

**Town of Richwood
Richwood, Louisiana
Annual Financial Report
As of and for the Year Ended June 30, 2011**

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 AUG 08 2012

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(Concluded)

LUFFEY, HUFFMAN, RAGSDALE & SOIGNIER

(A PROFESSIONAL ACCOUNTING CORPORATION)
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

Mayor Steven Hunter
and the Board of Aldermen
Town of Richwood
Richwood, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund for the Town of Richwood, (the Town) as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions 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. 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 the 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Town of Richwood as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 16 to the financial statements, the Town has several near-term financial challenges that have not yet been sufficiently addressed. The Town's ability to continue to operate will be contingent upon the Town being able to develop a plan to address these issues and where it is able to have a complete understanding of its financial operations on a daily basis.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 3, 2012, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

**Town of Richwood
Richwood, Louisiana**

The management's discussion and analysis on pages 4 through 10 and the budgetary comparison schedule on page 37 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements as a whole. The schedule of compensation paid to the major and the aldermen is presented for purposes of additional analysis and is not a required part of the basic financial statements. It has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Huffman Huffman Reynolds & Squires

(A Professional Accounting Corporation)

July 3, 2012

REQUIRED SUPPLEMENTAL INFORMATION

**MANAGEMENT'S DISCUSSION
AND ANALYSIS (MD&A)**

Town of Richwood
Management's Discussion and Analysis (MD&A)

Our discussion and analysis of the Town of Richwood's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2011.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments issued June 1999.

FINANCIAL HIGHLIGHTS Our financial statements provide these insights into the results of this year's operations:

Governmental activities reported a \$144,985 decrease in net assets whereas business-type activities reported a \$184,873 increase.

Total spending for our governmental activities was \$1,249,183. Most of the Town's charitable gaming (video bingo), property taxes, and sales taxes were used to support the costs (after deducting restricted grants and fees charged to users) of these two areas: general and administrative of \$490,335 and police department of \$481,834.

The General Fund had a net \$675,028 decrease in fund balance for 2011 as compared to a net \$120,063 decrease in 2010. Revenues decreased in 2011 by \$24,995 which is a 2.2% decrease over 2010 revenues.

Expenditures in the General Fund for 2011 increased by \$452,680 which is a 35% increase over the prior year. This is due mainly to an increase in capital outlay expenditures of approximately \$454,622.

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was implemented for the fiscal year ended June 30, 2011. The purpose of this change in reporting fund balances is to help management and citizens to better understand the constraints placed on its resources by providing a more structure classification of fund balances. It also resulted in the \$98,364 restatement increase in of the General Fund as a result of closing out the Maintenance Fund due to the Maintenance Fund not having a dedicated source of revenues.

Finally, interfund balances were substantially eliminated due to the inability of certain funds to repay the amounts previously paid by other funds. The most significant was the \$214,475 transfer to eliminate the interfund liability in the Enterprise Fund due to the General Fund.

USING THIS ANNUAL REPORT

The Town's annual report consists of a series of financial statements that show information for the Town as a whole, and its funds. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. For our governmental activities, the fund financial statements tell how we financed our services in the short-term as well as what remains for future spending. Fund statements also may give you some insights into the Town's overall financial health. Fund financial statements also report the Town's operations in more detail than the government-wide financial statements by providing information about the Town's most significant funds - the general fund, summer feeding, maintenance, and the Sewer Enterprise Fund.

The following chart reflects the information included in this annual report.

**Town of Richwood
Management's Discussion and Analysis (MD&A)**

Financial Section

**Required Supplemental Information
Management's Discussion & Analysis (MD&A)**

Basic Financial Statements

**Government wide
Financial Statements**



**Fund
Financial Statements**

Notes to the Basic Financial Statements

Supplemental Information

Schedule of Compensation Paid Mayor and Aldermen

Other Reports Required by Government Auditing Standards

Other Information

**Summary Schedule of Prior Audit Findings
Corrective Action Plan for Current Year Findings
Management Letter**

Our auditor has provided assurance in the independent auditor's report located immediately preceding this Management's Discussion and Analysis that the Basic Financial Statements are fairly stated. Varying degrees of assurance are being provided by the auditor regarding the Required Supplemental Information, the Supplemental Information and Other Information identified above. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each of the other parts of this report.

Town of Richwood
Management's Discussion and Analysis (MD&A)

Reporting the Town as a Whole

The Statement of Net Assets and the Statement of Activities

Our analysis of the Town as a whole begins with the government-wide financial statements. One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities, which appear first in the Town's financial statements, report information about the Town as a whole and its activities in a way that helps answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net assets - the difference between assets and liabilities, as reported in the Statement of Net Assets - as one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net assets - as reported in the Statement of Activities - are one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Town's operating results. However, the Town's goal is to provide services to our citizens, not to generate profits as commercial entities do. One must consider other nonfinancial factors, such as the quality of police protection, the conditions of the Town's roads, and the sewer and sanitation systems to assess the overall health of the Town.

In the Statement of Net Assets and the Statement of Activities, we divide the Town into two kinds of activities:

Governmental Activities - Most of the Town's basic services are reported here, including the police and general administration, property taxes, franchise fees, licenses and fees, fines and forfeitures, and state and federal grants finance most of these activities.

Business-type Activities - The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's sewer system is reported here.

Reporting the Town's Most Significant Funds

Fund Financial Statements

The Town's fund financial statements provide detailed information about the most significant funds - not the Town as a whole. Some funds are required to be established by State law. However, the Town establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The Town's two kinds of funds - governmental and proprietary - use different accounting approaches:

Governmental funds - Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's operations and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in the reconciliations (Statements D and F).

Town of Richwood
Management's Discussion and Analysis (MD&A)

Proprietary funds - When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Town's utility enterprise fund (a component of proprietary funds) are the same as business-type activities we report in the government-wide financial statements but provide more detail and additional information, such as cash flows, for proprietary funds.

THE TOWN AS A WHOLE

Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Town's governmental and business-type activities.

Table 1
Net Assets
June 30,

	Government Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 245,271	\$ 916,490	\$ 200,963	\$ 31,852	\$ 446,234	\$ 948,342
Capital assets (net)	1,298,638	677,985	623,519	629,084	1,922,157	1,307,069
Total assets	1,543,909	1,594,475	824,482	660,936	2,368,391	2,255,411
Current and other liabilities	334,387	238,989	18,851	14,981	353,238	253,970
Long-term liabilities	878,937	879,916	548,735	605,807	1,427,672	1,485,723
Total liabilities	1,213,324	1,118,905	567,586	620,788	1,780,910	1,739,693
Net assets						
Invested in capital assets, net of debt	545,701	-	60,918	8,296	606,619	8,296
Restricted for debt service	64,323	64,256	135,290	106,966	199,613	171,222
Restricted for capital improvement	7,078	334,126	-	-	7,078	334,126
Unrestricted	(286,517)	77,188	60,688	(75,114)	(225,829)	2,074
Total net assets	\$ 330,585	\$ 475,570	\$ 256,896	\$ 40,148	\$ 587,481	\$ 515,718

The net assets of the Town's governmental activities decreased by \$144,985 during 2011. The unrestricted net deficit (the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements) was a negative \$279,439 at the end of this year.

The net assets of our business-type activities increased \$184,873 in 2011. Unrestricted net assets were \$60,688 at the end of this year.

