

**Town of Richwood  
Richwood, Louisiana**

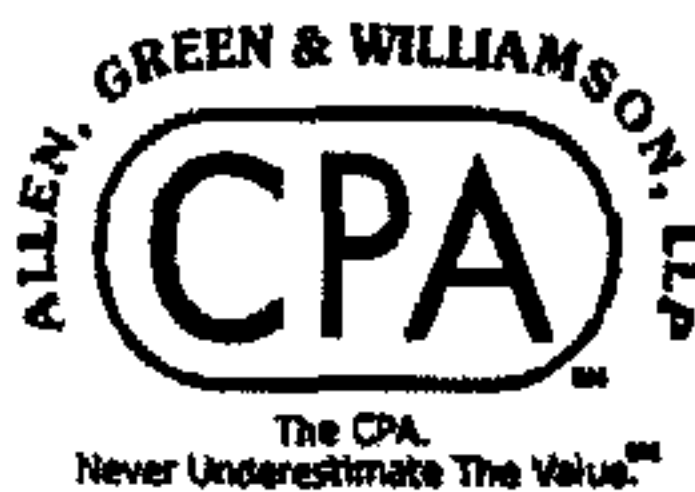
**General-Purpose Financial Statements  
As of and for the Year Ended June 30, 2003  
With Supplemental Information Schedules**

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 4.7.04

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Town of Richwood, as of and for the year ended June 30, 2003, as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Town as of June 30, 2003, and the results of its operations and its cash flows of its proprietary funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 19, 2004, on our consideration of the Town's internal control over financial reporting and on our 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 our audit.

Our audit was made for the purpose of forming an opinion on the general-purpose financial statements of the Town taken as a whole. The accompanying supplemental information, as listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the general-purpose financial statements of the Town. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general-purpose financial statements taken as a whole.

The information identified in the table of contents as other information is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the general-purpose financial statements, and, accordingly, no opinion is being expressed.

*Allen, Green & Williamson, LLP*

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana  
March 19, 2004

**TOWN OF RICHWOOD**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
**Combined Balance Sheet**  
**June 30, 2003**

	**GOVERNMENTAL FUNDS**		PROPRIETARY
	GENERAL	SPECIAL REVENUE	FUND - ENTERPRISE
<b>ASSETS AND OTHER DEBITS</b>			
Assets:			
Cash and cash equivalents	\$ 5,117	\$ 2,474	\$ 207
Receivables	48,577	8,365	20,078
Accrued receivables	0	0	15,343
Interfund receivables	21,359	18,383	8,151
Property, plant, and equipment	0	0	1,469,547
Accumulated depreciation	0	0	(610,622)
Other Debits:			
Amount to be provided for long-term debt	0	0	0
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<b>75,053</b>	<b>29,222</b>	<b>902,704</b>
<b>LIABILITIES AND FUND EQUITY</b>			
Liabilities:			
Accounts payable	150,767	31,477	526,152
Accrued liabilities	198,198	1,325	0
Interfund payables	26,535	21,358	0
Current portion of bond payable	0	0	30,124
Bond payable	0	0	226,349
Leases payable	197	0	0
<b>Total liabilities</b>	<b>375,697</b>	<b>54,160</b>	<b>782,625</b>
Fund Equity:			
Investment in general fixed assets	0	0	0
Contributed capital - grants	0	0	603,877
Retained earnings - unreserved	0	0	(483,798)
Fund Balance -			
Unreserved and undesignated	(300,644)	(24,938)	0
<b>Total Fund Equity</b>	<b>(300,644)</b>	<b>(24,938)</b>	<b>120,079</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 75,053</b>	<b>\$ 29,222</b>	<b>\$ 902,704</b>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

TOWN OF RICHWOOD

ALL FUND TYPES AND ACCOUNT GROUPS  
 Combined Balance Sheet  
 June 30, 2003

Statement A

<b>**ACCOUNT GROUPS**</b>			
<b>GENERAL</b>	<b>GENERAL</b>	<b>TOTAL</b>	
<b>FIXED ASSET</b>	<b>LONG-TERM</b>	<b>(MEMORANDUM</b>	
	<b>DEBT</b>	<b>ONLY)</b>	
\$ 0	\$ 0	\$ 7,798	
0	0	77,020	
0	0	15,343	
0	0	47,893	
295,007	0	1,764,554	
0	0	(610,622)	
<u>0</u>	<u>31,900</u>	<u>31,900</u>	
<u>295,007</u>	<u>31,900</u>	<u>1,333,886</u>	
0	0	708,396	
0	0	199,523	
0	0	47,893	
0	0	30,124	
0	0	226,349	
<u>0</u>	<u>31,900</u>	<u>32,097</u>	
<u>0</u>	<u>31,900</u>	<u>1,244,382</u>	
295,007	0	295,007	
0	0	603,877	
0	0	(483,798)	
<u>0</u>	<u>0</u>	<u>(325,582)</u>	
<u>295,007</u>	<u>0</u>	<u>89,504</u>	
<u>\$ 295,007</u>	<u>\$ 31,900</u>	<u>\$ 1,333,886</u>	

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

TOWN OF RICHWOOD

ALL GOVERNMENTAL FUNDS  
 Combined Statement of Revenues, Expenditures,  
 and Changes in Fund Balances  
 For the Year Ended June 30, 2003

