accompanying notes and accountants' report.

TOWN OF RICHWOOD, LOUISIANA
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND
BALANCES
ALL GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 1996

	<u>General Fund</u>
REVENUE	
Ad Valorem Taxes	\$ 7,185
Garbage Fees	40,495
Franchise Fees	23,179
Tobacco Taxes	7,262
Beer Taxes	11
Licenses and Fees	8,285
Sales Tax	31,609
Miscellaneous: Revenue and Local	65,038
Louisiana Operating Grant	75,000
Other Grants	<u>23,048</u>
Total Revenue	<u>281,112</u>
EXPENDITURES	
General Government	376,208
Public Safety - Police	27,060
Total Expenses	<u>403,268</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(122,156)
TRANSFER FROM PROPRIETARY FUND	68,046
TRANSFER FROM SPECIAL REVENUE FUND	903
FUND BALANCES, BEGINNING	(126,167)
FUND BALANCES, ENDING	\$ <u>(179,374)</u>

**TOWN OF RICHWOOD, LOUISIANA
GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED JUNE 30, 1996**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUE			
Ad Valorem Taxes	\$ 8,000	\$ 7,185	\$ (815)
Occupational Licenses	20,000	8,285	(11,715)
Franchise Fees	16,282	23,179	6,897
Tobacco Taxes	9,000	7,262	(1,738)
Beer Taxes	3,000	11	(2,989)
Garbage Collection	40,000	40,495	495
Sales Tax	45,000	31,609	(13,391)
Miscellaneous	10,000	65,038	55,038
Grant - Louisiana	75,000	75,000	
Grants - Others	<u>0</u>	<u>23,048</u>	<u>23,048</u>
Total Revenue	<u>226,282</u>	<u>281,112</u>	<u>54,830</u>
EXPENDITURES			
General Government	216,282	376,208	159,926
Public Safety			
Police	50,000	27,060	(22,940)
	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	266,282	403,268	136,986
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES			
	(40,000)	(122,156)	(82,156)
Operating Transfer - Sewer Fund		68,046	68,046
Operating Transfer - Special Fund		903	903
FUND BALANCE, BEGINNING	<u>(126,167)</u>	<u>(126,167)</u>	<u> </u>
FUND BALANCE, ENDING	<u>\$ (166,167)</u>	<u>(179,374)</u>	<u>\$ 13,207</u>

**TOWN OF RICHWOOD, LOUISIANA
 COMBINED STATEMENT OF REVENUE,
 EXPENSES, AND CHANGES IN RETAINED EARNINGS
 PROPRIETARY FUND TYPES
 YEAR ENDED JUNE 30, 1996**

	Utility Enterprise <u>Fund</u>
OPERATING REVENUE	
Sewer Charges	\$ 99,637
Total Operating Revenue	<u>99,637</u>
OPERATING EXPENSES	
Billing and Collection	20,775
Depreciation	<u>30,194</u>
Total Operating Expenses	<u>50,969</u>
INCOME (LOSS) FROM OPERATIONS	48,668
Operating Transfer - General	(68,046)
RETAINED EARNINGS, (DEFICIT) BEGINNING	<u>(357,301)</u>
RETAINED EARNINGS, (DEFICIT) ENDING	<u>\$ (376,679)</u>

**TOWN OF RICHWOOD, LOUISIANA
 COMBINED STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPES
 YEAR ENDED JUNE 30, 1996
 INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Income From Operations	<u>\$ 48,668</u>
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Depreciation	30,194
(Increase) Decrease in Accounts Receivable	(13,628)
Increase (Decrease) in Accounts Payable - Operations	<u>1,410</u>
Net Adjustments	<u>17,976</u>
Net Cash Provided by Operating Activities	66,644
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Transfer to General Fund	68,046
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
CASH FLOWS FROM INVESTING ACTIVITIES:	
Net Decrease in Cash and Equivalents	<u>(1,402)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>5,026</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 3,624</u>

Schedule of Non-Cash Investing, Capital and Financing Activities

There were no non-cash, investing, capital and financing activities for the year ended June 30, 1996.