Town of Richwood
Management's Discussion and Analysis (MD&A)

Table 2
Changes in Net Assets
For the Years Ended June 30,

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues						
Program revenues						
Charges for services	\$ 3,000	\$ -	\$ 162,579	\$ 168,582	\$ 165,579	\$ 168,582
Operating grants and contributions	186,367	272,191	-	-	186,367	272,191
Capital grants and contributions	6,485	-	35,776	53,219	42,261	53,219
General revenues						
Property taxes	75,056	75,209	-	-	75,056	75,209
Sales tax	243,692	230,030	-	-	243,692	230,030
Beer tax	2,705	3,030	-	-	2,705	3,030
Franchise taxes	59,079	53,510	-	-	59,079	53,510
Charitable gaming funds	364,049	389,916	-	-	364,049	389,916
Licenses and permits	75,061	46,586	-	-	75,061	46,586
Garbage & Other fees	165,172	160,673	-	-	165,172	160,673
Fines and forfeitures	136,023	93,595	-	-	136,023	93,595
Miscellaneous	1,984	1,158	10,373	1,333	12,357	2,491
Total Revenues	1,318,673	1,325,898	208,728	223,134	1,527,401	1,549,032
Functions/Program Expenses						
Governmental activities						
General and administrative	490,335	574,817	-	-	490,335	574,817
Public Safety	481,834	425,198	-	-	481,834	425,198
Public Works	207,229	194,535	-	-	207,229	194,535
Health & Welfare	9,750	33,620	-	-	9,750	33,620
Elections	4,334	-	-	-	4,334	-
Interest Expense	55,701	58,345	-	-	55,701	58,345
Business-type activities						
Utility Enterprise	-	-	238,330	351,005	238,330	351,005
Total Functions/Program Expenses	1,249,183	1,286,515	238,330	351,005	1,487,513	1,637,520
Increase (decrease) in net assets						
before transfers	69,490	39,383	(29,602)	(127,871)	39,888	(88,488)
Transfers	(214,475)	(83,773)	214,475	83,773	-	-
Increase (decrease) in net assets	(144,985)	(44,390)	184,873	(44,098)	39,888	(88,488)
Net assets - beginning as restated	475,570	519,960	72,023	116,121	547,593	636,081
Net assets - ending	\$ 330,585	\$ 475,570	\$ 256,896	\$ 72,023	\$ 587,481	\$ 547,593

Town of Richwood
Management's Discussion and Analysis (MD&A)

Governmental Activities

The cost of all governmental activities this year was \$1,249,183. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through town taxes was only \$380,532 because some of the cost was paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions. Charitable gaming funds accounted for 32% of general revenues which include taxes (property, sales, franchise, and other) and charitable gaming funds.

Business-type Activities

Revenues of the Town's business-type activities (see Table 2) decreased by 6% (\$208,728 in 2011 compared to \$223,134 in 2010). Expenses decreased by \$112,675 or 47% (\$238,330 in 2010 compared to \$351,005 in 2010). These changes were due mainly to \$112,361 in repairs in the sewer system that were incurred in 2010. One-half (\$56,180) of the expense was reimbursed by the Ouachita Parish Police Jury. This \$56,180 decrease in revenues was offset by the \$35,776 the Town received from LCDBG grant for sewer improvements.

THE TOWN'S FUNDS

As the Town completed the year, its governmental funds reported a combined fund deficit balance of \$118,450 which is a decrease of \$764,274 in fund balance from last year. This decrease is due mainly to the \$534,020 spent to complete the Multi-Purpose Building and the net \$214,475 transfer with \$86,858 covering the debt payments and \$127,617 clearing the interfund liability of the Enterprise Fund, a business-type activity.

GENERAL FUND BUDGETARY HIGHLIGHTS

Budgeted expenditures of \$1,120,000 exceeded actual expenditures of \$1,958,038 by \$838,038 or 75%. The two most significant variances were not budgeted: capital outlay of \$549,749 and transfers out of \$214,475. Other significant variances include a favorable variance in debt service-interest of \$117,662 and unfavorable variances in public works for \$101,277 and public safety for \$78,500 (including \$43,000 in additional salaries and benefits and \$10,000 in additional cost both of which were offset by an \$51,000 increase in fines).

**Town of Richwood
Management's Discussion and Analysis (MD&A)**

CAPITAL ASSET

Capital Assets At June 30, the Town had invested in the following capital assets; net of accumulated depreciation:

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 95,000	\$ 95,000	\$ -	\$ -	\$ 95,000	\$ 95,000
Construction in progress	-	351,701	-	-	-	351,701
Park Improvements	71,134	79,190	-	-	71,134	79,190
Buildings	927,585	51,913	-	-	927,585	51,913
Building Improvements	18,508	12,719	-	-	18,508	12,719
Sewer System	-	-	623,519	629,084	623,519	629,084
Furniture and equipment	54,318	54,431	-	-	54,318	54,431
Vehicles	19,968	33,031	-	-	19,968	33,031
Roads	112,125	-	-	-	112,125	-
Totals	\$1,298,638	\$ 677,985	\$ 623,519	\$ 629,084	\$1,922,157	\$1,307,069

See Note 7 for information on capital assets.

DEBT ADMINISTRATION At June 30, 2011, the Town had \$70,000 in certificate of indebtedness and \$770,000 outstanding in revenue bonds in the Governmental Activities. The Enterprise-Sewer Fund had outstanding bonds payable of \$548,735. More information is presented on long-term debt in Note 8 of the Notes to the Basic Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS Our elected and appointed officials and citizens consider many factors when setting the Town's budget and tax rates. Total budgeted revenues and other sources in the General Fund for 2012 are \$1,098,150, a 14% decrease from the 2011 actual. One of the most important factors affecting the budget is our charitable gaming (video bingo) collections which is 30% of budgeted revenues in the Governmental funds. The largest decrease between the 2012 budget and the 2011 actual is the lack of any budgeted transfers in. For 2011, the amount transferred in was \$148,267 which reflected the repayment of \$20,650 from two funds and the use of \$127,617 in capital expenditures for the completion of the Multi-Purpose Building from the Capital Improvements Fund. It should be noted that the 2012 budget has been prepared but not officially adopted.

The General Fund budget for expenditures in 2012 is \$1,063,150, a 45% decrease from the 2011 actual. The most significant change is the lack of any budgeted revenues for capital expenditures which totaled \$549,749 in 2011, largely consisting of the completion of the Multi-Purpose Building. The 2011 fiscal year also had \$137,625 in transfers out to the Enterprise Fund to close out an amount due from the Enterprise Fund to the General Fund which given the lack of funds foreseen in that fund, was closed out into the General Fund.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT Our financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact the Town Clerk, at the Town of Richwood, 2710 Martin Luther King Drive, Monroe, Louisiana 71202-7004, telephone number (318) 325-4328.

BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS (GWFS)**

Town of Richwood
Statement of Net Assets
June 30, 2011

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 49,414	\$ 31	\$ 49,445
Investments	64,323	135,290	199,613
Due from other governments	56,492	4,985	61,477
Receivables, net	27,994	20,709	48,703
Internal balances	-	-	-
Capital assets, net	1,298,638	623,519	1,922,157
Other assets	47,048	39,948	86,996
Total assets	<u>1,543,909</u>	<u>824,482</u>	<u>2,368,391</u>
Liabilities			
Accounts payable	271,985	4,985	276,970
Interest payable	17,714	13,866	31,580
Payroll liabilities	44,688	-	44,688
Long-term liabilities			-
Due within one year	15,000	58,527	73,527
Due in more than one year	863,937	490,208	1,354,145
Total liabilities	<u>1,213,324</u>	<u>567,586</u>	<u>1,780,910</u>
Net Assets			
Invested in capital assets, net of related debt	545,701	60,918	606,619
Restricted for debt service	64,323	135,290	199,613
Restricted for capital improvements	7,078	-	7,078
Unrestricted	<u>(286,517)</u>	<u>60,688</u>	<u>(225,829)</u>
	<u>\$ 330,585</u>	<u>\$ 256,896</u>	<u>\$ 587,481</u>

The notes to the basic financial statements are an integral part of this statement.