Statement B

	GENERAL	SPECIAL REVENUE	TOTAL (MEMORANDUM ONLY)
<b>REVENUES</b>			
Local sources:			
Taxes	\$ 225,212	\$ 0	\$ 225,212
Fees and other nontax revenues	127,904	0	127,904
State Grants	35,454	0	35,454
Federal Grants	0	61,264	61,264
State contracts	0	5,099	5,099
Other	165,721	0	165,721
<b>Total revenues</b>	<b>554,291</b>	<b>66,363</b>	<b>620,654</b>
<b>EXPENDITURES</b>			
Current:			
General government	375,066	7,170	382,236
Public safety	269,796	0	269,796
Health and welfare	0	55,669	55,669
Capital outlay	65,472	3,366	68,838
<b>Total expenditures</b>	<b>710,334</b>	<b>66,205</b>	<b>776,539</b>
<b>EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES</b>	<b>(156,043)</b>	<b>158</b>	<b>(155,885)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	158,065	2,140	160,205
Operating transfers out	0	(5,586)	(5,586)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>158,065</b>	<b>(3,446)</b>	<b>154,619</b>
<b>EXCESS (Deficiency) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<b>2,022</b>	<b>(3,288)</b>	<b>(1,266)</b>
<b>FUND BALANCES - BEGINNING, AS ORIGINALLY STATED</b>	<b>(363,561)</b>	<b>(27,781)</b>	<b>(391,342)</b>
<b>PRIOR PERIOD ADJUSTMENT</b>	<b>60,895</b>	<b>6,131</b>	<b>67,026</b>
<b>FUND BALANCES - BEGINNING, AS RESTATED</b>	<b>(302,666)</b>	<b>(21,650)</b>	<b>(324,316)</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ (300,644)</b>	<b>\$ (24,938)</b>	<b>\$ (325,582)</b>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

TOWN OF RICHWOOD

GENERAL FUND  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances - Budget and Actual (GAAP Basis)  
For the Year Ended June 30, 2003

Statement C

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>REVENUES</b>			
Local sources:			
Utilities	\$ 102,000	\$ 43,447	\$ (58,553)
Occupational license & fees	55,000	33,303	(21,697)
Sales tax	300,000	155,773	(144,227)
Franchise fees	50,000	17,713	(32,287)
Tobacco tax and beer tax	10,000	8,180	(1,820)
Property tax	50,000	43,546	(6,454)
Garbage	55,000	51,154	(3,846)
Court system	125,000	76,572	(48,428)
State Grants	25,000	35,454	10,454
Public works	25,000	0	(25,000)
Other	20,000	89,149	69,149
<b>Total revenues</b>	<b>817,000</b>	<b>554,291</b>	<b>(262,709)</b>
<b>EXPENDITURES</b>			
Current:			
General government	479,900	375,066	104,834
Public safety	305,000	269,796	35,204
Capital outlay	0	65,472	(65,472)
<b>Total expenditures</b>	<b>784,900</b>	<b>710,334</b>	<b>74,566</b>
<b>EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES</b>	<b>32,100</b>	<b>(156,043)</b>	<b>(188,143)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	100,000	158,065	58,065
<b>EXCESS (Deficiency) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<b>132,100</b>	<b>2,022</b>	<b>(130,078)</b>
<b>FUND BALANCES - BEGINNING, AS ORIGINALLY STATED</b>	<b>(363,561)</b>	<b>(363,561)</b>	<b>0</b>
<b>PRIOR PERIOD ADJUSTMENT</b>	<b>0</b>	<b>60,895</b>	<b>60,895</b>
<b>FUND BALANCES - BEGINNING, AS RESTATED</b>	<b>(363,561)</b>	<b>(302,666)</b>	<b>60,895</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ (231,461)</b>	<b>\$ (300,644)</b>	<b>\$ (69,183)</b>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**TOWN OF RICHWOOD**

**PROPRIETARY FUND - SEWER ENTERPRISE FUND  
Statement of Revenues, Expenditures,  
and Changes in Retained Earnings  
For the Year Ended June 30, 2003**

**Statement D**

<b>OPERATING REVENUES</b>	
Taxes	\$ 2,601
Fees	186,717
Miscellaneous	<u>518</u>
<b>TOTAL OPERATING REVENUES</b>	<u>189,836</u>
<b>OPERATING EXPENSES</b>	
Purchase of services	109,695
Depreciation	<u>36,739</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>146,434</u>
Income (loss) before non-operating income (expenses)	43,402
<b>NON-OPERATING INCOME (EXPENSES)</b>	
Interest expense	(16,449)
Operating transfers out	<u>(154,619)</u>
<b>TOTAL NON-OPERATING INCOME (EXPENSES)</b>	<u>(171,068)</u>
<b>NET INCOME</b>	<u>(127,666)</u>
<b>RETAINED EARNINGS - BEGINNING, AS PREVIOUSLY REPORTED</b>	(960,009)
Prior period adjustment	<u>573,683</u>
<b>RETAINED EARNINGS - BEGINNING, AS RESTATED</b>	(386,326)
Depreciation on contributed capital assets	<u>30,194</u>
<b>RETAINED EARNINGS - ENDING</b>	<u>(483,798)</u>
<b>CONTRIBUTED CAPITAL, BEGINNING AS PREVIOUSLY REPORTED</b>	1,207,754
Prior period adjustment	<u>(573,683)</u>
<b>CONTRIBUTED CAPITAL, BEGINNING AS RESTATED</b>	634,071
Depreciation on contributed capital assets	<u>(30,194)</u>
<b>CONTRIBUTED CAPITAL, ENDING</b>	<u>603,877</u>
<b>TOTAL EQUITY</b>	<u>\$ 120,079</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.



TOWN OF RICHWOOD

PROPRIETARY FUND - SEWER ENTERPRISE FUND  
Statement of Cash Flows  
For the Year Ended June 30, 2003

Statement E

CASH FLOWS FROM OPERATING ACTIVITIES

Operating Income	\$ 43,402
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	36,739
(Increase) decrease in accounts receivable	(6,906)
(Increase) decrease in accrued receivable	(6,319)
(Increase) decrease in interfund receivable	5,071
Increase (decrease) in accounts payable	<u>106,933</u>
Net cash provided (used) for operating activities	<u>135,518</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Interest payments	(16,449)
Principal payments	(13,475)
Increase in construction in progress	<u>0</u>
Net cash provided (used) for financing activities	<u>(29,924)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Operating transfers in	0
Operating transfers out	<u>(154,619)</u>
Net cash provided (used) by investing activities	<u>(154,619)</u>

Net increase (decrease) in cash and cash equivalents (5,623)

CASH AND CASH EQUIVALENTS - BEGINNING 5,830

CASH AND CASH EQUIVALENTS - ENDING \$ 207

SUMMARY

Expenditures for interest - cash basis \$ 16,449

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**Town of Richwood**  
**Notes to the General-Purpose Financial Statements**

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**Town of Richwood**  
**Notes to the General-Purpose Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** The accompanying financial statements of the Town of Richwood have been prepared in conformity with accounting principles generally accepted in the United States of America (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.

