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TOWN OF RICHWOOD, LOUISIANA  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 1999

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

Release Date 1-12-2000

**TOWN OF RICHWOOD  
GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1999**

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# WILLIAM D. EDWARDS

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

## INDEPENDENT AUDITORS' REPORT

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

I was engaged to audit the accompanying general purpose financial statements of Town of Richwood, Louisiana, as of and for the year ended June 30, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of Town of Richwood, Louisiana's management.

I was unable to obtain the audited financial statements supporting the financial activities of the Town of Richwood, nor was I able to satisfy myself as to those financial activities by other auditing procedures. Those financial activities are included in the governmental fund type, proprietary fund type, and general fixed asset account group and represent 100 percent and 100 percent of the assets and revenues, respectively, of the governmental fund type, proprietary fund type, and general fixed asset account group.

Since I did not audit the financial statements of Town of Richwood 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.



William D. Edwards, CPA  
December 15, 1999

**TOWN OF RICHWOOD**  
**Combined Balance Sheets - All Fund Types and Account Groups**  
**For the Year Ended June 30, 1999**

	Governmental Fund Type		Proprietary Fund	General Fixed Asset Account Group	(Memo) Totals
	General Fund	Special Revenue Fund			
<b>ASSETS</b>					
Unrestricted assets:					
Cash and equivalents	\$13,589	\$12,903	\$3,716		\$30,208
Accounts receivable	70,274	2,707			72,981
Due from other funds	21,358	500			21,858
Property, plant, and equipment			1,207,755	\$99,450	1,307,205
Accumulated depreciation			(483,102)		(483,102)
<b>TOTAL ASSETS</b>	<u>105,221</u>	<u>16,110</u>	<u>728,369</u>	<u>99,450</u>	<u>949,150</u>
<b>Liabilities and Fund Equity</b>					
Liabilities:					
Accounts payable and taxes payable	\$154,128	\$2,833	\$249,651		\$406,612
Due to other funds	500	21,358			21,858
Notes payable - current					0
Notes payable - long-term					0
Accrued interest					0
<b>Total liabilities</b>	<u>154,628</u>	<u>24,191</u>	<u>249,651</u>	<u>0</u>	<u>428,470</u>
Fund Equity:					
Investment in general fixed assets				\$99,450	99,450
Contributed capital - grants			1,207,754		1,207,754
Operating Transfer					
Retained earnings:					
Reserved for debt retirements					0
Unreserved			(729,036)		(729,036)
Fund balance - unreserved - undesignated	(49,407)	(8,081)			(57,488)
<b>Total fund equity</b>	<u>(49,407)</u>	<u>(8,081)</u>	<u>478,718</u>	<u>99,450</u>	<u>520,680</u>
<b>TOTAL LIABILITIES AND FUNDEQUITY</b>	<u>\$105,221</u>	<u>\$16,110</u>	<u>\$728,369</u>	<u>\$99,450</u>	<u>\$949,150</u>

See accompanying auditor's report and notes to the financial statements.

**TOWN OF RICHWOOD**  
**Combined Statement of Revenue, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**GAAP Basis - General Fund**  
**For the year ended June 30, 1999**

	<u>Budget</u>	<u>General Fund</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Utilities	\$2,000	\$0	\$2,000
Occupational license & Fees	\$25,000	\$24,296	(\$704)
Sales tax	200,000	173,843	(26,157)
Franchise fees	25,000	18,073	(6,927)
Tobacco tax, beer tax & video poker	62,000	51,874	(10,126)
Property tax	7,500	15,729	8,229
Garbage	50,000	42,894	(7,106)
Court System	15,000	26,902	11,902
Grants	30,000	64,965	34,965
Other income	20,000	19,506	(494)
TOTAL OPERATING REVENUES	<u>436,500</u>	<u>438,082</u>	<u>1,582</u>
EXPENDITURES			
General government	326,500	261,476	65,024
Public safety - police	195,000	162,298	32,702
Operations and maintenance - street	0	25,969	(25,969)
TOTAL EXPENDITURES	<u>521,500</u>	<u>449,743</u>	<u>71,757</u>
EXCESS OF REVENUES OVER EXPENDITURES	(85,000)	(11,661)	73,339
OTHER FINANCING SOURCE (USE)			
Operating transfer in	<u>85,000</u>	<u>105,026</u>	<u>20,026</u>
TOTAL OTHER FINANCING SOURCE (USE)	<u>85,000</u>	<u>105,026</u>	<u>20,026</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCE OVER EXPENDITURES AND OTHER FINANCING USE	0	93,365	93,365
FUND BALANCE (Deficit), BEGINNING	<u>0</u>	<u>(142,772)</u>	<u>(142,772)</u>
FUND BALANCE, ENDING	<u>\$0</u>	<u>(\$49,407)</u>	<u>(\$49,407)</u>