Town of Richwood
Statement of Activities
For the Year Ended June 30, 2011

	Program Revenues				Primary Government		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental Activities	\$	\$	\$	\$	\$	\$	\$
General and administrative	490,335	-	186,367	6,485	(297,483)	-	(297,483)
Public safety	481,834	-	-	-	(481,834)	-	(481,834)
Public works	207,229	168,172	-	-	(39,057)	-	(39,057)
Health and welfare	9,750	-	-	-	(9,750)	-	(9,750)
Elections	4,334	-	-	-	(4,334)	-	(4,334)
Interest expense	55,704	-	-	-	(55,704)	-	(55,704)
Total governmental activities	1,249,186	168,172	186,367	6,485	(888,162)	-	(888,162)
Business-Type Activities							
Utility Fund	238,330	162,579	-	35,776	-	(39,975)	(39,975)
Total	1,487,516	330,751	186,367	42,261	(888,162)	(39,975)	(928,137)
General revenues							
Taxes							
Property taxes, levied for general purposes					75,056	-	75,056
Sales taxes					243,692	-	243,692
Beer taxes					2,705	-	2,705
Franchise taxes					59,079	-	59,079
Charitable gaming funds					364,049	-	364,049
Licenses and permits					75,061	-	75,061
Fines and forfeitures					136,023	-	136,023
Miscellaneous					1,987	10,373	12,360
Transfers					(214,475)	214,475	-
Total general revenues and transfers					743,177	224,848	968,025
Changes in net assets					(144,985)	184,873	39,888
Net assets - beginning, as restated					475,570	72,023	547,593
Net assets - ending					\$ 330,585	\$ 256,896	\$ 587,481

The notes to the basic financial statements are an integral part of this statement.

BASIC FINANCIAL STATEMENTS
FUND FINANCIAL STATEMENTS (FFS)

**Town of Richwood
Governmental Funds
Balance Sheet
June 30, 2011**

	General Fund	Special Revenue Funds		Capital Projects Fund	Total
		Project RAP Fund	Housing Grant Fund	Capital Improvements Fund	
Assets					
Cash and cash equivalents	\$ 5,488	\$ 43,926	\$ -	\$ -	\$ 49,414
Investments	64,323	-	-	-	64,323
Due from Other Governments	27,360	29,132	-	-	56,492
Receivables, net	27,994	-	-	-	27,994
Interfund receivables	65,980	-	-	-	65,980
Total Assets	191,145	73,058	-	-	264,203
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 271,985	\$ -	\$ -	\$ -	\$ 271,985
Payroll and other accrued liabilities	44,688	-	-	-	44,688
Interfund payables	-	65,980	-	-	65,980
Total liabilities	316,673	65,980	-	-	382,653
Fund Balances					
Restricted for debt service	64,323	-	-	-	64,323
Restricted for road improvements	-	7,078	-	-	7,078
Unassigned (deficit)	(189,851)	-	-	-	(189,851)
Total fund balances	(125,528)	7,078	-	-	(118,450)
Total Liabilities and Fund Balances	\$ 191,145	\$ 73,058	\$ -	\$ -	\$ 264,203

The notes to the basic financial statements are an integral part of this statement.

Town of Richwood
Reconciliation of the Governmental Funds' Balance Sheet to
the Governmental Activities' Statement of Net Assets
June 30, 2011

Total fund balances-governmental funds \$ (118,450)

The cost of capital assets (land, buildings, furniture and equipment and infrastructure) purchased or constructed is reported as an expenditure in governmental funds. The Statement of Net Assets includes those capital assets among the assets of the Town as a whole. The cost of those capital assets is allocated over their estimated useful lives (as depreciation expense) to the various programs reported as governmental activities in the Statement of Activities. Because depreciation expense does not affect financial resources, it is not reported in governmental funds.

Cost of capital assets	\$ 1,628,797	
Accumulated depreciation	<u>(330,159)</u>	
		1,298,638

Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported as fun liabilities. All liabilities - both current and long term - are reported in the Statement of Net Assets.

Balances at June 30, 2011 are:

Long-term liabilities		
Bonds payable	(770,000)	
Certificate of indebtedness	(70,000)	
Interest payable	(17,714)	
Discount on bonds payable	17,063	
Legal judgements	<u>(56,000)</u>	
		(896,651)

Bond issue costs are expensed when paid in the governmental funds but are treated as a prepaid expense and amortized in the Statement of Net Assets.

47,048

Net assets-Governmental activities		<u>\$ 330,585</u>
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The notes to the basic financial statements are an integral part of this statement.

**Town of Richwood
Governmental Funds
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2011**

	General Fund	Special Revenue Funds		Capital Projects Fund	Total
		Project RAP Fund	Housing Grant Fund	Capital Improvements Fund	
Revenues					
Local Sources					
Sales taxes	\$ 243,692	\$ -	\$ -	\$ -	\$ 243,692
Property taxes	75,056	-	-	-	75,056
Beer tax	2,705	-	-	-	2,705
Franchise taxes	59,079	-	-	-	59,079
Charitable gaming funds	327,644	-	-	36,405	364,049
Licenses and pedrmits	75,061	-	-	-	75,061
Charges for services	3,000	-	-	-	3,000
Garbage and other fees	165,172	-	-	-	165,172
Intergovernmental-state	38,839	127,128	-	-	165,967
Intergovernmental-federal	-	-	20,400	-	20,400
Fines and forfeitures	136,023	-	-	-	136,023
Miscellaneous revenues	1,987	-	-	-	1,987
Contributions	6,485	-	-	-	6,485
Total revenues	1,134,743	127,128	20,400	36,405	1,318,676
Expenditures					
Current					
General and administrative	473,365	3	-	159	473,527
Public safety	460,500	-	-	-	460,500
Public works	188,277	-	-	-	188,277
Health and welfare	-	-	9,750	-	9,750
Elections	4,334	-	-	-	4,334
Debt service					
Principal	15,000	-	-	-	15,000
Interest	52,338	-	-	-	52,338
Capital outlay					
	549,749	115,000	-	-	664,749
Total expenditures	1,743,563	115,003	9,750	159	1,868,475
Excess (Deficiency) of Revenues Over Expenditures	(608,820)	12,125	10,650	36,246	(549,799)
Other Financing Sources					
Transfers in	148,267	-	-	-	148,267
Transfers out	(214,475)	(10,000)	(10,650)	(127,617)	(362,742)
Total Other Financing Sources	(66,208)	(10,000)	(10,650)	(127,617)	(214,475)
Net Change in Fund Balances	(675,028)	2,125	-	(91,371)	(764,274)
Fund balances-beginning of year	549,500	4,953	-	91,371	645,824
Fund balances-end of year	\$ (125,528)	\$ 7,078	\$ -	\$ -	\$ (118,450)

The notes to the basic financial statements are an integral part of this statement.