**A. REPORTING ENTITY** 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 operates 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.

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 financially accountable, and (c) other organizations for which the 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 includes:

1. Appointing a voting majority of an organization's governing body, and
  - a. The ability of the municipality to impose its will on that organization and/or
  - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Town.
2. Organizations for which the Town does not appoint a voting majority but are fiscally dependent on the Town.
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's reporting entity because they have separately elected governing bodies, are legally separate, and are fiscally independent of the Town of Richwood.

**B. FUND ACCOUNTING** The Town uses funds and account groups 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 available financial resources.

The funds used by the Town of Richwood are grouped into two broad fund types and three generic funds as follows:

**Governmental Funds** -- are used to account for the programs and activities of the governmental functions of the Town.

**Town of Richwood**  
**Notes to the General-Purpose Financial Statements**

**General fund** – serves as the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

**Special revenue funds** – are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

**Proprietary fund** – are used to account for ongoing organizations and activities that are similar to those found in the private sector.

**Enterprise funds** – are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including amortization and depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**Account groups** – In addition to the three generic funds described above, the Town uses account groups to establish accounting control and accountability for the Town's general fixed assets, as described below:

**General fixed asset account group** – is used to account for all fixed assets of the Town other than those accounted for in proprietary funds.

**General long-term debt account group** – is used to account for general long-term debt.

### **C. BASIS OF ACCOUNTING**

**Revenues** are recognized when they become measurable and available as net current assets. Taxpayer-assessed income, gross receipts, and sales taxes are considered "measurable" when in the hands of collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

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.

Sales taxes 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, 2003, 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** 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 Source (Use)** Transfers between funds that are not expected to be repaid are accounted for as other financing sources (uses).

All proprietary funds are accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The proprietary funds used the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized at the time liabilities are incurred.

**Town of Richwood**  
**Notes to the General-Purpose Financial Statements**

**D. BUDGETS** The Town adopted a budget for the fiscal year ended June 30, 2003 for the general fund. The Town follows the following procedures in establishing the budgetary data reflected in the financial statements. During the June meeting, the Town Clerk submits to the Board of Aldermen a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. During the June meeting, the budget is legally enacted through passage of an ordinance. The public is invited to attend all meetings. The Town Clerk is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures or expenses of any fund must be approved by the Board of Aldermen. Appropriations lapse at the end of the year. There were no amendments to the original budget.

Special revenue funds were not budgeted for the year ended June 30, 2003.

**E. ENCUMBRANCES** 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.

**F. CASH AND CASH EQUIVALENTS** Cash includes amounts in demand deposits, interest-bearing demand deposits, and time deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Town may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States of America, or under the laws of the United States of America.

Under state law, the Town may invest in United States of America bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days, however, if the original maturities are 90 days or less, they are classified as cash equivalents.

**G. INTERFUND RECEIVABLES/PAYABLES** During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as due from other funds or due to other funds on the balance sheet. Short-term interfund loans are classified as interfund receivables/payables.

**H. FIXED ASSETS** Fixed assets of governmental funds are recorded 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. Interest costs incurred during construction are capitalized. No depreciation has been provided on general fixed assets. All fixed assets are valued at historical costs or estimated costs if historical cost is not available.

Fixed assets used in the proprietary fund operations are included on the balance sheet. Depreciation of all exhaustible fixed assets used by the proprietary funds is charged as an expense against operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided for the sewer system over the estimated useful life of 40 years using the straight-line method.

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

**J. COMPENSATED ABSENCES** Accumulated vacation, sick pay, and other employee benefits and pensions are not material and are therefore not accrued.

**K. FUND EQUITY**

Contributed Capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers, or other funds when such resources are restricted for the acquisition or construction of capital assets. Contributed capital is not amortized based on the depreciation recognized on that portion of the assets acquired or constructed from such resources.



**Town of Richwood**  
**Notes to the General-Purpose Financial Statements**

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

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

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

**M. 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.

**NOTE 2 - FUND DEFICITS** The following individual funds have deficits in unreserved fund balance or retained earnings, at June 30, 2003:

General fund - fund balance	\$300,644
Special Revenue	
Summer food fund - fund balance	23,642
Maintenance fund - fund balance	3,180
LCDBG fund - fund balance	4,545
Sewer enterprise fund - retained earnings	<u>483,798</u>
Total	<u>\$815,809</u>

For the general fund the Town is implementing a plan to increase revenues and decrease costs. The Town is reorganizing staff to aggressively go after untapped revenues. The opening of the new Richwood High School, annexation of the Southside Plaza, construction of the Family Dollar Store, and two new sets of apartments will also provide new revenues. For the summer food and maintenance funds, the general fund will provide balances to eliminate the deficits. The deficit in the sewer fund was created because of depreciation. Once the assets are fully depreciated, then the deficit will be eliminated.

**NOTE 3 - LEVIED TAXES** The Town considers ad valorem taxes receivable at December 31 and recognizes income in the year of assessment. For the year ended June 30, 2003, total taxes originally levied were \$49,003. The entire amount was dedicated for general purposes. Assessed values are established by the Ouachita Parish Tax Assessor each year.

Property Tax Calendar

Lien date	No set date
Levy date	October 31, 2002
Due date	December 31, 2002
Collection dates	November 1 through June 30

**Town of Richwood**  
**Notes to the General-Purpose Financial Statements**

The following is a summary of authorized and levied ad valorem taxes for the year:

	<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Expiration Date</u>
General	5.81	5.81	2003
Maintenance, police and recreation	10.15	10.15	2003

**NOTE 4 - CASH AND CASH EQUIVALENTS** At June 30, 2003, the Town had cash and cash equivalents (book balances) totaling \$7,798.