See accompanying auditor's report and notes to the financial statements.

**TOWN OF RICHWOOD**  
**Combined Statement of Revenues, Expenses, and**  
**Changes in Retained Earnings - Budget and Actual**  
**GAAP Basis - Sewer Fund**  
**For the year ended June 30, 1999**

	<u>Budget</u>	<u>Sewer Fund</u>	<u>Variance Favorable (Unfavorable)</u>
OPERATING REVENUES			
Fees	\$150,000	\$138,959	(\$11,041)
Other income	0		
TOTAL OPERATING REVENUES	<u>150,000</u>	<u>138,959</u>	<u>(11,041)</u>
OPERATING EXPENSES			
Salaries and related benefits	30,000	0	30,000
Billing & Collection	60,000	31,543	28,457
Utilities		14,346	(14,346)
Depreciation		30,194	(30,194)
TOTAL OPERATING EXPENSES	<u>90,000</u>	<u>76,083</u>	<u>13,917</u>
Operating income (loss)	60,000	62,876	2,876
Nonoperating revenue (expenses)			
Interest income		0	
Interest expense			
TOTAL NONOPERATING REVENUE (EXPENSES)	<u>0</u>	<u>0</u>	
NET INCOME (LOSS)	60,000	62,876	2,876
Operating Transfer		(105,026)	(105,026)
FUND BALANCE, BEGINNING	<u>0</u>	<u>(686,886)</u>	<u>(686,886)</u>
FUND BALANCE, ENDING	<u>\$60,000</u>	<u>(\$729,036)</u>	<u>(\$789,036)</u>

See accompanying auditor's report and notes to the financial statements.

**TOWN OF RICHWOOD**  
**Statements of Cash Flows - Proprietary Fund Type**  
**For the Year Ended June 30, 1999**

CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Income	\$62,876
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	30,193
Increase in accounts receivable	7,747
Increase in accrued interest	<u>7,762</u>
NET CASH (USED BY) OPERATING ACTIVITIES	108,578
CASH FLOWS FROM FINANCING ACTIVITIES	0
CASH FLOWS FROM INVESTING ACTIVITIES	
Operating transfer	<u>105,026</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>105,026</u>
NET INCREASE IN CASH	3,552
CASH AT BEGINNING OF YEAR	<u>164</u>
CASH AT END OF YEAR	<u><u>\$3,716</u></u>
 SUMMARY	
Operating account	<u>\$3,716</u>
Total	<u><u>\$3,716</u></u>
 Expenditures for interest - cash basis	<u><u>-0-</u></u>
Expenditures for taxes - cash basis	<u><u>-0-</u></u>

See accompanying auditor's report and notes to the financial statements.



**TOWN OF RICHWOOD**  
**Notes to the Financial Statements**  
**As of and for the Year Ended June 30, 1999**

**INTRODUCTION**

The Town of Richwood, Louisiana is located in the southern portion of Ouachita Parish in northeast Louisiana. The Town was incorporated December 31, 1974 under the provisions of Louisiana Revised Statutes 33:52. The Town operated under a form of government consisting of an elected mayor and a Board of 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.

**1. 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 financial accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

1. Appointing a voting majority of an organization's governing body, and
  - a. The ability of the municipality to impose its will on that organization and/or
  - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the municipality.
2. Organizations for which the municipality does not appoint a voting majority but are fiscally dependent of the municipality.