Town of Richwood
Reconciliation of the Governmental Funds'
Statement of Revenues, Expenitures and Changes in Fund Balances
to the Governmental Activities' Statement of Activities
For the Year Ended June 30, 2011

Total net change in fund balances - governmental funds \$ (764,274)

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

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation in the period:

Capital outlays	\$ 664,749	
Depreciation	<u>(44,094)</u>	
		620,655

Repayment of debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets

Certificate of indebtedness	15,000	
Bond discount	(1,021)	
Accrued interest	<u>425</u>	
		14,404

Judgements which have been declared by the court but which are not expected to be paid within the next fiscal year are recorded as long term debt in the Statement of Activities (13,000)

Governmental funds report the effects of debt issuance costs and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities (2,770)

Change in net assets of governmental activities \$ (144,985)

The notes to the basic financial statements are an integral part of this statement.

Town of Richwood
Proprietary Fund - Sewer Enterprise Fund
Statement of Net Assets
June 30, 2011

Assets	
Current Assets	
Cash	\$ 31
Investments	135,290
Due from other governments	4,985
Receivables, net	20,709
Bond issuance costs	39,948
Total current assets	<u>200,963</u>
Noncurrent Assets	
Capital assets, net	<u>623,519</u>
Total Assets	<u>824,482</u>
Liabilities	
Current Liabilities	
Accounts payable	4,985
Interest payable	13,866
Bonds payable	58,527
Total current liabilities	<u>77,378</u>
Noncurrent Liabilities	
Bonds payable	<u>490,208</u>
Total Liabilities	<u>567,586</u>
Net Assets	
Invested in capital assets, net of related debt	60,918
Restricted for debt service	135,290
Unrestricted	60,688
Total net assets	<u>\$ 256,896</u>

The notes to the basic financial statements are an integral part of this statement.

**Town of Richwood
Proprietary Fund - Enterprise Fund
Statement of Revenues, Expenses
and Changes in Net Assets
For the Year Ended June 30, 2011**

Operating Revenues	
Fees	\$ 162,579
Intergovernmental - Federal	35,776
Miscellaneous	10,373
Total operating revenues	<u>208,728</u>
Operating Expenses	
Cost of services	
Billing services	16,314
Purchase of services	123,795
Bad debts	5,404
Amortization expense	4,438
Bank charges	153
Depreciation expense	41,340
Total operating expenses	<u>191,444</u>
Income (loss) before non-operating income (expenses)	17,284
Non-operating Income (Expenses)	
Interest expense	<u>46,886</u>
Income (Loss) Before Transfers	(29,602)
Transfers In (Out)	
Transfers in	<u>214,475</u>
Change in Net Assets	184,873
Net Assets - beginning	<u>72,023</u>
Net Assets-Ending	<u>\$ 256,896</u>

The notes to the basic 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, 2011

CASH FLOW (USES) FROM OPERATING ACTIVITIES

Receipts from customers	\$ 157,497
Payments to suppliers of goods and services	(140,681)
Other receipts	30,791
Net cash provided by operating activities	<u>47,607</u>

CASH FLOW (USES) FROM NONCAPITAL FINANCING ACTIVITIES

Transfers in	214,475
Change in due from other funds	23,275
Change in due to other funds	(160,900)
Net cash provided by financing activities	<u>76,850</u>

CASH FLOW (USES) FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Principal paid on debt	(57,072)
Interest paid on debt	(48,001)
Acquisition of capital assets	(35,776)
Net cash used by financing activities	<u>(140,849)</u>

CASH FLOW (USES) FROM INVESTING ACTIVITIES

Purchase of investments	(28,324)
Interest received on investments	10,373
Net cash used by investing activities	<u>(17,951)</u>

Net decrease in cash and cash equivalents

(34,343)

CASH AND CASH EQUIVALENTS - BEGINNING34,374**CASH AND CASH EQUIVALENTS - ENDING**\$ 31**Reconciliation of operating income to net cash**

Operating income	\$ 17,284
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation & amortization	45,778
Interest income	(10,373)
Change in assets and liabilities:	
Accounts receivable	(5,082)
Due from other governments	(4,985)
Accounts payable	4,985
Net cash provided by operating activities	<u>\$ 47,607</u>

Supplemental disclosure of noncash capital and related financing activities:

Change in accrued interest payable included in interest paid on debt	<u>\$ (1,115)</u>
----------------------------------------------------------------------	-------------------

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

Town of Richwood
Notes to Basic Financial Statements
For the Year Ended June 30, 2011

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 aldermen, 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 criterion 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. FUNDS 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.

Town of Richwood
Notes to Basic Financial Statements
For the Year Ended June 30, 2011

A fund is a separate accounting entity with a self-balancing set of accounts. 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 program and activities of the governmental functions of the Town.

The Major Funds are:

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. As of July 1, 2010, the Maintenance Fund (beginning fund balance \$98,364) was included in the General Fund due its lack of a dedicated funding source.

Special Revenue Funds

Project RAP - is supported by proceeds from the state for the rehabilitation of streets.

Housing Grant 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.

Capital Projects Fund

Capital Improvement - is used to account for charitable gaming funds set aside for capital improvements.

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

Enterprise funds - 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. The proprietary fund of the Town is the sewer fund which accounts for the operations of the sewage system.

Activities accounted for in the Town's proprietary fund follow all applicable GASB pronouncements as well as applicable Financial Accounting Standards Board pronouncements issued on or before November 30, 1989.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-Wide Financial Statements (GWFS) The Statement of Net Assets and the Statement of Activities displays information about the reporting government as a whole. The Statement of Net Assets and the Statement of Activities was prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions." When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, it is the town's policy to first apply restricted resources.

Town of Richwood
Notes to Basic Financial Statements
For the Year Ended June 30, 2011

Program revenues Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Allocation of indirect expenses The Town reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Fund Financial Statements (FFS)

Governmental Funds The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt which is recognized when due. Compensated absences and claims and judgments are reported in a governmental fund only if the claims are due and payable.

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 governmental funds use the following practices in recording revenues and expenditures:

Revenues

Ad valorem taxes are recognized when all applicable eligibility requirements are met and the resources are available.

Sales taxes are recognized when the underlying exchange transaction occurs and the resources are available.

Entitlements and shared revenues are recorded as unrestricted grants-in-aid at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met.

Other receipts become measurable and available when cash is received by the Town and are recognized as revenue at that time.

Expenditures

Salaries are recorded as earned.

Other Financing Sources (Uses) Transfers between funds that are not expected to be repaid (or any other types, such as capital lease transactions, sale of fixed assets, debt extinguishments, long-term debt proceeds, et cetera) are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying events occur.

Town of Richwood
Notes to Basic Financial Statements
For the Year Ended June 30, 2011

Operating Revenues and Expenses Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. BUDGET The Town adopted a budget for the fiscal year ended June 30, 2011 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 was one amendment to the original budget.

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 deposit accounts with state banks organized under Louisiana law and any other of the United States of America, or under the laws of the United States of America.

Under state law, the Town may also invest in U. S. Government bonds, treasury notes, or certificates.

For purposes of the statement of cash flows, cash equivalents include all highly liquid investments with a maturity date of three months or less when purchased.

G. INVESTMENTS Investments are limited by LSA-R.S. 33:2955 and the Town's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

The investments are reflected at fair value except for the following which are required/permitted as per GASB Statement No. 31:

1. Investments in nonparticipating interest-earning contracts, such as nonnegotiable certificates of deposit with redemption terms that do not consider market rates, are reported using a cost-based measure.
2. The Town reported at amortized cost money market investments and participating interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less.

Definitions:

Interest-earning investment contract include time deposits with financial institutions (such as certificates of deposit), repurchase agreements, and guaranteed investment contracts.

Money market investments are short-term, highly liquid debt instruments that include U. S. Treasury obligations.