Demand deposits	<u>\$7,798</u>
-----------------	----------------

These deposits are stated at cost, which approximates market. Under state law, these deposits (or 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, 2003, the Town had \$19,408 in deposits (collected bank balances). These deposits are secured from risk by federal deposit insurance 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 No. 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten days of being notified that the fiscal agent has failed to pay deposit funds upon demand. Pledged securities at June 30, 2003 totaled \$98,976.

**NOTE 5 - RECEIVABLES** The following is a summary of receivables for June 30, 2003:

	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>	<u>Total</u>
Accounts and accrued receivables:				
Sales tax	\$25,833	\$ 0	\$ 0	\$25,833
User fees	5,000	0	20,078	25,078
Franchise fees	4,556	0	0	4,556
Ad valorem	4,786	0	0	4,786
Due from other governmental units:				
Grant receivable	0	8,365	0	8,365
Other	8,402	0	0	8,402
Total	<u>\$48,577</u>	<u>\$8,365</u>	<u>\$20,078</u>	<u>\$77,020</u>

**NOTE 6 - FIXED ASSETS** A summary of the changes in fixed assets is shown below:

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Ending</u>
Governmental activities				
Land	\$ 5,000	\$ 0	\$ 0	\$ 5,000
Exhaustible capital assets				
Buildings	5,000			5,000
Furniture and equipment	161,593	17,435		179,028
Vehicle	58,506	51,403	3,930	105,979
Total	<u>\$230,099</u>	<u>\$68,838</u>	<u>\$3,930</u>	<u>\$295,007</u>

**Town of Richwood**  
**Notes to the General-Purpose Financial Statements**

A summary of proprietary property, plant, and equipment follows:

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Ending</u>
Sewer lines system	\$1,207,754	\$261,793	\$ 0	\$1,469,547
Construction in progress	261,793	0	261,793	0
Less accumulated depreciation	<u>573,883</u>	<u>36,739</u>	<u>0</u>	<u>610,622</u>
Property and equipment, net	<u>\$ 896,064</u>	<u>\$225,054</u>	<u>\$261,793</u>	<u>\$ 858,925</u>

**NOTE 7 - 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.

The Town records items under capital leases as assets and obligations in the accompanying financial statements. The following is an analysis of capital leases at June 30, 2003:

<u>Type</u>	<u>August 23, 2000</u>	<u>January 16, 2001</u>	<u>June 18, 2001</u>	<u>Recorded Amount</u>
Two tractors and mowers	\$59,995	\$ 0	\$ 0	\$59,995
Three Gateway computers	0	3,891	0	3,891
2001 Ford Crown Victoria	<u>0</u>	<u>0</u>	<u>23,477</u>	<u>23,477</u>
Total	<u>\$59,995</u>	<u>\$3,891</u>	<u>\$23,477</u>	<u>\$87,363</u>

The following is a schedule of minimum lease payments under capital leases and the present value of the net minimum lease payments as of June 30, 2003:

For the year ended June 30,	
2004	\$14,490
2005	8,328
2006	6,191
2007	<u>3,088</u>
Total	<u>\$32,097</u>

**NOTE 8 - INTERFUND ASSETS/LIABILITIES** A summary due from/to other funds follows:

	<u>Due From</u>	<u>Due To</u>
General fund	\$21,359	\$26,535
Special Revenue		
Share Grant fund	10,000	0
Summer Food fund	7,883	18,359
LCDBG fund	500	2,999
Sewer Enterprise fund	<u>8,151</u>	<u>0</u>
Total	<u>\$47,893</u>	<u>\$47,893</u>



**Town of Richwood**  
**Notes to the General-Purpose Financial Statements**

A summary of operating transfers follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$158,065	\$ 0
Special Revenue		
Maintenance fund	821	0
LCDBG	1,319	5,586
Sewer enterprise fund	<u>0</u>	<u>154,619</u>
Total	<u>\$160,205</u>	<u>\$160,205</u>

**NOTE 9 - BOND PAYABLE** Bond payable at June 30, 2003, consisted of one revenue bond payable to Bank One. The bond was issued on July 19, 2000, in the principal amount of \$290,000. The interest rate is 6.4% fixed for the entire 15-year term. The purpose of the issue is to acquire and construct extensions and improvements to the water and sewer system in the Town of Richwood. The bonds are secured by and payable from a pledge and dedication of the Town's utility system net revenues as well as minimum monthly utility payments in the amount of \$4,000 made by the Richwood Correctional Center, LLC, and a reserve fund containing one year of debt service funded at losing. The change in bonds payable is as follows:

Bonds Payable, beginning	\$269,948
Principal reduction	<u>13,475</u>
Bonds Payable, ending	\$256,473

The annual requirements to amortize all bonds outstanding at June 30, 2003 are as follows:

For the year ended June 30,	Principal	Interest	Total
2004	\$ 14,119	\$ 16,005	\$ 30,124
2005	15,069	15,055	30,124
2006	16,041	14,083	30,124
2007	17,098	13,026	30,124
2008	18,225	11,899	30,124
2009-2013	110,830	39,790	150,620
2014-2015	<u>65,091</u>	<u>11,669</u>	<u>76,760</u>
Total	<u>\$256,473</u>	<u>\$121,527</u>	<u>\$378,000</u>

**NOTE 10 - 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 involved in litigation at June 30, 2003. It is the opinion of the attorney that there will be no liability for the Town of Richwood.

As a result of a newspaper article reporting alleged instances of improper signatures on contract documents, the Ouachita Parish Sheriff Department has opened an investigation.

Internal Revenue Service filed a lien on the Town in the amount of \$151,197 on November 20, 2001.