Cash expended - Interest	- 0 -
Cash expended - Taxes	-0-

**TOWN OF RICHWOOD
RICHWOOD, LOUISIANA**

**Notes to the Financial Statements
As of and for the Year Ended June 30, 1996**

INTRODUCTION

The Town of Richwood, Louisiana is located in the southern portion of Ouachita Parish in northeast Louisiana. The Town was incorporated December 31, 1974 under the provisions of Louisiana Revised Statutes 33:52. The Town operated under a form of government consisting of an elected mayor and a Board of Alderpersons, which has five elected members. The Town provides garbage collection, street maintenance, drainage maintenance, and other health and welfare services, in addition to the administrative services provided to its residents.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

A. BASIS OF PRESENTATION

The accompanying financial statements of the Town of Richwood have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard - setting body for establishing governmental accounting and financial reporting principles.

B. REPORTING ENTITY

As the municipal governing authority, for reporting purposes, the Town of Richwood is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (municipality), (b) organizations for which the primary government is financial accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the Town of Richwood for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria include:

**TOWN OF RICHWOOD
RICHWOOD, LOUISIANA**

**Notes to the Financial Statements
As of and for the Year Ended June 30, 1996 (continued)**

B. REPORTING ENTITY *(continued)*

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

As required by generally accepted accounting principles, these financial statements present the Town of Richwood (the primary government). The Town of Richwood has no component units.

Considered in the determination of component units of the reporting entity were the Ouachita Parish police Jury, Sheriff, Clerk of Court, Assessor, and School Board and the District Attorney and Judges for Ouachita Parish. It was determined that these governmental entities are not component units of the Town of Richwood reporting entity because they have separately elected governing bodies, are legally separate, and are fiscally independent of the Town of Richwood.

C. FUND ACCOUNTING

The Town of Richwood uses funds and an account group to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. On the other hand, an account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable financial resources.

**TOWN OF RICHWOOD
RICHWOOD, LOUISIANA**

Notes to the Financial Statements (continued)

C. FUND ACCOUNTING (continued)

Funds of the Town of Richwood are classified in to one category: governmental. This category is divided into two fund types. A description of this fund classification and the two fund types follows:

Governmental Funds

Governmental funds account for all or most of the Town of Richwood's general activities, including the collection and disbursement of specific or legally restricted monies, and acquisition or construction of general fixed assets. Governmental funds include:

1. General Fund -- the general operating fund of the Town of Richwood and accounts for all financial resources, except those required to be accounted for in other funds.
2. Special revenue funds -- account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

D. BASIS OF ACCOUNTING

The accounting and financial 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 are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used by all governmental funds. The governmental funds use the following practices in recording revenues and expenditures:

Revenues

Property taxes become measurable when a property tax assessment is made. The taxes are used to finance the budget of a particular period. Therefore, the revenue produced taxes is recognized in the fiscal period for which it was levied, provided it is available. "Available" means (1) then due, or (2) past due and receivable within current period, or (3) expected to be collected within 60 days and used to pay liabilities of the current period.

**TOWN OF RICHWOOD
RICHWOOD, LOUISIANA**

Notes to the Financial Statements (continued)

D. BASICS OF ACCOUNTING (continued)

Sales tax are collected by the sales tax collection agency and remitted to the Town. Therefore, amounts remitted during the current period and amounts collected by the governmental agency *during the current period and remitted within 60 days to the Town of Richwood*, are recognized as revenue.

Licenses and permits are recognized as revenue in the period received, but not before the benefit period. However, for the year ended June 30, 1996, amounts were also recognized as revenue *if they were available within 60 days (based on actual collections)*. Since licenses and permits were not "billed" on a timely basis, this accrual recognizes revenue to finance the budget for that period.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exception to this general rule: accumulated unpaid vacation, sick pay and other employee amounts which are not accrued.

Other Financing Sources (Uses)

Transfers between funds that are not expected to be repaid are accounted for as other financing sources (uses).

Deferred Revenues

The Town of Richwood reports deferred revenues on its combined balance sheet. Deferred revenues arise when resources are received by the Town of Richwood before it has a legal claim to them, as when grant monies are received prior to the incurrences of qualifying expenditures. In subsequent periods, when the Town of Richwood has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and *the revenue is recognized*.

E. BUDGETS

The Town of Richwood uses the following budget practices:

**TOWN OF RICHWOOD
RICHWOOD, LOUISIANA**

Notes to the Financial Statements (continued)

E. BUDGETS (continued)

The Town of Richwood adopts budgets annually. The minutes did not reflect a budget hearing however, budget adjustment was made during the meeting of June 21, 1996.

Budgets were prepared on the cash basis of accounting.

