

WILLIAM D. EDWARDS

Certified Public Accountant
A Professional Accounting Corporation
Member - AICPA / Society of CPAs

Independent Auditor's 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, 1997, in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. These 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 December 18, 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 town 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.

William D. Edwards
December 18, 1997
Kenner, Louisiana

TOWN OF RICHMOND, LOUISIANA
FEDERAL FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 1997

WILLIAM D. EDWARDS

Qualified Public Accountant

A Professional Accounting Corporation

Member: AICPA, I Society of SCA'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, 1997 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-133, Audits of State and Local Governments and have issued my report thereon dated December 18, 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.



December 18, 1997
Ruston, Louisiana

TOWN OF RICHMOND, LOUISIANA

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

June 30, 1997

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	EXPENDITURES
U. S. Department of Housing and Urban Development		
Passed - through the State of Louisiana (Division of Administration)	14,219	\$ 177,585
U. S. Department of Education		
Passed - through Louisiana Department of Education - Summer Lunch program	18,955	32,211
TOTAL FEDERAL PROGRAMS		209,796

Unaudited

**TOWN OF RICHWOOD
SCHEDULE OF FINDINGS AND REPORTS
FOR THE YEAR ENDED JUNE 30, 1997**

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

FINDING 1

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 in a balance.
- b. Two separate bank accounts were being posted to one general ledger account.
- c. There was inconsistent treatment of revenue and disbursements, causing identical transactions to be posted to different accounts.

This is a repeat finding, as a result of the town not being aware of last year's findings and fix in the current year.

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 last year. We have recently installed a computerized accounting system, and are training our staff on both the hardware and software, so we can prepare monthly financial statements. We are now reconciling the bank accounts monthly.

FINDING 2

The town combined the budget for the General Fund and the Sewer Fund and approved the budget in total.

Recommendation

The town should approve a separate budget for each fund. If there are to be transfers from the Sewer Fund to support the General Fund, that should be shown as an operating transfer.

Response

The town agrees with the finding and will follow the recommendation.

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TOWN OF RICHMOND, LOUISIANA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 1997

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 JAN 14 1998

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WILLIAM D. EDWARDS

Certified Public Accountant
A Professional Accounting Corporation
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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, 1997, 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 these financial activities by other auditing procedures, to form an opinion on these general purpose financial statements. See the footnote contingency for a further explanation.

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 December 18, 1997, on internal control and compliance, as required by Government Auditing Standards.


William D. Edwards
Baton Rouge, Louisiana
December 18, 1997

TOWN OF RICHMOND, LOUISIANA

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
June 30, 1997

	GOVERNMENTAL FUND TYPES	
	General	Special Revenue Funds
Cash and Cash Equivalents	\$ 8,482	\$ 22,870
Receivables	5,800	18,510
Due from Other - Governmental Units	13,500	
Interfund Receivables	6,298	508
Property & Equipment (Plus Accumulated Depreciation)		
TOTAL	<u>\$ 34,272</u>	<u>\$ 41,889</u>

See accompanying notes and accountants' report. - Unaudited

ACCOUNT GROUPS

<u>Proprietary Fund</u>	<u>Fixed Assets Group</u>	<u>Total (Memo Only)</u>
\$ 448	\$	\$ 31,800
8,243		32,662
		13,993
		8,788
789,041	99,430	884,471
<u>\$ 790,732</u>	<u>\$ 99,430</u>	<u>\$ 889,523</u>

See accompanying notes and accountants' report. - Unaudited

TOWN OF RICEWOOD, LOUISIANA

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
June 30, 1997

	<u>GOVERNMENTAL FUND TYPES</u>	
LIABILITIES	<u>General</u>	<u>Special Revenue Funds</u>
Accounts Payable and Accrued Expenses	\$ 333,876	25,775
Payroll Tax Liability	5,854	
Garnishments Payable	683	
Interfund Payables	580	1,751
Advance Funds		14,363
Total Liabilities	<u>340,973</u>	<u>41,889</u>
FUND EQUITY		
Contributed Capital-Grants Retained Earnings		
Fund Balance - Unreserved	(385,841)	-0-
Total Equity	<u>(385,841)</u>	<u>-0-</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 34,272</u>	<u>\$ 41,889</u>

<u>Proprietary Fund</u>	<u>Fixed Assets</u>	<u>Total (Other Only)</u>
\$	\$	\$ 358,851
		5,854
		683
4,547		6,788
		14,363
<u>4,547</u>	<u>0</u>	<u>388,548</u>
1,207,755		1,207,755
(418,370)		(418,570)
	99,430	99,430
		(305,841)
<u>789,385</u>	<u>99,430</u>	<u>582,774</u>
\$ 789,763	\$ 99,430	\$ 989,323