**TOWN OF RICHWOOD**  
**Notes to the Financial Statements**  
**For the year ended June 30, 1999**

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.

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

**TOWN OF RICHWOOD**  
**Notes to the Financial Statements**  
**For the year ended June 30, 1999**

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.

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

Licenses and permits are recognized as revenue in the period received, but not before the benefit period. However, for the year ended June 30, 1999, 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 resources, the liability for deferred

**TOWN OF RICHWOOD**  
**Notes to the Financial Statements**  
**For the year ended June 30, 1999**

revenue is removed from the combined balance sheet and the revenue is recognized.

**E. BUDGETS**

The Town adopted a budget for the fiscal year ended June 30, 1999 for the General fund and both proprietary funds. The town follows the following procedures in establishing the budgetary data reflected in the financial statements. During the July 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 expenses and the means of financing them. During the August 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.

Special Revenue Fund was not budgeted for the year ending June 30, 1999.

**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. FIXED ASSETS**

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

**H. 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.

**I. 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.

**TOWN OF RICHWOOD**  
**Notes to the Financial Statements**  
**For the year ended June 30, 1999**

2. FUND DEFICITS

The following fund had a deficit in unreserved fund balance at June 30, 1999:

<u>Fund</u>	<u>Deficit Amount</u>
General Fund	<u>(\$47431)</u>
Proprietary Fund	<u>(\$729036)</u>

3. AD VALOREM TAXES

The town considers ad valorem taxes receivable at December 31 and recognized income in the year of assessment.

For the year ended June 30, 1999, total taxes originally levied were \$12,141.22, of which approximately \$1,453.71 was assessed on residential property, \$268.73 was assessed on public service property, \$1,857.91 was assessed as exempt, and \$8,560.87 was assessed on commercial property and dedicated entirely for general purposes.

Property Tax Calendar

Assessment Date	June 30, 1999
Levy Date	October 31, 1999
Tax Bills Mailed	November 30, 1999
Date Taxes Are Due	December 31, 1999
Penalties and Interest Are Added	December 31, 1999
Lien Date	No set date
Anticipated Tax Sale	No set date

Assessed values are established by the Ouchita Parish Tax Assessor each year.

4. CASH AND CASH EQUIVALENTS

The Town's cash at June 30, 1999, are categorized below to give an indication of the level of risk assumed by the Town at year end. Category 1 includes cash that is insured or registered, or securities held by the Town or its agent in the Town's name. Category 2 includes uninsured and unregistered cash and investments, with securities held by the counter party or by its trust department or agent, but in the Town's name. Category 3 includes uninsured and unregistered cash and investments, with securities held by the counter party or by its trust department or agent but not in the Town's name. In accordance with GASB 3,



**TOWN OF RICHWOOD**  
**Notes to the Financial Statements**  
**For the year ended June 30, 1999**

this category includes certificates of deposit or money market accounts that are collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the Town's name, although balances so collateralized meet the requirements of state law. At June 30, 1999, the Town of Richwood has cash and cash equivalents (book balances) totaling \$36,323 as follows:

	1	Category 2	3	Bank Balance
Cash in bank	\$13,589	\$12,903	3,716	\$30,208
Certificates of deposit	NONE			
Total	<u>\$13,589</u>	<u>\$12,903</u>	<u>\$3,716</u>	<u>\$30,208</u>

**5. RECEIVABLES AND DUE FROM OTHER GOVERNMENT UNITS**

The receivables of \$ 66,948 at June 30, 1999, and due from other government units of \$ 6,033 , are as follow:

	General Fund	Special Revenue Fund	Utility Fund	Total
Accounts receivable:				
Sales Tax	\$22,915			\$22,915
License & Fees	69			69
Franchise taxes	7,712			7,712
Other	36,252			36,252
Due from other governmental units:				
Tobacco tax	2,430			2,430
Video poker	896			896
Grants		2,707		2,707
Total	<u>\$70,274</u>	<u>\$2,707</u>	<u>\$0</u>	<u>\$72,981</u>

**6. PROPERTY AND EQUIPMENT**

General Fund

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

	Balance 6/30/98	Additions	Deletions	Balance 6/30/99
Land	\$5,000			\$5,000
Building	5,000			5,000
Equipment	50,700			50,700
Vehicle	38,730			38,730