Formal budgetary integration is employed as a management control device. The mayor is authorized to transfer budget line item amounts; however, any revisions that would alter the total appropriations must be approved by the Board of Aldermen. At year end, all appropriations lapse.

F. ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Town of Richwood.

G. CASH AND CASH EQUIVALENTS

Under state law, the Town of Richwood may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

H. FIXED ASSETS

Fixed assets of governmental funds are record as expenditures at the time they are purchased or constructed, and the related assets are capitalized (reported) in the general fixed assets account group. Public domain or infrastructures are not capitalized. No depreciation has been provided on general fixed assets.

I. SALES TAXES

The Town was authorized in 1986 to levy a 2% sales and use tax for the purpose of providing funds for any lawful corporate purpose.

**TOWN OF RICHWOOD
RICHWOOD, LOUISIANA**

Notes to the Financial Statements (continued)

J. TOTAL COLUMNS OF 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 made in the aggregation of this data.

2. FUND DEFICITS

The following fund had a deficit in unreserved fund balance at June 30, 1996:

<u>Fund</u>	<u>Deficit Amount</u>
General Fund	\$ 179,374
Proprietary Fund	\$ 376,679

3. LEVIED TAXES

Property taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Town in August or September and actually billed to the taxpayer in October or November. Billed taxes become delinquent on January 1 of the following year. Revenues for property taxes are budgeted in the year billed.

The Town bills and collects its own property taxes using assessed values determined by the tax assessor of Ouachita Parish.

For the year ended June 30, 1996, taxes of 5.38 mills were levied on property assessed valuation totaling \$ 1,516,104 and were dedicated to general corporate purpose.

Taxes levied amounted to \$ 8,157 for the year ended June 30, 1996. Uncollected taxes at June 30, 1996, of \$ 1,016 was record as a receivable.

**TOWN OF RICHWOOD
RICHWOOD, LOUISIANA**

Notes to the Financial Statements (continued)

4. CASH AND CASH EQUIVALENTS

At June 30, 1996, the Town of Richwood has cash and cash equivalents (book balances) totaling \$33,633, as follows:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Proprietary Fund</u>	<u>Total Book Balance</u>	<u>Bank Balance</u>
Demand Deposits, Non- Interest Bearing	\$ 22,132	\$ 7,877	\$ 3,624	\$ 33,633	\$ 36,113
Total Cash and Cash Equivalents	<u>\$ 22,132</u>	<u>\$ 7,877</u>	<u>\$ 3,624</u>	<u>\$ 33,633</u>	<u>\$ 36,113</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At June 30, 1996, the Town of Richwood has \$ 36,113 in deposits (collected bank balances). These deposits are secured from risk by \$ 36,113 of federal deposit insurance.

**TOWN OF RICHWOOD
RICHWOOD, LOUISIANA**

Notes to the Financial Statements (continued)

5. RECEIVABLES AND DUE FROM OTHER GOVERNMENT UNITS

The receivables of \$ 23,176 at June 30, 1996, and due from other government units of \$ 16,050 , are as follow:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Proprietary Fund</u>	<u>Total</u>
Taxes				
Sales and use	\$ 8,897	\$	\$	\$ 8,897
Other - Governmental	7,153	4,380		11,533
Accounts and Franchise	5,168		13,628	18,796
Total	<u>\$ 21,218</u>	<u>\$ 4,380</u>	<u>\$ 13,628</u>	<u>\$ 39,226</u>

6. PROPERTY AND EQUIPMENT

General Fund

A summary of the general fixed asset account group consist of the following:

	<u>Balance 6/30/95</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 6/30/96</u>
Land	\$ 5,000	\$	\$	\$ 5,000
Building	5,000			5,000
Equipment	50,700			50,700
Vehicle				
Total	<u>\$ 60,700</u>	<u>\$</u>	<u>\$</u>	<u>\$ 60,700</u>

**TOWN OF RICHWOOD
RICHWOOD, LOUISIANA**

Notes to the Financial Statements (continued)

6. PROPERTY AND EQUIPMENT (continued)

Proprietary Fund

A summary of the property and equipment in the Proprietary Fund at June 30, 1996 consists of the following:

	<u>Balance</u> <u>6/30/95</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>6/30/96</u>
Sewer Lines System	\$ 1,207,755			1,207,755
Total	<u>\$ 1,207,755</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,207,755</u>
Less Accumulated Depreciation	(362,326)	(30,194)	_____	(392,520)
Net Property and Equipment	<u>\$ 845,429</u>	<u>\$ (30,194)</u>	<u>\$ -0-</u>	<u>\$ 815,235</u>

This fund resulted from a prior period adjustment, as noted in Note 9.