**NOTE 11 - PRIOR PERIOD ADJUSTMENTS** Prior period adjustments were made in the General Fund for \$25,126 to remove a lease liability that was recorded twice, for \$25,769 to move leases payable from the General Fund to the General Long Term Debt Account Group and for \$10,000 to add back a vehicle that was incorrectly deleted in the prior year. A prior period adjustment was made in the Special Revenue Fund for \$6,131 to move the lease payable to the General Long Term Debt Account Group. Also, the contributed capital equity account was reduced for the amount of accumulated depreciation in prior years for capital assets purchased from contributed capital.

**Town of Richwood**

**SUPPLEMENTAL INFORMATION**

**Town of Richwood  
Special Revenue Funds**

**Share Grant** - The Share Grant program accounts for funds received through the Louisiana Housing Finance Agency which provides aid to low income families to bring residents houses up to housing quality standard (HQS).

**Summer Food** - The Summer Food program accounts for the operations of providing breakfast and lunch to lower income children during the summer months. Financing is provided by a federal grant.

**Maintenance** - The Maintenance Fund accounts for repairs and maintenance of tractors, police cars and equipment.

**LCDBG** - The LCDBG Fund is designed to assist and improve housing conditions for citizens of Richwood who would otherwise be financially unable to secure their own sources of funding to remodel or build a new house. The program also assists in the effort of the Town of Richwood to stabilize and revitalize the area. Financing is provided by a grant from the United States Department of Housing and Urban Development through the Louisiana Division of Administration.

**TOWN OF RICHWOOD**  
**SPECIAL REVENUE FUNDS**  
**Combining Balance Sheet**  
**June 30, 2003**

Schedule 1

	SHARE GRANT	SUMMER FOOD	MAINTENANCE	LCDBG	TOTALS
<b>ASSETS AND OTHER DEBITS</b>					
<b>Assets:</b>					
Cash and cash equivalents	\$ 555	\$ 15	\$ 700	\$ 1,204	\$ 2,474
Receivables	0	8,365	0	0	8,365
Interfund receivables	10,000	7,883	0	500	18,383
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<b>10,555</b>	<b>16,263</b>	<b>700</b>	<b>1,704</b>	<b>29,222</b>
<b>LIABILITIES AND FUND EQUITY</b>					
<b>Liabilities:</b>					
Accounts payable	4,126	21,546	2,555	3,250	31,477
Accrued liabilities	0	0	1,325	0	1,325
Interfund payables	0	18,359	0	2,999	21,358
<b>Total liabilities</b>	<b>4,126</b>	<b>39,905</b>	<b>3,880</b>	<b>6,249</b>	<b>54,160</b>
<b>Fund Equity:</b>					
Fund Balance -					
Unreserved and undesignated	6,429	(23,642)	(3,180)	(4,545)	(24,938)
<b>Total Fund Equity</b>	<b>6,429</b>	<b>(23,642)</b>	<b>(3,180)</b>	<b>(4,545)</b>	<b>(24,938)</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 10,555</b>	<b>\$ 16,263</b>	<b>\$ 700</b>	<b>\$ 1,704</b>	<b>\$ 29,222</b>

**TOWN OF RICHWOOD**  
**SPECIAL REVENUE FUNDS**  
**Combining Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances**  
**For the Year Ended June 30, 2003**

Schedule 2

	SHARE GRANT	SUMMER FOOD	MAINTENANCE	LCDBG	TOTALS
<b>REVENUES</b>					
<b>Local sources:</b>					
Federal grants	\$ 0	\$ 57,026	\$ 0	\$ 4,238	\$ 61,264
State contracts	0	0	5,099	0	5,099
<b>Total revenues</b>	<b>0</b>	<b>57,026</b>	<b>5,099</b>	<b>4,238</b>	<b>66,363</b>
<b>EXPENDITURES</b>					
General government	0	0	7,170	0	7,170
Health and welfare	130	55,539	0	0	55,669
Capital outlay	0	0	0	3,366	3,366
<b>Total expenditures</b>	<b>130</b>	<b>55,539</b>	<b>7,170</b>	<b>3,366</b>	<b>66,205</b>
<b>EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES</b>	<b>130</b>	<b>1,487</b>	<b>(2,071)</b>	<b>872</b>	<b>(158)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in	0	0	821	1,319	2,140
Operating transfers out	0	0	0	(5,586)	(5,586)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>0</b>	<b>0</b>	<b>821</b>	<b>(4,267)</b>	<b>(3,446)</b>
<b>EXCESS (Deficiency) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<b>130</b>	<b>1,487</b>	<b>(1,250)</b>	<b>(3,395)</b>	<b>(3,288)</b>
<b>FUND BALANCES (Deficit)</b>					
- BEGINNING, AS ORIGINALLY STATED	6,559	(25,129)	(8,061)	(1,150)	(27,781)
PRIOR PERIOD ADJUSTMENT	0	0	6,131	0	6,131
<b>FUND BALANCES (Deficit) - BEGINNING, AS RESTATED</b>	<b>6,559</b>	<b>(25,129)</b>	<b>(1,930)</b>	<b>(1,150)</b>	<b>(21,650)</b>
<b>FUND BALANCES (Deficit) - ENDING</b>	<b>\$ 6,429</b>	<b>\$ (23,642)</b>	<b>\$ (3,180)</b>	<b>\$ (4,545)</b>	<b>\$ (24,938)</b>

**Town of Richwood  
Compensation Paid Council Members  
For the Year Ended June 30, 2003**

**Schedule 3**

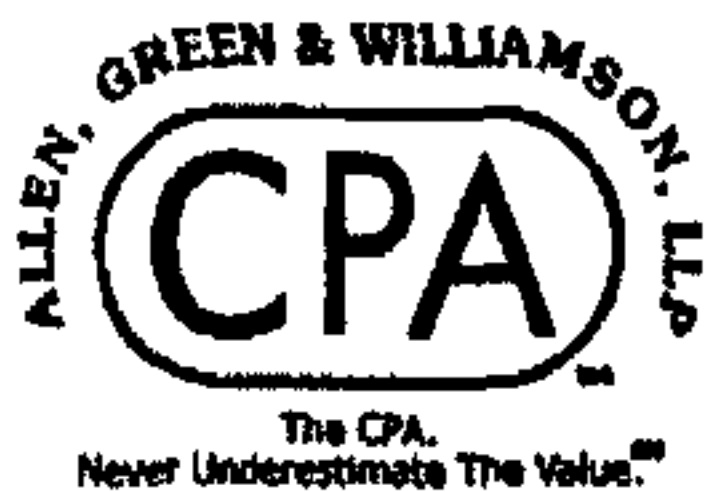
The schedule of compensation paid to board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature.