**TOWN OF RICHWOOD**  
**Notes to the Financial Statements**  
**For the year ended June 30, 1999**

	Balance 6/30/98	Additions	Deletions	Balance 6/30/99
Balance, June 30, 1999	\$99,430	\$0	\$0	\$99,430

Proprietary Fund

A summary of the property and equipment in the Proprietary Fund at June 30, 1999 consists of the following:

	Balance 6/30/98	Additions	Deletions	Balance 6/30/99
Sewer lines system	\$1,207,755			\$1,207,755
Less accumulated depreciation	(452,908)		(30,194)	(483,102)
Total	\$754,847	\$0	(\$30,194)	\$724,653

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.

9. INTERFUND ASSETS / LIABILITIES

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

	Due From	Due To
General Fund	\$21,358	\$500
Special Revenue Fund	500	21,358
Sewer Fund	\$0	\$0
Total	\$21,858	\$21,858

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,



**TOWN OF RICHWOOD**  
**Notes to the Financial Statements**  
**For the year ended June 30, 1999**

may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The Town of Richwood is not involved in any litigation at June 30, 1999. However, the Louisiana State Police has an open criminal investigation.

**11. MAYOR AND BOARD MEMBERS PER DIEM AND SALARY**

The following is a schedule of per diem payments for the two years ended June 30, 1999:

Mayor Harris	\$21,760
Aldersperson Clark	2,300
Aldersperson Kelly	2,300
Aldersperson Smith	2,150
Aldersperson Hunter	2,250
Aldersperson Hester	2,250
Total	<u>\$33,010</u>

**12. YEAR 2000 COMPUTER SYSTEMS COMPLIANCE**

The management of Town of Richwood has reviewed the software systems and related applications used to assess its requirements regarding the "Year 2000 Issue" which, if unresolved, could have a significant impact on the Town's operations. The Town has made and will continue to make the expenditures necessary to ensure that its software systems and applications continue to function properly before, during, and after the year 2000. These expenditures, which are expensed as incurred, have not been and are not expected to be material to the Town's financial position or results of operations.

SUPPLEMENTARY INFORMATION SCHEDULES

**TOWN OF RICHWOOD**  
**Combined Balance Sheets - All Fund Types and Account Groups**  
**For the Year Ended June 30, 1999**

	Summer Lunch Program	Small Cities Health & Safety Rehabilitation Program	Totals
<b>ASSETS</b>			
Cash and equivalents	\$12,387	\$516	\$12,903
Accounts receivable	2,707	0	2,707
Due from other funds	0	500	500
<b>TOTAL ASSETS</b>	<u>\$15,094</u>	<u>\$1,016</u>	<u>\$16,110</u>
<b>Liabilities and Fund Equity</b>			
<b>Liabilities:</b>			
Accounts payable	\$2,833	\$0	\$2,833
Due to other funds	18,359	2,999	21,358
Total liabilities	21,192	2,999	24,191
Fund balance - unreserved - undesignated	(6,098)	(1,983)	(8,081)
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u>\$15,094</u>	<u>\$1,016</u>	<u>\$16,110</u>

See accompanying auditor's report and notes to the financial statements.

**TOWN OF RICHWOOD**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Special Revenue Funds**  
**For the year ended June 30, 1999**

	Summer Lunch Program	Small Cities Health & Safety Rehabilitation Program	Art Fund	Totals
<b>REVENUES</b>				
Fees	\$50,419	\$33,990		\$84,409
Other income	1,347	25		1,372
<b>TOTAL REVENUES</b>	<u>51,766</u>	<u>34,015</u>	<u>0</u>	<u>85,781</u>
<b>EXPENDITURES</b>				
Health and welfare:				
Administration		2,974		2,974
Accounting		585		585
Salaries	39,163	2,559		41,722
Bank Charges		64		64
Produce and food	10,849			10,849
Construction Costs		24,148		24,148
Repairs	863			863
Supplies	738			738
Miscellaneous	2,427		296	2,723
<b>TOTAL OPERATING EXPENSES</b>	<u>54,040</u>	<u>30,330</u>	<u>296</u>	<u>84,666</u>
<b>EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES</b>	(2,274)	3,685	(296)	1,115
<b>OTHER FINANCING SOURCES</b>				
Operating transfer in				0
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>EXCESS (Deficiency) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES</b>	(2,274)	3,685	(296)	1,115
<b>FUND BALANCE (Deficit), BEGINNING</b>	<u>(3,824)</u>	<u>(5,668)</u>	<u>296</u>	<u>(9,196)</u>
<b>FUND BALANCE (Deficit), ENDING</b>	<u>(\$6,098)</u>	<u>(\$1,983)</u>	<u>\$0</u>	<u>(\$8,081)</u>