7. PENSION AND RETIREMENT PLANS

The Town of Richwood does not participate in any pensions or retirement plans.

8. LEASES

Old Richwood High School Building was leased by the Ouachita Parish School Board to the Town of Richwood at a cost of (1) one cent per year for (99) ninety-nine years. This property is not reflected in General Fixed Assets Account Group.

**TOWN OF RICHWOOD
RICHWOOD, LOUISIANA**

Notes to the Financial Statements (continued)

9. PRIOR PERIOD ADJUSTMENTS

The General Fixed Asset Account Group has been restated resulting in a decrease of \$273,242 of the beginning fund balance. The adjustments were the result of recognizing a proprietary fund to operate the sewer lines.

Reported June 30, 1995 Fund Balance	\$ 333,942
Unrecorded Prior Year Payables	(273,242)
	<hr/>
Restated June 30, 1995 Fund Balance	\$ 60,700
	<hr/> <hr/>

The Proprietary Fund was restated at June 30, 1995 based on the transfer of assets valued at \$ 273,242 , from the General Fixed Asset Account Group, as noted above, and the addition of previously unrecorded costs.

Reported at June 30, 1995	-0-
Record value of unrecorded sewer line	1,207,755
Less accumulated depreciation	(362,326)
	<hr/>
Restated at June 30, 1995	845,429
	<hr/> <hr/>

10. INTERFUND ASSETS / LIABILITIES

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue	\$ 1,739
		<hr/>
		\$ 1,739
		<hr/> <hr/>

11. LITIGATION AND CLAIMS

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial

The Town of Richwood is not involved in any litigation at June 30, 1996.

**TOWN OF RICHWOOD
RICHWOOD, LOUISIANA**

Notes to the Financial Statements (continued)

12. OFF - TRACK BETTING PARLOR

On Saturday, January 19, 1991, the Town of Richwood's citizens voted to approve an ordinance to allow offtrack betting within the Town of Richwood. A tax of 2 percent of gross receipts will be levied against all such activities. The tax revenue will be divided equally between the Town of Richwood and the Ouachita Parish Police Jury. The mayor is currently negotiating with contractors to build an off - track betting parlor in the Town.

13. MAYOR AND BOARD MEMBERS PER DIEM AND SALARY

<u>NAME</u>	<u>AMOUNT</u>
Ed Harris	\$ 27,180
Lavern Hester	900
Steve Hunter	900
Ronald Morris	900
Leroy Patterson	900
Valerie Powell	900
<hr/>	
Total	\$ 31,680
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**TOWN OF RICHWOOD
RICHWOOD, LOUISIANA**

**SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 1996**

	<u>Summer Lunch Program</u>	<u>Small Cities Health & Safety Rehabilitation Program</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 7,877	\$ -0-	\$ 7,877
Accounts receivable		4,380	4,380
Due from other funds			
TOTAL ASSETS	<u>\$ 7,877</u>	<u>\$ 4,380</u>	<u>\$ 12,257</u>
LIABILITIES AND FUND EQUITY			
Liabilities:			
Cash overdraft	\$	\$	\$
Accounts payable	6,138	4,380	10,518
Due to Other Funds	1,739		1,739
Total Liabilities	<u>\$ 7,877</u>	<u>\$ 4,380</u>	<u>\$ 12,257</u>
Fund Equity - fund balances			
Unreserved - undesignated	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>7,877</u>	<u>4,380</u>	<u>12,257</u>

**TOWN OF RICHWOOD
RICHWOOD, LOUISIANA**

**SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
JUNE 30, 1996**

	<u>Summer Lunch Program</u>	<u>Small Cities Health & Safety Rehabilitation Program</u>	<u>Total</u>
REVENUES			
Intergovernmental revenues - Federal funds - Federal grants	\$ 26,572	\$ 21,049	\$ 47,621
Total Revenues	26,572	21,049	47,621
EXPENDITURES			
<i>Health and Welfare:</i>			
Administration		195	195
Salaries	10,022		10,022
Payroll Tax Expense	755		755
Rent	2,340		2,340
Bank Adjustment	3,366		3,366
Produce and Food	6,555		6,555
Janitorial and Cleaning	2,285		2,285
Rehabilitation		19,870	19,870
Supplies	346		346
Miscellaneous		984	984
Total Expenditure	25,669	21,049	46,718
EXCESS (deficiency) OF REVENUES OVER EXPENDITURES	903	-0-	903
OTHER FINANCING SOURCES (Uses)			
Transfers in (out)	(903)	-0-	(903)
Total other financing sources (uses)	-0-	-0-	-0-
EXCESS (deficiency) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES			
FUND BALANCES (deficit) AT BEGINNING OF YEAR	-0-	-0-	-0-
FUND BALANCES (deficit) AT END OF YEAR	-0-	-0-	-0-