See accompanying notes and accountants' report. - Unaudited

TOWN OF RICHMOND, LOUISIANA
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND
BALANCES
ALL GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 1997

	<u>General Fund</u>
REVENUE	
Ad Valorem Taxes	\$ 7,800
Garbage Fees	87,341
Franchise Fees	20,389
Tobacco Taxes	6,379
Beer Taxes	7,864
Licenses and Fees	21,485
Sales Tax	74,652
Video Poker Tax	18,082
ITPA Grant	21,897
Copsfast Grant	27,123
Traffic Fines and Fees	19,490
Total Revenue	<u>363,986</u>
EXPENDITURES	
General Government	138,697
Public Safety - Police	190,973
Total Expenses	<u>429,670</u>
EXCESS (DEFICIENCY) OF REVENUE	
OVER EXPENDITURES	(209,684)
TRANSFER TO GENERAL FIXED ASSETS ACCOUNT GROUP	(58,739)
CONTRIBUTED CAPITAL - RURAL DEVELOPMENT	24,813
TRANSFER FROM PROPRIETARY FUND - Net	97,134
FUND BALANCES, BEGINNING	(128,130)
FUND BALANCES, ENDING	\$ (305,841)

Unaudited

**TOWN OF RICHMOND, LOUISIANA
GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED JUNE 30, 1997**

	Budget	Actual	Variance Favorable (Disfavored)
REVENUE			
Ad Valorem Taxes	\$ 7,800	\$ 7,810	\$ 800
Occupational Licenses	15,000	21,485	6,485
Franchise Fees	30,000	20,500	(9,500)
Tobacco Taxes	8,000	6,518	(1,482)
Beer Taxes	3,000	7,864	4,864
Garbage Collection	45,800	37,341	(7,659)
Sales Tax	125,000	74,652	(50,348)
Miscellaneous	30,000	0-	(30,000)
Video-Poker Tax	50,000	18,080	(31,920)
Court System	50,000	15,400	(34,600)
Grants	0	49,038	49,038
Total Revenue	<u>385,800</u>	<u>281,388</u>	<u>104,412</u>
EXPENDITURES			
General Government	336,600	328,697	18,903
Public Safety			
Police	139,970	150,905	(11,935)
Recreation Department	30,700	0-	30,700
Court Department	30,600	0-	10,600
Total Expenditures	<u>538,800</u>	<u>479,602</u>	<u>169,198</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(153,000)	(200,688)	(47,688)
Road Development Grant		34,815	34,815
Operating Transfer - Sewer Fund	168,800	97,134	(71,666)
Operating Transfer -			
Operating Transfer - GFAAG		(28,700)	(28,700)
FUND BALANCE, BEGINNING	<u>(179,374)</u>	<u>(179,374)</u>	<u>0-</u>
FUND BALANCE, ENDING	<u>\$ (179,374)</u>	<u>\$ (165,841)</u>	<u>\$ (136,467)</u>

Unaudited

TOWN OF RICHWOOD, LOUISIANA
 COMBINED STATEMENT OF REVENUE,
 EXPENSES, AND CHANGES IN RETAINED EARNINGS
 PROPRIETARY FUND TYPES
 YEAR ENDED JUNE 30, 1997

	Utility Enterprise Fund
OPERATING REVENUE	
Sewer Charges	\$ 106,587
Total Operating Revenue	<u>106,587</u>
OPERATING EXPENSES	
Billing and Collection	21,150
Depreciation	<u>30,184</u>
Total Operating Expenses	<u>51,334</u>
INCOME (LOSS) FROM OPERATIONS	55,253
Operating Transfer - General	(97,134)
RETAINED EARNINGS, (DEFICIT) BEGINNING	<u>(276,622)</u>
RETAINED EARNINGS, (DEFICIT) ENDING	<u>\$ (418,503)</u>

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TOWN OF RICHWOOD, LOUISIANA
 COMBINED STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPES
 YEAR ENDED JUNE 30, 1997
 INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

CASH FLOWS FROM OPERATING ACTIVITIES:	
Income From Operations	\$ 35,243
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Depreciation	30,104
(Increase) Decrease in Accounts Receivable	(5,185)
Increase (Decrease) in Accounts Payable - Operations	<u>3,138</u>
Net Cash Provided by Operating Activities	90,958
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Transfer to General Fund	(97,134)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
CASH FLOWS FROM INVESTING ACTIVITIES:	
Net Decrease in Cash and Equivalents	<u>(5,176)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,624</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ <u>448</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, 1997.