Town of Richwood
Notes to Basic Financial Statements
For the Year Ended June 30, 2011

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

I. ELIMINATION AND RECLASSIFICATIONS In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

J. SALES TAX The Town was authorized in 1986 to levy a 2 percent sales base tax for the purpose of providing funds for any lawful corporate purpose.

K. CAPITAL ASSETS Capital assets are recorded at either historical cost or estimated historical cost and depreciated over their estimated useful lives (excluding salvage value). Donated capital assets are recorded at their estimated fair value at the date of donation. The capitalization threshold for equipment is \$500. Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used based on the following estimated useful lives:

Buildings	20 – 40 years
Computers and computer equipment	5 years
Furniture and equipment	10 years
Vehicles	7 years

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

M. RESTRICTED NET ASSETS Net assets represent the difference between asset and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any debt proceeds used for the acquisition, construction, or improvement to those assets. Net assets are reported as restricted when there are limitations imposed on their use by external parties such as creditors, grantors, laws or regulations of other governments.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

N. Nonspendable, Restricted, Committed, Assigned, and Unassigned Fund Balance Reservations of fund balance represent amounts that are not appropriable for expenditures or legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The Town implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the fiscal year ended June 30, 2011. This statement changed the terminology of the various classifications of fund balance which are nonspendable, restricted, committed, assigned and unassigned which are as follows:

Town of Richwood
Notes to Basic Financial Statements
For the Year Ended June 30, 2011

Nonspendable - The nonspendable portion of fund balance represents items that cannot be spent, such as prepaid expenses.

Restricted - Portions of fund equity reported in the Fund Financial Statements are restricted by local, state or Federal grant regulations for future use and are; therefore, not available for future appropriation or expenditure. The Town's only restricted amount relates to the Project RAP Fund which is restricted for expenditures relating to road improvements.

Committed - Committed fund balances indicate the Town's tentative plans for the use of financial resources in a future period. Fund balance commitments are made by Board approved resolutions. The Town does not have any such fund balances in the current fiscal year.

Assigned - The Board of Aldermen can assign the General Fund's unassigned fund balance as they determine needed for the payment of future commitments. The Board of Aldermen has not established a formal policy regarding the order of spending fund balances that are restricted, committed, or assigned. The Town's informal policy for the spending prioritization of fund balances is that restricted would receive top priority followed by committed. Assigned balances receive the least priority and would be authorized to be spent only if adequate funds were available. If expenditures incurred exceed the amount that have been committed or assigned to a specific purpose, amounts unassigned would be reduced to eliminate the deficit. The Town does not have any assigned fund balances in the current fiscal year.

Unassigned - The unassigned portion of fund balance is the amount not in other spendable classifications. The Town has not established benchmarks for unassigned fund balance requirements.

O. INTERFUND ACTIVITY 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 transfers.

Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statement.

P. USE OF ESTIMATES The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Town of Richwood
Notes to Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 2 - FUND DEFICIT

The General Fund had an unassigned fund deficit at June 30, 2011 of \$189,851 due to expenses significant capital expenditures in fiscal year 2011. Management is addressing this deficit through conscientious fiscal budgeting and expects to reduce it during the fiscal year ending June 30, 2012.

NOTE 3 - CASH AND CASH EQUIVALENTS At June 30, 2011, the Town had deposits of \$49,432.

Interest Rate Risk: The Town's policy does not address interest rate risk.

Credit Risk: The Town's policy does not address credit rate risk.

Custodial Credit-Deposits: At year end, The Town's carrying amount of deposits was \$61,272. In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. As of June 30, 2011, the Town's bank balance was \$61,272 all of which was covered by federal depository insurance or by collateral held by the Town's agent in the Town's name (GASB Category 1).

The Town's policy does not address custodial credit risk.

NOTE 4 - INVESTMENTS At June 30, 2011, the Town had its assets in money market instruments managed by a financial institution. The account has a fair value of \$64,323 in Governmental Funds and \$135,290 in Enterprise Funds as of June 30, 2011. This amount represents 100% of the Town's investment as of this date.

Interest Rate Risk: The Town's policy does not address interest rate risk.

Credit Risk: State law limits investments to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies. New regulations also include investments in investment grade commercial paper of domestic U.S. corporations. Even though the Town adheres to the state regulations, the Town's policy does not address credit rate risk.

Custodial Credit-Deposits: For an investment, this is the risk that, in the event of a failure of the counter party, the Town will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The Town does not maintain investment accounts at a financial institution. As of June 30, 2011, the Town had \$199,613 in money market instruments which are held by the financial institution in the Town's name.

NOTE 5 - DUE FROM OTHER GOVERNMENTS At June 30, 2011, the General Fund had \$27,360, due for sales tax and \$29,132 due from the State of Louisiana for a total of \$56,492 .

Town of Richwood
Notes to Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 6 – OTHER RECEIVABLES The following is a summary of receivables at June 30, 2011:

	General Fund	Enterprise Fund	Total
Charitable gaming	\$ 11,864	\$ -	11,864
Franchise fees	10,266	-	10,266
Property tax	8,737	-	\$ 8,737
Garbage fees	5,341	-	5,341
Sewerage fees	-	26,113	26,113
Gross receivables	36,208	26,113	62,321
Less Allowance for uncollectibles	(8,214)	(5,404)	(13,618)
Total	\$ 27,994	\$ 20,709	\$ 48,703

NOTE 7 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS Interfund receivables and payables are limited to the Project RAP Fund owes the General Fund \$65,980. The interfund receivables/payables are to help cover expenditures until program and grant monies are received. These amounts are expected to be paid in full within one year.

Transfers between funds for fiscal year 2011 were as follows:

	Transfer Out				Total
	General Fund	Project RAP Fund	LCDBG Housing Fund	Capital Improvement Fund	
Transfer In					
General Fund	\$ -	\$ 10,000	\$ 10,650	\$ 127,617	\$ 148,267
Sewer Fund	214,475	-	-	-	214,475
Total	\$214,475	\$ 10,000	\$ 10,650	\$ 127,617	\$ 362,742

The transfer from the General Fund to the Sewer Fund reflects the payment by the General Fund for the Sewer Fund's debt service of \$74,950 and \$139,525 to eliminate the amount due from the Sewer Fund to the General Fund for which the Sewer Fund is unable to repay.

The \$10,000 transfer from the Project RAP Fund reflects a deposit that should have been reflected in the General Fund. The \$10,650 transfer from LCDBG Housing Fund to the General Fund reflects payment by the General Fund in a prior year for FEMA work that was not believed to be collectible at the time. When the funds were deposited into the LCDBG Housing Fund, a transfer was made to the General Fund to reimburse the General Fund for the prior year expenditure. Finally, the \$127,616 transfer from the Capital Improvement Fund to the General Fund reflects the movement of funds for the capital expenditures related to the Multi-Purpose Building.