WILLIAM D. EDWARDS

Certified Public Accountant
A Professional Accounting Corporation
Member: AICPA / Society of LCPA'S

Independent Auditors' Report on the Internal Control Structure Based on an Audit of General Purpose and Combining Financial Statements Performed in Accordance with Government Auditing Standards

The Mayor and Board of Alderman
Town of Richwood
Richwood, Louisiana

I was engaged to audit the financial statements of the Town of Richwood, Louisiana, as of and for the year ended June 30, 1996 in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. My report dated March 3, 1997 stated that, because I was unable to examine adequate supporting documents and records, the scope of my work was not sufficient to enable me to express, and I did not express, an opinion on the financial statements.

The management of the Town of Richwood, Louisiana is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose and combining financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing my report of the general purpose and combining financial statements of the Town of Richwood, Louisiana for the year ended June 30, 1996, I obtained an understanding of the internal control structure. With respect to the internal control structure, I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed control risk in order to determine my auditing procedures for the purpose of expressing our opinion on the general purpose and combining financial statements and not to provide an opinion on the internal control structure. Accordingly, I do not express such an opinion.

I noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgement, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose and combining financial statements.

My study of the authority's internal control structure disclosed a reportable condition in internal controls relating to segregation of duties. Due to its limited size, the entity does not have the personnel to adequately separate the internal accounting control duties. The segregation of duties is a decision that must be made by management on a cost - benefit basis. Management must determine if the costs of implementing an adequate internal control system will outweigh the benefits derived from such a system. This reportable condition is inherent in all small entities, and should not be construed as a failure in proper management. I concur with management's opinion that the costs incurred to implement an adequate internal control system would exceed the benefits derived from such a system.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors and irregularities in amounts that would be material in relation to the general purpose and combining 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. Material weaknesses are reported on the Schedule of Findings - All Reports

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. I believe the reportable conditions described in the Schedule of Findings - All Reports above are material weaknesses.

This report is intended for the information of the Mayor, Board of Aldermen and management of the Town of Richwood, Louisiana. However, this report is a matter of public record and its distribution is not limited.



March 3, 1997
Ruston, Louisiana

WILLIAM D. EDWARDS

Certified Public Accountant
A Professional Accounting Corporation
Member: AICPA / Society of LCPA'S

Independent Auditors' Report on Compliance Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Mayor and Board of Aldermen
Town of Richwood
Richwood, Louisiana

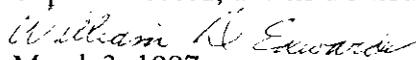
I was engaged to audit the financial statements of the Town of Richwood, Louisiana, as of and for the year ended June 30, 1996, in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. My report dated March 3, 1997 stated that, as described in the following paragraph, the scope of my work was not sufficient to enable me to express, and I did not express, an opinion on the financial statements.

I was unable to obtain sufficient documentation of the Town of Richwood, Louisiana's compliance with generally accepted accounting principles of all programs, nor was I able to satisfy myself by alternate procedures as to the Town of Richwood, Louisiana's compliance with those requirements of all programs.

Compliance with laws, regulations, contracts, and grants applicable to Town of Richwood, Louisiana is the responsibility of the towns management. As part of obtaining reasonable assurance about whether the general purpose and combining financial statements are free of material misstatement, I performed tests of the town's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of my audit of the general purpose and combining financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, I do not express such an opinion.

The results of my tests disclosed material instances of noncompliance that are required to be reported under *Government Auditing Standards*. These findings appear in the Schedule of Findings - All Reports.

This report is intended for the information of the Mayor, Board of Aldermen and management of the Town of Richwood, Louisiana and the Legislative Auditor's Office. However, this report is a matter of public record, and its distribution is not limited.