See accompanying auditor's report and notes to the financial statements.

# WILLIAM D. EDWARDS

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

## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING 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, as of and for the year ended June 30, 1999, in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. My report dated December 15, 1999, 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.

### Compliance

As part of obtaining reasonable assurance about whether Town of Richwood's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed 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 99-4, and 99-6.

### Internal Control Over Financial Reporting

In planning and performing my audit, I considered Town of Richwood's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Town of Richwood's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items

99-1, 99-2, 99-2, 99-5, 99-7, and 99-8.

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

However, of the reportable conditions described above, I consider items 99-1, 99-2, 99-3, 99-4, 99-5, 99-6, 99-7, and 99-8 to be material weaknesses.

This report is intended for the information of the Town, the Legislative Auditor, and any interested federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.



William D. Edwards, CPA

December 15, 1999



**TOWN OF RICHWOOD**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 1999**

I was engaged to audit the financial statements of Town of Richwood as of and for the year ended June 30, 1999, and have issued my report thereon dated December 15, 1999, which resulted in a disclaimer of opinion.

**A. Summary of Audit Results**

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

Internal Control

Material Weaknesses  Yes  No Reportable  Yes  No

Compliance

Compliance Material to Financial Statements  Yes  No

2. Federal Awards

Internal Control

Material Weaknesses  Yes  No Reportable  Yes  No

Type of Opinion On Compliance Unqualified  Qualified   
 For Major Programs Disclaimer  Adverse

Are their findings required to be reported in accordance with Circular A-133, Section .510(a)?  
 Yes  No

3. Identification of Major Programs:

CFDA Number(s)	Name of Federal Program (or Cluster)
N/A	

Dollar threshold used to distinguish between Type A and Type B Programs: \$ 300,000

Is the audited a "low-risk" audited, as defined by OMB Circular A-133?  Yes  No

**B. Financial Statements Findings**

99-1. The bulk of transactions for the year ended June 30, 1999 were not posted to the computer

general ledger, the bank accounts were not reconciled monthly, nor were monthly financial statements prepared, until several months after June 30, 1999.

Recommendation: The town should hire the staff necessary to see that all accounting functions are performed timely.

Management Response: We concur and have hired new staff to perform these functions. We have begun posting the current year transactions.

99-2. The Town could not provide the supporting documents necessary to conduct an Audit of Financial Records, including some bank statements and canceled checks, as well as employee time sheets, in all funds

Recommendation: The Town should ensure that all records are mentioned and filed so that any request for records can be met, as well as complying with the state's record retention requirements.

Management Response: We concur and have hired new staff to ensure all records are kept and are easily available.

99-3. Many of the transactions posted for the year ended June 30, 1999 were not properly coded or in the case of receipts not recorded because Daily Cash Receipt reports were not prepared. The accounting position was not filled for several months in the year ended June 30, 1999 and no one trained the new staff.

Recommendation: The Town should ensure that the accounting positions are always filled and those employees are trained.

Management Response: We concur and have in fact hired accounting staff. We have sent them both to a class on our accounting software and will continue to provide training.

99-4. The town has not prepared payroll tax reports since September 30, 1998. According to the Louisiana Department of Revenue, no w-2 forms were filed for 1998. Some payments we made but most of the payroll taxes and fiduciary funds for that period have not been paid. No copies of payroll tax reports were provided to me when requested. Further the data provided by the state indicate that the September 1998 tax report is several thousand dollars different from the accounting records eventually prepared. The amount appears to be over \$30,000 without penalties and interest.