Mayor Ed Harris	\$ 34,000
Simeon Profit	3,150
Leo Kelly	2,836
Alvin Jackson	2,800
Steve B. Hunter	3,400
Lavern Hester	<u>2,850</u>
Total	<u>\$49,036</u>

**Town of Richwood**

**OTHER REPORT REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

The report following this page is a report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with Government Auditing Standards, issued by the Comptroller General of the United States of America. The section of the report on compliance is based solely on the audit of the general-purpose financial statements and presents, where applicable, compliance matters that would be material to the general-purpose financial statements. The section of the report on internal control over financial reporting is, likewise, based solely on the audit of the general-purpose financial statements and includes, where appropriate, any reportable conditions and/or material weaknesses.



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(Retired)

1963 - 2000

## **Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards**

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

We have audited the general-purpose financial statements of Town of Richwood, (the Town) as of and for the year ended June 30, 2003, and have issued our report thereon dated March 19, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America.

### Compliance

As part of obtaining reasonable assurance about whether the Town's general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying Schedule of Findings and Questioned Costs as items 03-F2 and 03-F3.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on internal control over financial reporting. However, we noted a matter involving internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over financial reporting that, in our judgement, could adversely affect the Town's ability to record, process, summarize and report financial data consistent with the assertions of management in the general-purpose financial statements. The reportable condition is described in the accompanying Schedule of Finding and Questioned Costs as item 03-F1.

A material weakness is a condition in which the design or operation of one or more of internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be reportable conditions. However, we believe the reportable condition noted above is not a material weakness.



This report is intended solely for the information and use of the Town, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of these reports may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Allen, Green & Williamson, LLP*

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana  
March 19, 2004

**Town of Richwood  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2003**

**PART I - Summary of the Auditors' Results**

**Financial Statement Audit**

- i. The type of audit report issued was unqualified.
- ii. There were reportable conditions required to be disclosed by Government Auditing Standards, issued by the Comptroller General of the United States of America.
- iii. There were instances of noncompliance considered in material, as defined by the Government Auditing Standards, to the financial statement.

**Town of Richwood  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2003**

**PART II - Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards generally accepted in the United States of America:**

**03-F1 Undocumented Vendor Expenses**

**Entity-wide or program/department specific:** This finding is entity-wide.

**Criteria or specific requirement:** Expenses should be documented with original invoices or other documentation to provide support for the expenses. Effective internal control should provide for documentation of approval of the invoice for payment.

**Condition found:** The following was noted from a test of 34 vendor disbursements:

One check had only one signature when two are required.  
Approval for payment was not documented on three invoices.  
Original invoices were not provided for three disbursements.  
Twelve invoices were not paid timely.

**Possible asserted effect (cause and effect):**

**Cause:** Unknown

**Effect:** Some payments are being made without approval and proper documentation.

**Recommendations to prevent future occurrences:** Invoices should reflect approval for payments. All checks should have two signatures and all invoices should be paid timely. Original documentation should be obtained and kept on file for all disbursements.

**03-F2 Louisiana Local Government Budget Act**

**Entity-wide or program/department specific:** This finding is entity-wide.

**Criteria or specific requirement:** LSA-R.S.39:1306 requires a political subdivision with total proposed expenditures of two hundred fifty thousand dollars or more from the general fund to afford the public an opportunity to participate in the budgetary process prior to adoption of the budget. The political subdivision is to publish a notice in the official journal stating that the proposed budget is available for inspection along with the date, time and place of the public hearing. The notice must be published at least ten days prior to the date of the first public hearing.

LSA-R.S.39:1311 requires the chief executive or administrative officer to advise the governing authority or independently elected official in writing when total expenditures and other uses for the remainder of the year, within a fund, are exceeding the total budgeted expenditures and other uses by five percent or more and, when total revenue and other sources for the remainder of the year, within a fund, are failing to meet total budgeted revenues and other sources by five percent or more.

**Condition found:** The Town published the notice of public hearing only eight days prior to the meeting. The Town's budgeted revenues exceeded actual revenues by more than five percent in the general fund and sewer enterprise fund. The Town did not adopt a budget for any special revenue funds.

**Proper perspective for judging the prevalence and consequences:** The Town published the public notice in the official journal the week prior to the meeting. The official journal is published only once a week.

**Possible asserted effect (cause and effect):**

**Cause:** The official journal is printed weekly.

**Town of Richwood  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2003**

**PART II - Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards generally accepted in the United States of America:**

**Effect:** The Town is not in compliance with LSA-R.S.39:1306. The Town is in violation of LSA-R.S.39:1311.

**Recommendations to prevent future occurrences:** The Town should take steps to ensure it is in compliance with state laws affecting budgeting. The Town should monitor revenues and amend budgets as needed. The Town should adopt a budget for special revenue funds.

**03-F3 Independent Contractor Versus Employee**

**Entity-wide or program/department specific:** This finding is specific to payroll.

**Criteria or specific requirement:** All payments to employees should be processed through the payroll process.

**Condition found:** Summer food service workers were paid as contract laborers, rather than as employees, which is not in compliance with the Internal Revenue Code concerning employee status.

**Possible asserted effect (cause and effect):**

**Cause:** The Town was not aware that employees of Summer Lunch should be employees of the Town and not contract laborers.