March 3, 1997
Ruston, Louisiana

**TOWN OF RICHWOOD, LOUISIANA
FEDERAL FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 1996**

WILLIAM D. EDWARDS

Certified Public Accountant
A Professional Accounting Corporation
Member: AICPA / Society of LCPA'S

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

To the Mayor and Board of
Aldermen
Town of Richwood
Richwood, Louisiana

I was engaged to audit financial statements of the Town of Richwood, Louisiana as of and for the year ended June 30, 1996 in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-128, *Audits of State and Local Governments* and have issued my report thereon dated March 3, 1997. These financial statements are the responsibility of the Town of Richwood, Louisiana's management.

The audit I was engaged to conduct was for the purpose of forming an opinion on the financial statements of the Town of Richwood, Louisiana, taken as a whole. The accompanying Schedule of Federal Financial Assistance is presented for purposes of additional analysis and is not a required part of the financial statements. For reasons stated in the third paragraph of my report, I do not express an opinion on the Schedule of Federal Financial Assistance.



March 3, 1997
Ruston, Louisiana

TOWN OF RICHWOOD, LOUISIANA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
June 30, 1996

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>EXPENDITURES</u>
U. S. Department of Housing and Urban Development		
Passed - through the State of Louisiana Division of Administration	14.239	\$ 21,049
U. S. Department of Education		
Passed - through Louisiana Department of Education - Summer Lunch program: Prior fiscal year ended June 30, 1995	10.555	18,072
Current fiscal year ended June 30, 1996	10.555	7,597
		<u>25,669</u>
 TOTAL FEDERAL PROGRAMS		 46,718 =====

WILLIAM D. EDWARDS

Certified Public Accountant
A Professional Accounting Corporation
Member: AICPA / Society of LCPA'S

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE GENERAL REQUIREMENTS APPLICABLE TO FEDERAL FINANCIAL ASSISTANCE PROGRAMS

To the Mayor and Board of Aldermen
Town of Richwood
Richwood, Louisiana

I was engaged to audit the financial statements of the Town of Richwood, Louisiana, as of and for the year ended June 30, 1996. My report dated March 3, 1997 stated that, as described in the fourth paragraph, the scope of my work was not sufficient to enable me to express, and I did not express, an opinion on the financial statements.

I have applied procedures to test the Town of Richwood, Louisiana's compliance with the following requirements applicable to its federal financial assistance programs, which are identified in the Schedule of Federal Financial Assistance, for the year ended June 30, 1997: political activity, civil rights, cash management, allowable costs/cost principles, Drug-free Workplace Act, or administrative requirements.

Except as described in the following paragraph, my procedures were limited to the applicable procedures described in the Office of Management and Budget's Compliance Supplement for Single Audits of State and Local Governments. My procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Town of Richwood, Louisiana's compliance with the requirements listed in the preceding paragraph. Accordingly, I do not express such an opinion.

I was unable to obtain sufficient documentation of the Town of Richwood, Louisiana's compliance with any compliance requirement of any programs, nor was I able to satisfy myself by alternative procedures as to the Town of Richwood, Louisiana's compliance with those requirements of any programs.

With respect to the items tested, the results of those procedures disclosed material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to

items not tested, nothing came to my attention that caused us to believe that Town of Richwood, Louisiana, had not complied, in all material respects, with those requirements. Material weaknesses are shown on the Schedule of Findings - All Funds.

This report is intended for the information of Mayor and Board of Aldermen, its cognizant audit agency, other agencies granting funds to the organization and the Legislative Auditor for the State of Louisiana. However, this report is a matter of public record.

William H. Edwards

Ruston, Louisiana

March 3, 1997

WILLIAM D. EDWARDS

Certified Public Accountant
A Professional Accounting Corporation
Member: AICPA / Society of LCPA'S

INDEPENDENT AUDITOR'S SINGLE AUDIT REPORT ON THE INTERNAL CONTROL STRUCTURE USED IN ADMINISTERING FEDERAL FINANCIAL ASSISTANCE PROGRAMS

To the Mayor and Board of Aldermen of
Town of Richwood, Louisiana

I was engaged to audit the general purpose financial statements of the Town of Richwood, Louisiana, as of and for the year ended June 30, 1996. My report dated March 3, 1997 stated that, as described in the fourth paragraph, the scope of my work was not sufficient to enable me to express, and I did not express, an opinion on the general purpose financial statements.

I conducted my audits in accordance with generally accepted auditing standards; *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement and whether Town of Richwood, Louisiana, complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program.