Town of Richwood
Notes to Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 8 - CAPITAL ASSETS A schedule of changes in capital assets for the year ended June 30, 2011, follows:

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Ending</u>
Governmental activities				
Nondepreciable capital assets				
Land	\$ 95,000	\$ -	\$ -	\$ 95,000
Construction in progress-Multi-Purpose Bldg	351,700	527,300	879,000	-
Total nondepreciable capital assets	<u>446,700</u>	<u>527,300</u>	<u>879,000</u>	<u>95,000</u>
Exhaustible capital assets				
Parks and sidewalks	101,937	-	-	101,937
Buildings	64,700	879,000	-	943,700
Building improvements	13,960	6,720	-	20,680
Furniture & equipment	195,356	15,730	-	211,086
Vehicles	141,395	-	-	141,395
Infrastructure				
Roads	-	115,000	-	115,000
Total depreciable capital assets	<u>517,348</u>	<u>1,016,450</u>	<u>-</u>	<u>1,533,798</u>
Accumulated depreciation				
Parks and sidewalks	22,746	8,057	-	30,803
Buildings	12,788	3,327	-	16,115
Building improvements	1,241	931	-	2,172
Furniture & equipment	140,925	15,843	-	156,768
Vehicles	108,363	13,064	-	121,427
Infrastructure				
Roads	-	2,875	-	2,875
Total accumulated depreciation	<u>286,063</u>	<u>44,097</u>	<u>-</u>	<u>330,160</u>
Total capital assets being depreciated, net	<u>231,285</u>	<u>972,353</u>	<u>-</u>	<u>1,203,638</u>
Capital assets, net	<u>\$ 677,985</u>	<u>\$ 1,499,653</u>	<u>\$ 879,000</u>	<u>\$ 1,298,638</u>

Town of Richwood
Notes to Basic Financial Statements
For the Year Ended June 30, 2011

	Balance Beginning	Additions	Deletions	Balance Ending
Business-type activities				
Nondepreciable assets				
Constuction in Progress				
Highland Road Lift Station	\$ -	\$ 35,776	\$ -	\$ 35,776
Depreciable assets				
Exhaustible capital assets				
Sewer system-cost	1,506,142	-	-	1,506,142
Sewer system-accumulated depreciation	877,058	41,341	-	918,399
Total capital assets being depreciated, net	629,084	(41,341)	-	587,743
Capital assets, net	\$ 629,084	\$ (5,565)	\$ -	\$ 623,519

Depreciation expense was charged to governmental activities as follows:

General and administrativ	\$10,808
Police department	14,335
Public works department	18,954
Total	\$44,097

Town of Richwood
Notes to Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 9 - LONG-TERM LIABILITIES The following is a summary of the long-term obligation transactions for the year ended June 30, 2011:

	Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due Within One Year
Governmental activities					
Bonds payable	\$ 770,000	\$ -	\$ -	\$ 770,000	\$ -
Less deferred amount for issuance of discounts	(18,084)	-	1,020	(17,064)	-
Total bonds payable	751,916	-	1,020	752,936	-
Certificate of indebtedness	85,000	-	(15,000)	70,000	15,000
Legal judgement	43,000	13,000	-	56,000	-
Total Governmental activities	879,916	13,000	(13,980)	878,936	15,000
Business-type activities					
Bonds payable	605,807	-	(57,071)	548,736	58,527
Total business-type activities	605,807	-	(57,071)	548,736	58,527
Total long-term liabilities	\$1,485,723	\$ 13,000	\$ (71,051)	\$1,427,672	\$ 73,527

The individual issues are as follows:

Bond Issue	Issue Date	Original Issue	Interest Rate	Final Payment Due	Interest to Maturity	Principal Outstanding	Fund
Revenue Bond							
Certificate of Indebtedness,							
Series 2005	7/1/2005	150,000	6.00%	6/1/2015	11,100	70,000	General
Bonds, Series 2008A	2/1/2008	770,000	6.00%	2/15/2028	646,763	770,000	General
Bonds, Series 2008B	2/1/2008	530,000	8.50%	2/15/2020	198,900	435,000	Enterprise
Town of Richwood Sewer	8/7/2000	\$290,000	6.40%	10/1/2015	\$ 16,800	\$113,735	Enterprise

In July 2005, the Town issued Certificate of Indebtedness, Series 2005 in the amount of \$150,000 for the sole purpose of extinguishing a debt with the Internal Revenue Service for prior year payroll liabilities. The Certificate of Indebtedness is paid by the General Fund.

In February 2008, the Town issued revenue bonds in the amount of \$1,300,000. Series 2008A is dedicated to public improvements and is paid by the General Fund. Series 2008B is dedicated to extinguishing a debt to the City of Monroe for prior years' sewer services and is payable from the Enterprise Fund-Sewer but was paid by the General Fund due to the lack of funds in the Enterprise Fund.

Town of Richwood
Notes to Basic Financial Statements
For the Year Ended June 30, 2011

In August 2000, the Town issued revenue bonds in the amount of \$290,000 to upgrade and expand the sewer system. These bonds are paid by the Enterprise Fund-Sewer.

The annual requirements to amortize all bonds outstanding at June 30, 2011 are as follows:

Year	Governmental Funds			Enterprise Fund		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 15,000	\$ 51,438	\$ 66,438	\$ 58,527	\$ 43,572	\$ 102,099
2013	15,000	50,538	65,538	65,077	39,046	104,123
2014	20,000	49,638	69,638	66,730	33,993	100,723
2015	20,000	48,438	68,438	73,492	28,832	102,324
2016	-	47,238	47,238	59,909	23,507	83,416
2017-2021	100,000	234,688	334,688	225,000	46,750	271,750
2022-2026	450,000	154,950	604,950	-	-	-
2027-2029	220,000	20,935	240,935	-	-	-
Total	\$ 840,000	\$ 657,863	\$ 1,497,863	\$ 548,735	\$ 215,700	\$ 764,435

NOTE 10 - LITIGATION AND CLAIMS The Town of Richwood is involved in litigation at June 30, 2011.

The Town has three judgments totaling approximately \$56,000. This amount has been included in Governmental Activities.

The Town owes \$87,100 for unemployment claims for periods of fiscal years 2009 through 2011 and \$55,256 for workers compensation insurance coverage for certain periods of fiscal year 2009 to fiscal year 2010 which collectively accounts for 52% of payables in the Town's Governmental Funds. The Town also has an additional \$79,200 (29%) that is due to two entities that is for services provided through July 2010 and another \$50,429 (19%) due to multiple entities for ongoing operations.

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 though the Town expects such amounts, if any, to be immaterial.

NOTE 11 - RISK MANAGEMENT The Town is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties.

NOTE 12 - LEVIED TAXES The Town levies taxes on real and business personal property located within the Town's boundaries. Property taxes are levied by the Town on property values assessed by the Ouachita Parish Tax Assessor and approved by the State of Louisiana Tax Commission.

Town of Richwood
Notes to Basic Financial Statements
For the Year Ended June 30, 2011

Property Tax Calendar

Millage rates adopted	September 21, 2010
Levy date	January 1, 2010
Tax bills mailed	November, 2010
Due date	December 31, 2010
Lien date	January 1, 2011

Assessed values are established by the Ouachita Parish Tax Assessor each year on a uniform basis at the following ratios of assessed value to fair market value.

10% land	15% machinery
10% residential improvements	15% commercial improvements
15% industrial improvements	25% public service properties, excluding lan

Total taxable value was \$4,633,062 in calendar year 2011.

State law requires the Town to collect property taxes in the calendar year in which the assessment is made. Property taxes become delinquent January 1 of the following year. If taxes are not paid by the due date, taxes bear interest at the rate of 1.00% per month until the taxes are paid.

The calendar-year tax roll is prepared by the tax assessor and approved by the State Tax Commission in November of each year. The amount of property taxes to be collected occurs in December, 2010 and January and February, 2011. All property taxes are recorded in the general fund. The Town considers the date penalty and interest accrues (January 1, 2011) as the date an enforceable legal claim occurs for property taxes. Property tax revenue is recognized in the period for which the taxes are levied (budgeted). Accordingly, the property taxes for calendar year 2010 are budgeted in the 2010-2011 fiscal year of the Town.