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

Unaudited

**TOWN OF RICHWOOD
RICHWOOD, LOUISIANA**

**Notes to the Financial Statements
As of and for the Year Ended June 30, 1997**

INTRODUCTION

The Town of Richwood, Louisiana is located in the southern portion of Ouachita Parish in northeast Louisiana. The Town was incorporated December 13, 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 Alder persons, 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. During 1996-1997 the town quit providing garbage collection services to residential customers.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 financially 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, 1997 (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 on 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.

Unaudited

**TOWN OF RICHWOOD
RICHWOOD, LOUISIANA**

**Notes to the Financial Statements (continued)
As of and for the Year Ended June 30, 2007**

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.

Unaudited

**TOWN OF RICHWOOD
RICHWOOD, LOUISIANA**

**Notes to the Financial Statements (continued)
As of and for the Year Ended June 30, 1997**

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 90 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, 1997, 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 incurrence of qualifying expenditures. In subsequent periods, when the Town of Richwood has a legal claim to the monies, 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:

Unaudited

**TOWN OF RICHWOOD
RICHWOOD, LOUISIANA**

**Notes to the Financial Statements (continued)
As of and for the Year Ended June 30, 1997**

E. BUDGETS (continued)

The Town of Richwood adopts budgets annually.

Budgets were prepared on the cash basis of accounting.

Fund 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 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. 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.

Unaudited

**TOWN OF RICHWOOD
RICHWOOD, LOUISIANA**

**Notes to the Financial Statements (continued)
As of and for the Year Ended June 30, 1997**

1. 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, 1997.

<u>Fund</u>	<u>Deficit Amount</u>
General Fund	\$ (205,041)
Proprietary Fund	\$ (418,350)

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, 1997, taxes of 5.28 mills were levied on property assessed valuations totaling \$1,513,377 and were dedicated to general corporate purposes.

Taxes levied amounted to \$ 8,465 for the year ended June 30, 1997. Uncollected taxes at June 30, 1997, of \$29 was recorded as a receivable.

Unaudited

**TOWN OF RICHWOOD
RICHWOOD, LOUISIANA**

**Notes to the Financial Statements (continued)
As of and for the Year Ended June 30, 1997**

4. CASH AND CASH EQUIVALENTS

At June 30, 1997, the Town of Richwood has cash and cash equivalents (book balances) totaling \$31,800 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	\$ 8,482	\$ 22,870	\$ 448	\$ 31,800	\$ 38,815
Total Cash and Cash Equivalents	\$ 8,482	\$ 22,870	\$ 448	\$ 31,800	\$ 38,815

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, 1997, the Town of Richwood has \$ 38,815 in deposits (collected bank balances). These deposits are secured from risk by \$ 38,815 of federal deposit insurance.

Unaudited

**TOWN OF RICHMOND
RICHMOND, LOUISIANA**

*Notes to the Financial Statements (continued)
As of and for the Year Ended June 30, 1997*

5. RECEIVABLES AND DUE FROM OTHER GOVERNMENT UNITS

The receivables of \$ 5,000 at June 30, 1997, and due from other government units of \$ 13,500, are as follows:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Proprietary Fund</u>	<u>Total</u>
Taxes				
Sales and use	\$ 8,801	\$	\$	\$ 8,801
Other - Governmental	4,710			4,710
Accounts and Franchise	5,990		8,240	14,140
Total	<u>\$ 19,490</u>	<u>\$</u>	<u>\$ 8,240</u>	<u>\$ 27,730</u>

6. PROPERTY AND EQUIPMENT

General Fund

A summary of the general fund asset account group consists of the following:

	<u>Balance 5/31/96</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 6/30/97</u>
Land	\$ 5,000	\$	\$	\$ 5,000
Building	5,000			5,000
Equipment	58,300			58,300
Vehicle		38,730		38,730
Total	<u>\$ 66,300</u>	<u>\$ 38,730</u>	<u>\$</u>	<u>\$ 105,030</u>

Unaudited

**TOWN OF RICHWOOD
RICHWOOD, LOUISIANA**

**Notes to the Financial Statements (continued)
As of and for the Year Ended June 30, 1997**

6. PROPERTY AND EQUIPMENT (continued)

Proprietary Fund

A summary of the property and equipment in the Proprietary Fund at June 30, 1997 consists of the following:

	Balance 6/30/96	Additions	Disposals	Balance 6/30/97
Sewer Lines System	\$ 1,207,755			1,207,755
Total	\$ 1,207,755	\$ -0-	\$ -0-	\$ 1,207,755
Less Accumulated Depreciation	(382,500)	(38,094)	_____	(420,594)
Net Property and Equipment	\$ 815,255	\$ (38,094)	\$ -0-	\$ 785,061

This fund resulted from a price period adjustment, as noted in Note 5.