In planning and performing my audits for the year ended June 30, 1996, I considered the internal control structure of Town of Richwood, Louisiana, in order to determine my auditing procedures for the purpose of expressing my opinions on the general purpose financial statements of Town of Richwood, Louisiana, and on the compliance of Town of Richwood, Louisiana, with requirements applicable to major programs and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses my consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs.

The management of Town of Richwood, Louisiana, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles, and that federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, I have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

General Requirements

Political Activity
Civil Rights
Federal Financial Reports
Allowable costs/cost principles
Drug-free Workplace Act
Administrative requirements

Specific Requirements

Types of Services allowed or not allowed
Reporting
Claims for advances and reimbursements

For all of the internal control structure categories listed above, I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed control risk.

During the year ended June 30, 1996, Town of Richwood, Louisiana, had no major programs and expended 100% of its total federal financial assistance under nonmajor federal financial assistance programs.

I performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that I considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to Town of Richwood, Louisiana's nonmajor federal financial assistance program, which is identified in the accompanying Schedule of Federal and State Financial Assistance. My procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, I do not express such an opinion.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted certain matters involving the internal control structure and its operation that I consider to be material weaknesses as defined above. These matters are shown on the Schedule of Findings - All Funds.

This report is intended for the information of the Mayor and Board of Aldermen of Town of Richwood, Louisiana, its cognizant audit agency, other agencies granting funds to the organization and the Legislative Auditor for the State of Louisiana. However, this report is a matter of public record.


Ruston, Louisiana
March 3, 1997

WILLIAM D. EDWARDS

Certified Public Accountant
A Professional Accounting Corporation
Member: AICPA / Society of LCPA'S

SINGLE AUDIT REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO NONMAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS

The Mayor and Board of Alderman
Town of Richwood
Richwood, Louisiana

I was engaged to audit the general purpose financial statements of the Town of Richwood, Louisiana, as of and for the year ended June 30, 1996. My report dated March 3, 1997 stated that, as described in the fourth paragraph, the scope of my work was not sufficient to enable me to express, and I did not express, an opinion on the general purpose financial statements.

In connection with my procedures, to the extent they were performed, and with my consideration of the Town of Richwood, Louisiana's control structure used to administer federal financial assistance programs, as required by Office of Management and Budget Circular A -128, *Audits of State and Local Governments*, I selected certain transactions applicable to certain nonmajor federal financial assistance programs for the year ended June 30, 1996.

As required by O.G. circular A -128, and except as described in the following paragraph, I have performed auditing procedures to test compliance with the requirements governing types of services allowed or unallowed and eligibility that are applicable to those transactions. My procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Town of Richwood, Louisiana's compliance with these requirements. Accordingly, I do not express such an opinion.

I was unable to obtain sufficient documentation of the Town of Richwood, Louisiana's compliance with any requirements of any programs, nor was I able to satisfy myself by alternative procedures as to the Town of Richwood, Louisiana's compliance with those requirements of any programs.

With respect to the items tested, except for the effects of such noncompliance, if any, as might have been determined had I been able to examine sufficient evidence regarding the Town of Richwood, Louisiana's compliance with any requirements of any programs, as described in the preceding paragraph, the Town of Richwood, Louisiana complied, in all material respects, with the requirements listed in the third paragraph of this report. Because of the procedures not performed as described in the preceding paragraph, I am not able to provide any assurance with respect to items that were not tested by myself, that

the Town of Richwood, Louisiana complied with the provisions referred to in the third paragraph. The results of my procedures disclosed material instances of noncompliance with those requirements, which are described in the accompanying Schedule of Findings and Questioned Costs.

This report is intended for the information of the Mayor and Board of Aldermen of Town of Richwood, Louisiana, its cognizant audit agency, other agencies granting funds to the organization and the Legislative Auditor for the State of Louisiana. However, this report is a matter of public record.



Ruston, Louisiana
March 3, 1997

**TOWN OF RICHWOOD
SCHEDULE OF FINDINGS AND REPORTS
FOR THE YEAR ENDED JUNE 30, 1996**

Independent Auditor's Report on the Internal Control Structure Based on an Audit of General Purpose Financial Statements

FINDING I

There were several findings that indicate material weaknesses in internal control.