Estimated uncollectible taxes are those taxes based on past experience which will not be collected in the subsequent year and are primarily due to subsequent adjustments to the tax roll. Historically, virtually all ad valorem taxes receivable were collected since they are secured by property. Therefore, there is no allowance for uncollectible taxes.

NOTE 13 - ON-BEHALF PAYMENTS FOR FRINGE BENEFITS AND SALARIES On-behalf payments for fringe benefits and salaries are direct payments made by an entity, (the paying agent) to a third-party recipient for the employees of another legally separate entity. (the employer entity). GASB Statement No. 24 requires employer governments to recognize revenue and expenditures or expenses for these on-behalf payments.

The State of Louisiana made contributions (regarding Supplemental Pay for Police Officers) directly to employees of the Town of Richwood on behalf of the Town in the amount of \$26,829. This amount was recognized as state revenue with a corresponding expenditure in the applicable fund from which the salary was paid.

NOTE 14 - PRIOR PERIOD ADJUSTMENT - The Enterprise Fund had unrecorded debt service reserve fund account for \$31,876 which has been included for the first time in the financial statements.

Town of Richwood
Notes to Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 15 - ECONOMIC DEPENDENCY The Town received \$364,049 (31%) of its fiscal year 2011 revenues from charitable gaming revenue. Should charitable gaming revenues be reduced or eliminated, such an event would have a significant impact on the Town's financial operations.

NOTE 16 - SIGNIFICANT FINANCIAL CHALLENGES

The Town's near-term financial challenges for the General Fund are as follows:

Accounts payable of \$264,657 which includes payments to two state agencies (\$87,100 and \$55,256) dating back to fiscal year 2008 for some of the activities. These two state agencies will continue to assess penalties and interest until paid. The Town also has an additional \$79,200 that is due to two entities that is for services provided through July 2010.

An undesignated fund deficit of \$189,851 which is an increase of \$150,535 over fiscal year 2010's \$39,316 deficit.

REQUIRED SUPPLEMENTARY INFORMATION

**Town of Richwood
General Fund
Budgetary Comparison Schedule**

For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>General Fund</u>	<u>Variance Favorable (Unfavorable)</u>
Budgetary Fund Balances, Beginning	\$ 551,955	\$ 551,955	\$ 549,500	\$ (2,455)
Resources (inflows):				
Local sources:				
Local Sources				
Sales taxes	220,428	220,428	243,692	23,264
Property taxes	62,760	62,760	75,056	12,296
Beer tax	-	-	2,705	2,705
Franchise taxes	53,532	53,532	59,079	5,547
Charitable gaming funds	329,443	329,443	327,644	(1,799)
Licenses and permits	49,932	49,932	75,061	25,129
Charges for services	165,000	165,000	168,172	3,172
Intergovernmental-state	-	-	38,839	38,839
Fines and forfeitures	96,000	96,000	136,023	40,023
Miscellaneous revenues	5,200	5,200	1,987	(3,213)
Contributions	-	-	6,485	6,485
Transfers in	-	-	148,267	148,267
Total local sources	<u>982,295</u>	<u>982,295</u>	<u>1,283,010</u>	<u>300,715</u>
Amounts available for appropriations	1,534,250	1,534,250	1,832,510	298,260
Expenditures				
Current				
General and administrative	543,714	543,714	473,365	70,349
Public safety	366,400	366,400	460,500	(94,100)
Public works	96,000	96,000	188,277	(92,277)
Elections	-	-	4,334	(4,334)
Debt service				
Principal	15,000	15,000	15,000	-
Interest	70,338	70,338	52,338	18,000
Capital outlay	-	-	549,749	(549,749)
Transfers out	-	-	214,475	(214,475)
Total charges to appropriations	<u>1,091,452</u>	<u>1,091,452</u>	<u>1,958,038</u>	<u>(866,586)</u>
Budgetary Fund Balances, Ending	<u>\$ 442,798</u>	<u>\$ 442,798</u>	<u>\$ (125,528)</u>	<u>\$ (568,326)</u>

Town of Richwood
Notes to Budgetary Comparison Schedule
For the Year Ended June 30, 2011

BUDGETS

Formal budget integration (within the accounting records) is employed as a management control device. Budget amounts included in the accompanying financial statements include the original adopted budget. There were no official revisions adopted by the Town. All budget revisions are approved by the Board of Aldermen.

Budget Basis of Accounting The General Fund budget is prepared on the modified accrual basis of accounting, a basis consistent with accounting principles generally accepted in the United States of America (GAAP). Budgeted amounts are as originally adopted or as amended by the Board. Legally, the Board must adopt a balanced budget; that is, total budgeted revenues and other financing sources including fund balance must equal or exceed total budgeted expenditures and other financing uses. State statutes require the Board to amend its budgets when revenues plus projected revenues within a fund are expected to be less than budgeted revenues by five percent or more and/or expenditures within a fund are expected to exceed budgeted expenditures by five percent or more. The Board approves budgets at the function level for the general fund and at the fund level for special revenue funds. Management can transfer amounts between line items within a function.

SUPPLEMENTARY INFORMATION

Town of Richwood
Schedule of Compensation Paid Mayor and Aldermen
For the Year Ended June 30, 2011

The schedule of compensation paid to the Mayor and Aldermen was prepared in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. As authorized by Town ordinance, aldermen are paid \$775 per month for regular meetings and \$50 per each special meeting held. Also, the Mayor Pro-Tem is paid an extra \$50 per month and the Street Commissioner an extra \$25 per month.

Steve Hunter	Mayor	\$ 54,000
Gerald D Brown	Alderman	5,525
Leola Keys	Alderman	10,200
Leo Kelly	Alderman	10,200
Anthony Holmes	Alderman	4,075
Alvin Jackson	Alderman	9,550
Wysinger Cleveland	Alderman	9,550

**OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

The first report following this page is a report on compliance and on internal control over financial reporting based on an audit of basic 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 financial statements and presents, where applicable, compliance matters that would be material to the basic financial statements. The section of the report on internal control over financial reporting is, likewise, based solely on the audit of the basic financial statements and includes, where appropriate, any reportable conditions and/or material weaknesses.

LUFFEY, HUFFMAN, RAGSDALE & SOIGNIER

(A PROFESSIONAL ACCOUNTING CORPORATION)
CERTIFIED PUBLIC ACCOUNTANTS

John L. Luffey, MBA, CPA (1963-2002)
Francis I. Huffman, CPA
Philip A. Ragsdale, CPA
David Ray Soignier, CPA, MBA

John Herman, CPA
Lynn Andries, CPA
Esther Atteberry, CPA
Sandra Harrington, CPA
Lori Woodard, MBA, CPA

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

Honorable Steve Hunter, Mayor
and Members of the Board of Aldermen
Town of Richwood
Richwood, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Richwood, (the Town) as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements and have issued our report thereon dated July 3, 2012. 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 of the United States.

Internal Control Over Financial Reporting In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings as 11-01 through 11-05 to be material weaknesses.

**Town of Richwood
Richwood, Louisiana**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings as items 11-02, 11-03 and 11-05.

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Town's responses and, accordingly, we express no opinion on them.