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.

Unaudited

**TOWN OF RICHWOOD
RICHWOOD, LOUISIANA**

**Notes to the Financial Statements (continued)
As of and for the Year Ended June 30, 1997**

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, 1996 Fund Balance	\$ 333,942
Unrecorded Prior Year Payables	(273,242)
	<hr/>
Restated June 30, 1996 Fund Balance	\$ 60,700
	<hr/>

The Proprietary Fund was restated at June 30, 1996 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, 1996	0.
Record value of unrecorded sewer line	1,287,755
Less accumulated depreciation	(562,326)
	<hr/>
Restated at June 30, 1996	\$45,429
	<hr/>

10. INTERFUND ASSETS / LIABILITIES

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue	\$ 1,751
General Fund	Sewer Fund	4,547
Special Revenue	General	580
		<hr/>
		\$ 6,798
		<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 involved in several litigation matters at June 30, 1997.

Unaudited

TOWN OF RICHWOOD
RICHWOOD, LOUISIANA

Notes to the Financial Statements (continued)
As of and for the Year Ended June 30, 1997

12. OFF-TRACK BETTING PARLOR

On Saturday, January 15, 1991, the Town of Richwood's citizens voted to approve an ordinance to allow off track 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

NAME	AMOUNT
Ed Harris	\$ 21,600
Lavera Hester	2,000
Steve Harter	2,000
Luc Kelly	2,000
Linda Clark	2,100
Jimmie Smith	2,000
TOTAL	<u>31,942</u>

14. CONTINGENCIES

The Louisiana Legislative Auditor's office is conducting an investigation of the operations of Town of Richwood. As part of this investigation, documents necessary to complete my audit have been taken from Richwood. Further, the results of this investigation could be material to the financial statements of Richwood.

Unaudited

**TOWN OF RICHMOND
RICHMOND, LOUISIANA**

**SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 1997**

	<u>Summer Lunch Program</u>	<u>Small Cities Health & Safety Rehabilitation Program</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ -0-	\$ 22,870	\$ 22,870
Accounts receivable	18,519		18,519
Due from other funds		900	900
TOTAL ASSETS	<u>\$ 18,519</u>	<u>\$ 23,770</u>	<u>\$ 42,289</u>
LIABILITIES AND FUND EQUITY			
Liabilities:			
Cash overdraft	\$ 25	\$ -	\$ 25
Accounts payable	2,000	20,070	22,070
Due to Other Funds	1,300		1,300
Advanced Funds	14,975		14,975
Total Liabilities	<u>\$ 18,519</u>	<u>\$ 20,070</u>	<u>\$ 40,889</u>
Fund Equity - Fund Balance:			
Unreserved - undesignated	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>

**TOWN OF RICHWOOD
RICHWOOD, LOUISIANA**

**SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
JUNE 30, 1997**

	General Fund Percent	Small Cities Health & Safety Rehabilitation Percent	Total
REVENUES			
Intergovernmental revenues - Federal Grants - Federal grants	\$ 30,211	\$ 177,525	\$ 207,736
Total Revenues	<u>30,211</u>	<u>177,525</u>	<u>207,736</u>
EXPENDITURES			
Health and Welfare			
Administration	171	156	327
Salaries	16,697		16,697
Payroll Tax Expense	1,488		1,488
Rent	1,687		1,687
Fuel and Food	6,229		6,229
Accidental and Cleaning	465		465
Rehabilitation		176,742	176,742
Legal and Accounting		1,868	1,868
Miscellaneous	994	906	1,900
Education		1,473	1,473
Total Expenditures	<u>30,211</u>	<u>177,525</u>	<u>207,736</u>
EXCESS (deficiency) OF REVENUES OVER EXPENDITURES	0.		0.
OTHER FINANCING SOURCES (uses)			
Transfers in (out)	0.	0.	0.
Total other financing sources(uses)	<u>0.</u>	<u>0.</u>	<u>0.</u>
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	<u>0.</u>	<u>0.</u>	<u>0.</u>

WILLIAM D. EDWARDS

*Certified Public Accountant
A Professional Accounting Corporation
Member - AICPA / Society of CPAs*

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 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, 1997 in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. These 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 December 23, 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, an objection 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, 1997, 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 I 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, some of 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 Ridgeland, Louisiana. However, this report is a matter of public record and its distribution is not limited.



December 18, 1997
Baton Rouge, Louisiana