- a. The general ledger was out of balance and the Business Manager was unable to bring it into balance.
- b. The books were not posted, nor were the bank accounts reconciled until well after year end.
- c. The books were not closed at year end, therefore I was given one print out that included activity for six months after year end.
- d. Two separate bank accounts were being posted to one general ledger account.
- e. There was inconsistent treatment of revenue and disbursements, causing identical transactions to be posted to different accounts.
- f. Supporting documents were sometimes not found or not readily verifiable as to propriety.

Recommendation

That the Town install an adequate accounting system, manual or computerized, train the staff to post transactions, prepare reports, and control documentation for the statutory holding period.

Response

The Town acknowledges the findings. Our Business Manger has been replaced since the end of the audit period. Our plan is to install a computerized accounting system, train our staff on both the hardware and software, and prepare monthly financial statements. We are now reconciling the bank accounts monthly.

TOWN OF RICHWOOD
SCHEDULE OF FINDINGS - ALL REPORTS
FOR THE YEAR ENDED JUNE 30, 1996 (continued)

Independent Auditor's Report on Compliance Based on an Audit of General Purpose Financial Statements

FINDING 1

The Town does not maintain adequate fixed asset records. During the course of my examination, over \$ 800,000 , net of accumulated depreciation, was found not to be on the books. This is a repeat finding.

Recommendation

The Town should set up a system for controlling fixed assets, then perform a search for all assets owned by the Town and record all such assets on the books. Also the Town should ascertain that proper insurance should be carried for those assets.

Response

The Town agrees with the findings and recommendation.

FINDING 2

The Town paid over \$ 30,000 in back pay in early July of 1995. Over half of these back wages went to the mayor. There was not indication that being so far behind with payment of wages in compliance with any state law exception for prompt payment of wages.

Recommendation

Any time the Town cannot pay wages timely, it should seek legal counsel to ensure compliance with any prompt payment of wages.

Response

The Town agrees with the findings and will follow the recommendation.

**TOWN OF RICHWOOD
SCHEDULE OF FINDINGS - ALL REPORTS
FOR THE YEAR ENDED JUNE 30, 1996**

FINDING 3

The Town of Richwood, Louisiana did not submit its annual audit report until after the six month deadline established by Louisiana law. This was the result of not having the financial records complete and not retaining an auditor on a timely basis. This is a repeat finding.

Recommendation

The Town of Richwood, Louisiana should prepare timely financial statements and retain the auditor on a timely basis.

Response

We will retain our auditor by the end of the current year to insure timely preparation of all year end financial reports.

Independent Auditor's Report on the Town's Internal Control Structure Over Its Federal Financial Assistance Programs

Summer Food Program

FINDING 1

The Town did not supply the documents requested entirely, therefore I could not properly test internal controls. However from the documents presented I noted the following control weaknesses:

- a. The chart of accounts used in the general ledger was not consistent with the budget made part of the Grant contract.
- b. There were inconsistencies in the posting of identical transactions.
- c. Some individuals providing services were treated as employees, other were subcontractors.
- d. The bank account had not been reconciled regularly, and the ending balance in the general ledger, bank reconciliation and the check stubs differed by over \$ 2,900.
- e. Subsequent to the audit period, incorrect data from the Summer Food Program, resulted in underpayment of payroll taxes, which could result in penalties.

This is a repeat finding.

TOWN OF RICHWOOD
SCHEDULE OF FINDINGS - ALL REPORTS
FOR THE YEAR ENDED JUNE 30, 1996 (continued)

Recommendation

That the Town install an adequate accounting system, manual or computerized, train the staff to post transactions, prepare reports, and control documentation for the statutory holding period.

Response

The Town acknowledges the findings. Our Business Manager has been replaced since the end of the audit period. Our plan is to install a computerized accounting system, train our staff on both the hardware and software, and prepare monthly financial statements. We are no reconciling the bank accounts monthly.

Rehabilitation Program

FINDING 1

The chart of accounts used in the general ledger is not consistent with Line Item Budget made part of the contract. Further, for the same reasons noted in the Findings related to my Report on the Internal Control Structure based on an audit of general purpose and combining financial statements performed in accordance with Government Auditing Standards, the general ledger was out of

balance. There were also inconsistencies in posting identical transactions.

Recommendation

That the Town install an adequate accounting system, manual or computerized, train the staff to post transactions, prepare reports, and control documentation for the statutory holding period.

Response

The Town acknowledges the findings. Our Business Manager has been replaced since the end of the audit period. Our plan is to install a computerized accounting system, train our staff on both the hardware and software, and prepare monthly financial statements.