**Effect:** Summer food service workers were paid as contract laborers.

**Recommendations to prevent future occurrences:** The Town should process all payments to employees through the payroll process.

**Town of Richwood  
Summary Schedule of Prior-Audit Findings  
June 30, 2003**

**02-F1 Payroll Taxes**

**Condition found:** Payroll tax reports were prepared and filed for the general fund but not for the maintenance fund. Some payments have been made with these reports since January 2002. However, the balance now due is approximately \$207,064 for federal taxes and \$16,128 for state taxes, including penalties and interest. The maintenance fund included \$3,928 and \$300 in wages and payroll taxes, respectively.

**Recommendation:** There is no explanation since the Town has entered into an installment agreement. As per the agreement, the first payment of \$500 is due on December 27, 2002. Future payments of \$3,600 are due on the 28<sup>th</sup> of each following month until the amount is paid in full.

**Corrective action taken:** The Town made the first payment of \$500 and the \$3,600 payments every month in accordance with the installment agreement.

**02-F2 Fixed Asset Listing**

**Condition found:** The Town provided a listing of assets. However, this list does not meet the criteria for a fixed asset control system and could not be tested. According to LRS 24:513(A), the Town should maintain records of all assets which were purchased or otherwise acquired, and for which the Town is accountable. The records shall include information as to the date of purchase, initial cost, the disposition, if any, the purpose of such disposition, and the recipient of the assets disposed of.

**Recommendation:** It was recommended that the Town conduct a physical inventory and set up subsidiary records to comply with generally accepted accounting principles.

**Corrective action taken:** The Town substantially completed the above recommendation.

**02-F3 Five Percent Budget Variances**

**Condition found:** The Town's budgeted revenues exceeded actual revenues by more than 5% and actual expenditures exceeded budgeted expenditures by more than 5% in the general fund. In addition, the Town adopted the general fund budget after the fiscal year began and did not adopt a budget for any special revenue funds.

**Recommendation:** It was recommended the Town adopt the budgets according to state law. The Town should monitor budget and actual figures and amend as necessary.

**Corrective action taken:** See current year finding 03-F2.

**02-F4 Preparation of Financial Statements**

**Condition found:** The Town could not provide copies of financial statements monthly nor were they mentioned in the minutes. Municipalities are required to prepare monthly financial statements and present them to the governing body, according to LRS 33:425. In addition, some bank statements were not reconciled to the book balances during the year. Reconciling the bank balances with the book balances is necessary to ensure (1) all receipts and disbursements are recorded by the entity; (2) checks clear the bank within a reasonable time; and (3) reconciling items are appropriate.

**Recommendation:** It was recommended the Town establish a procedure to review the timeliness and accuracy of the financial statements monthly.

**Corrective action taken:** Financial statements were prepared monthly and all bank accounts were reconciled monthly.

**Town of Richwood  
Summary Schedule of Prior-Audit Findings  
June 30, 2003**

**02-F5 Inadequate Internal Control**

**Condition found:** By trying to test several revenues and disbursements to original documents for support, it was determined the overall internal control for the Town is inadequate. The following are examples of the Town's poor internal control:

- A. As part of tests of activity, it was decided to select twenty traffic tickets from total traffic tickets issued during the period. We could not determine the population accurately. Of the twenty selected, the Town's records did not document if the ticket was paid or a warrant was issued. During field work of ticket revenue, the Chief notified us of the alleged stealing of ticket monies by a Town employee.
- B. During test of disbursements a very material amount of selected items did not agree with the general attributes tested. For example, original supporting documentation was not provided.
- C. Original support was not located for a substantial amount of revenues.

**Recommendation:** It was recommend that the Town establish internal controls to monitor receipts and disbursements.

**Corrective action taken:** Internal controls were established to monitor receipts and disbursements. Town records indicate if tickets were paid or if a warrant was issued.

**02-F6 Payment of Auto Allowance**

**Condition found:** While examining the general ledger, it was noted that the mayor was paid for prior years' auto allowance. This is in violation of Article VII, Section 14 of the LA Constitution of 1974 since the retroactive payment is for services rendered previously. In addition, the Town has not paid the auto allowance of \$500 for the year ended June 30, 2002.

**Recommendation:** It was recommended the Town desist from paying any prior-period employee salary or expenses. It was recommended the Town pay employee salaries or expenses when due.

**Corrective action taken:** The Town no longer pays prior-period employee salary or expenses.

**02-F7 Payment of Administrative Funds**

**Condition found:** While examining correspondence, it was noted that the public relations director was entitled to administrative funds of grants that he secured. This contract was in violation of the Louisiana Code of Governmental Ethics according to LRS 42:1113.

**Recommendation:** It was recommended the Town establish a policy that directs payment by salary or hourly only.

**Corrective action taken:** The Town no longer has anyone employed as the public relations director.

**02-F8 Independent Contractor Versus Employee**

**Condition found:** Town employees were also paid as contract laborers, rather than as employees, which is not in compliance with the Internal Revenue Code concerning employee status.

**Recommendation:** It was recommended the Town comply with Internal Revenue Service regulations regarding employee versus subcontractor.

**Corrective action taken:** See current year finding 03-F3.

**Town of Richwood**  
**Corrective Action Plan for Current-Year Findings and Questioned Costs**  
**For the Year Ended June 30, 2003**

**03-F1 Undocumented Vendor Expenses**

**Condition:** Expenses should be documented with original invoices or other documentation to provide support for the expenses. Effective internal control should provide for documentation of approval of the invoice for payment. The following was noted from a test of vendor disbursements .

One check had only one signature when two are required.  
Approval for payment was not documented on three invoices.  
Original invoices were not provided for five disbursements.  
Twelve invoices were not paid timely.

**Corrective action planned:** The Town will make sure that each check has two signatures. With new business the Town feels assured that invoices will be paid timely. The Town will have original invoices only and all invoices must be approved by the mayor.