Recommendation: The Town should prepare all delinquent payroll tax reports as soon as possible And negotiate as installment agreement with the federal and state taxing agencies if funds are not available to pay the taxes due.

Management Response: We concur and will file these tax reports as soon as staff can complete them.

99-5 The town could not provide documentation as to what happened to the \$296 left over in the bank

account for the Arts Fund from the year ended June 30, 1998.

Recommendation: Determine the bank activity subsequent to the year ended June 30, 1998 and put those transactions to the Arts Fund general ledger.

Management Response: We concur and will immediately begin researching this matter.

99-6. The Town combines the budget for the General Fund and the Sewer Fund and approved the budget as a total.

Recommendation: The Town should approve separate budgets for the General Fund and the Sewer Fund.

Management Response: By the time the audit report was issued the board had voted on and approved the budget, it will however, be changed in the future.

99-7. One check for \$500.00 was written from the General Fund to be deposited in the Art Fund. I could not determine that the check ever was deposited to the Art Fund Account.

Recommendation: The Town should determine that this and all transfer payments actually go to the proper accounts.

Management Response: We will investigate this matter to determine what changes in our control are necessary to prevent this from happening in the future

99-8. I found several discrepancies in the requests for payments from the LCDCB Rehabilitation Fund.

Recommendation: I recommend that the Town have the Grant Administration present financial data in a format compatible with governmental accounting standards and contract terms.

Management Response: We concur. We will contact the contract administrator and have them update our accounting data to meet governmental and contract accounting requirements.

### **C. Federal Award Findings and Questioned Costs**

None

**TOWN OF RICHWOOD  
SUMMARY OF PRIOR YEAR FINDINGS  
For the Year Ended June 30, 1999**

**A. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS**

98-1. The Town has enrolled the mayor's sister-in-law in the JTPA Program, violating a specific Provision of the contract.

Recommendation: I recommend that the Town should contact JTPA to determine how to resolve this contract violation.

Conclusion: Resolved

98-2. The town was the subject of a Legislative Auditor Investigative Audit Report during the year ended June 30, 1998.

Recommendation: I recommended that the Town comply with the Legislative Auditor's Recommendation.

Conclusion: Resolved.

98-3. The Town borrowed funds from an employee.

Recommendation: I recommended that the Town establish a policy prohibiting borrowing funds from an employee.

Conclusion: Resolved.

**B. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS**

98-4. The Town combines the budget for the General Fund and the Sewer Fund and approved the budget as a total.

Recommendation: The Town should approve separate budgets for the General Fund and the Sewer Fund.

Conclusion: Unresolved -Sec 99-6.

98-5. One check for \$500.00 was written from the General Fund to be deposited in the Art Fund. I could not determine that the check ever was deposited to the Art Fund Account.

Recommendation: The Town should determine that this and all transfer payments actually go to the proper accounts.

Conclusion: Unresolved-See 99-7

98-6. I found several discrepancies in the requests for payments from the LCDCB Rehabilitation Fund.

Recommendation: I recommend that the Town have the Grant Administration present financial data in a format compatible with governmental accounting standards and contract terms.

Conclusion: Unresolved -See 99-8.

### **C. MANAGEMENT LETTER**

·None

CORRECTIVE ACTION PLAN  
For the Year Ended June 30, 1999

Town of Richwood hereby submits the following corrective action plan as referenced in the Findings and Questioned Costs:

- 99-1. See Schedule of Findings and Questioned Costs - Section B.
- 99-2. See Schedule of Findings and Questioned Costs - Section B.
- 99-3. See Schedule of Findings and Questioned Costs - Section B.
- 99-4. See Schedule of Findings and Questioned Costs - Section B.
- 99-5. See Schedule of Findings and Questioned Costs - Section B.
- 99-6. See Schedule of Findings and Questioned Costs - Section B.
- 99-7. See Schedule of Findings and Questioned Costs - Section B.
- 99-8. See Schedule of Findings and Questioned Costs - Section B.
- 99-6. See Schedule of Findings and Questioned Costs - Section B.