**Person responsible for corrective action:**

Mayor Edward L. Harris                      Phone: (318) 322-2104  
Town of Richwood                              Fax: (318) 323-3254  
5130 Brown Road  
Richwood, LA 71202-7004

**Anticipated completion date:** June 30, 2004

**03-F2 Louisiana Local Government Budget Act**

**Condition found:** LSA-R.S.39:1306 requires a political subdivision with total proposed expenditures of two hundred fifty thousand dollars or more from the general fund to afford the public an opportunity to participate in the budgetary process prior to adoption of the budget. The political subdivision is to publish a notice in the official journal stating that the proposed budget is available for inspection along with the date, time and place of the public hearing. The notice must be published at least ten days prior to the date of the first public hearing. The Town published the notice of public hearing only eight days prior to the meeting. The Town's budgeted revenues exceeded actual revenues by more than five percent in the general fund and sewer fund.

**Corrective action planned:** The Town will publish the notice at least ten days prior to the meeting. The Town will monitor its budget more closely and will make amendments as needed.

**Person responsible for corrective action:**

Mayor Edward L. Harris                      Phone: (318) 322-2104  
Town of Richwood                              Fax: (318) 323-3254  
5130 Brown Road  
Richwood, LA 71202-7004

**Anticipated completion date:** June 30, 2004



**Town of Richwood  
Corrective Action Plan for Current-Year Findings and Questioned Costs  
For the Year Ended June 30, 2003**

**03-F3 Independent Contractor Versus Employee**

**Condition found:** Summer food service workers were paid as contract laborers, rather than as employees, which is not in compliance with the Internal Revenue Code concerning employee status.

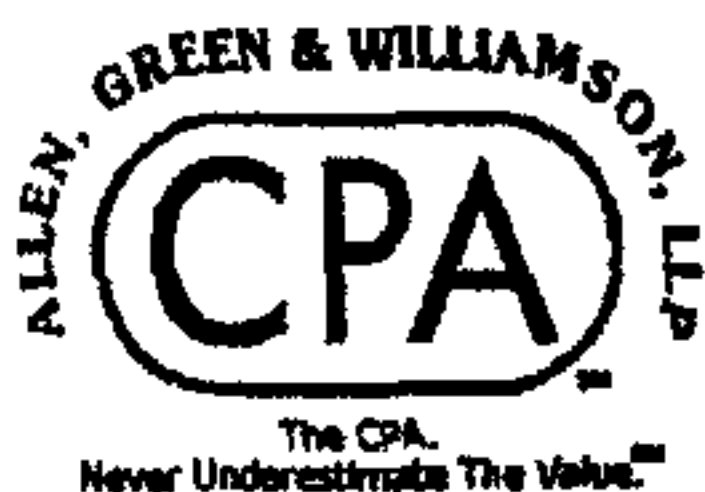
**Corrective action planned:** All workers will be paid as employees.

**Person responsible for corrective action:**

Mayor Edward L. Harris	Phone: (318) 322-2104
Town of Richwood	Fax: (318) 323-3254
5130 Brown Road	
Richwood, LA 71202-7004	

**Anticipated completion date:** June 30, 2004





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## Management Letter

Board of Aldermen  
Town of Richwood  
Richwood, Louisiana

In planning and performing our audit of the general-purpose financial statements of the Town of Richwood, for the year ended June 30, 2003, we considered the Town's internal control to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit, we noted certain matters involving internal control and other operational matters that is presented for your consideration. This letter does not affect our report dated March 19, 2004, on the financial statements of the Town. We will review the status of these comments during our next audit engagement. Our comments and recommendations, which has been discussed with appropriate members of management, are intended to improve internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

### 03-M1 Financial Condition

**Comment:** The Town continues to experience a challenge regarding its financial operations. The two primary operating funds of the Town are the general fund and the enterprise(sewer) fund. The following chart depicts the net operating results for the past four years as reflected in the annual audited financial reports:

	General Fund	Enterprise (Sewer) Fund	Total
Net Excess or (Deficiency)			
Fiscal year ended June 30, 2000	\$( 38,421)	\$( 33,565)	\$( 71,986)
Fiscal year ended June 30, 2001	\$(101,088)	\$(120,481)	\$(221,569)
Fiscal year ended June 30, 2002	\$(174,645)	\$( 76,926)	\$(251,571)
Fiscal year ended June 30, 2003	\$( 2,022)	\$(127,666)	\$(125,644)

These results reflect an unfavorable trend that has resulted in substantial accumulated deficits. As the Town is aware this is causing constant monitoring of the cash flow and requiring negotiated delays and installment payout with some vendors.

**Recommendation:** The above trend of operating losses cannot continue. At some point the losses will saturate the viability of the Town and could cause the Town to declare bankruptcy. The Town should evaluate its financial condition. The broad solutions are that revenues must increase or expenditures must be reduced. Generally, many sources of revenues are hard to increase and most of the time will be, to a great extent, outside the control of the management and the Council of a Town. Nevertheless, management should review the revenue streams to determine if these revenues could be enhanced. The expenditure side, in most cases, will be the primary option for the Town in correcting the above trend. Accordingly, the operations need to be studied thoroughly and noncritical needs eliminated.

**Management's response:** Management will review revenue streams and try to reduce expenditures.

**03-M2 Fixed Asset Listing**

**Comment:** The Town provided a listing of assets, but the listing did not include the date of purchase of the assets and date and purpose of dispositions.

**Recommendation:** The Town needs to maintain complete records of fixed assets.

**Management's response:** The Town will update the fixed asset listing, include the date of purchase and date and purpose of dispositions.

\* \* \* \* \*

Our audit procedures are designed primarily to enable us to form an opinion on the financial statements and, therefore, may not reveal all weaknesses in policies and procedures that may exist.

This report is intended solely for the information and use of the Board, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of these reports may be limited, under Louisiana Revised Statute 24:513 this report is distributed by the Office of the Louisiana Legislative Auditor as a public document.

*Allen, Green & Williamson, LLP*

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana  
March 19, 2004