This report is intended for the information of management of the Town, the Board of Alderman, others within the entity, federal and state awarding agencies and pass-through entities, and other entities granting funds to the Town, and the Legislative Auditor for the State of Louisiana and is not intended to be used and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Huffman, Huffman, Reynolds & Squires

(A Professional Accounting Corporation)

July 3, 2012

**Town of Richwood
Schedule of Findings
For the Year Ended June 30, 2011**

2011-01 Failure to Properly Record Transactions

First Reported: 2007

Finding

The Town continues to have issues in recording transactions properly whereby a number of transactions were still required to be adjusted once we started the audit. From the Town's ending trial balances for each fund, it was noted that the 2010 adjusting entries had not been made. Therefore, a significant number of entries (47) were made to adjust the beginning fund balances on each of the funds which was followed by an even larger number of entries (99) related to the audit year. One of the 99 entries made in the current year was to set up a \$31,876 bank account in the Enterprise Fund that was not recorded in the accounting records. A summary of the net amount of these entries by classification is as follows:

	<u>Assets</u>	<u>Liabilities</u>	<u>Equity</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Transfers</u>
Pre 2011 adjustments	\$452,434	(\$601,313)	\$148,880	\$0	\$0	\$0
2011 adjustments	(92,140)	383,765	(22,754)	(298,845)	(227,914)	257,888
Total adjustments	<u>\$360,294</u>	<u>(\$217,549)</u>	<u>\$126,125</u>	<u>(\$298,845)</u>	<u>(\$227,914)</u>	<u>\$257,888</u>

The most significant reason for the problems cited above relates to the Town employing a bookkeeper who does a fairly good job of classifying its routine receipts and disbursements to the appropriate accounts but does not have the expertise that the Town needs in regards to nonroutine transactions. The accounts that required significant adjustments included the proper recording of the construction of the Multi-Purpose Building and other smaller projects such as road construction, proper recording of debt payments, the recording of 2010 receivables as revenues, not recording 2011 receivables, not reporting all of the 2011 liabilities, reversing 2010 payroll accruals, not setting up 2011 payroll accruals and activity between funds.

An additional area of concern relates to the Town's chart of accounts. Currently, the chart of accounts includes multiple accounts to record the same type of transactions which makes comparisons of related accounts between years virtually impossible without doing multiple combining of balances of related accounts.

Additionally, accounts do not follow a logical order in that all general government accounts are not grouped together in the same account range. The same is true for other account groupings such as public safety and public works. Conversely, other accounts should be split into more easily identifiable multiple accounts. For example, payroll liabilities are largely grouped into one account. It would be much easier to track operations of liabilities if this account was split into federal taxes and state taxes. Other payroll deductions should also have their own accounts so as to easily reflect the accuracy of an account.

Finally, in the cash accounts, there was \$15,071 reflected as reconciling items between two bank accounts that netted to \$0. These items were adjusted to reflect appropriate ending balances in each of the two bank accounts. Also eliminated were outstanding checks (\$1,298) and deposits (\$2,250) dating back to 2005 that were netted and posted to Miscellaneous Expense.

**Town of Richwood
Schedule of Findings
For the Year Ended June 30, 2011**

Recommendation

We recommend that the Town re-employ the services of the outside CPA to accurately report its financial status. We understand the financial condition of the Town does limit its ability to employ outside assistance. However, given the Town's perilous financial status, it is imperative for the Town to have accurate financial information in order to improve its status.

The Town should use the outside CPA in revising the Town's chart of accounts as prescribed in the Louisiana Government Audit Guide. Additionally, being able to have the correct number of accounts would aid in budget preparation and later, after the beginning of a fiscal year, an easily comparable budget to the related actual revenues and expenditures. Currently, there is not such a comparison without quite a bit of manipulation and time. If such modifications are made, the budget to actual comparison can be made at any time which will provide a complete financial snapshot of the Town's operations. The creation of the budget for the following fiscal year would go from being a challenging process to one that would be free of the logistical challenge and more focus-driven on the actual expectations of the coming year.

It should also be noted that this process is of significant importance and will not be a project that can be accomplished in a short amount of time and should involve closing off the bookkeeper away from daily activities for part of the day to devote full attention to making the chart of accounts a useable source of information.

Management Corrective Action

We are aware of the issues cited above and do agree on the need to re-employ the outside consulting CPA. In doing so, many if not all of the issues cited will be eliminated.

**2011-02 Louisiana Audit Law
First Reported: 2008**

Finding

The audited financial statements were not submitted to Louisiana Legislative Auditor by December 31, 2010 (six months after fiscal year end) as required by Louisiana Revised Statute 24:513.

Recommendation

The Town should work aggressively to implement the recommendation cited in the previous finding. As necessary, the Town should consult its outside CPA for assistance throughout the year. Finally, the adjusted trial balance and other basic documents should be submitted to the auditor no later than 90 days after year end.

Management Corrective Action

The Town completely understands the need to comply with this statute and will comply with this requirement for fiscal year 2012.

**Town of Richwood
Schedule of Findings
For the Year Ended June 30, 2011**

2011-03 Possible Noncompliance with State Law Regarding Participation in the Municipal Police Employees Retirement System.

First Reported: 2009

Finding: As previously report in 2009, the Town does not participate in the Municipal Police Employees Retirement System (the System) and was not able to produce evidence that the Town is exempt from participation in the System. Per Louisiana Revised Statutes 11:2214, unless the Town enacted an ordinance on or before January 1, 1978, to exempt the Town, participation in the System is mandatory for certain police employees.

Recommendation: As recommended in 2009, we also recommend that the Town consult its legal counsel to determine the Town's status or the Town could call the System office for guidance. If the conclusion is that the Town is required to participate, then the System will then determine what action is necessary to bring the Town into compliance.

Management Corrective Action: The Town will pursue legal counsel to resolve this issue.

2011-04 Collection of Property Taxes.

First Reported: 2010

Finding: The Town does not have adequate procedures in place to ensure collection of all property tax assessments. Assessments of \$75,056 were billed for in November 2010. Of that amount, the Town collected \$66,319 leaving a remaining balance at June 30, 2011 of \$8,737. Of this amount, \$523 was collected after June 30, 2011 leaving \$8,214 (10.9%) which was charged to bad debts. No action has taken place to ensure collection of the \$8,214.

Currently, the Town's collection efforts are limited to sending out a second notice. If the tax payer does not pay from the initial billing (mailed by the Ouachita Parish Tax Assessor) or the second billing (mailed by the Town), no action is taken to secure the funds due to the Town. Even though the same procedures existed in the prior year, the Town still managed to collect \$73,349 of its \$75,209 property taxes and wrote off \$1,859 (2.5%).

This failure to pursue collection of property taxes could continue to exculpate as more and more people learn of the Town does not enforce collection.

Recommendation

We recommend that the Town review its enforcement of collecting property taxes policy which should include seizure of property for sale by the Ouachita Parish Sheriff.

Management Corrective Action

The Town will better enforce the collection of property taxes by implementing a system that is continuously updated upon the receipt of revenues and provides an accurate receivable balance at any point in time. Further, the Town will take appropriate action necessary to collect outstanding balances.

**Town of Richwood
Schedule of Findings
For the Year Ended June 30, 2011**

2011-05 Louisiana Budget Act

First Reported: 2011 (new)

Finding

The Town is required to revise its budget whenever budgeted resources are failing to meet actual by more than five percent (LA R.S.39:1311). The Town's actual expenditures of \$1,958,038 exceeded its final General Fund budget for expenditures of \$1,091,452 by nearly \$867,000 or 79 % for the year ended June 30, 2011. The two largest variances were for capital outlay of \$549,749 and transfers out of \$214,475 neither of which were budgeted. An amended budget was prepared for the Town but was not adopted.

Additionally, the fund balance in the General Fund is a negative \$125,528. Having a future budget that does not pull the fund balance to a positive number will also be a violation of the Louisiana Budget Act. This negative fund balance was largely caused by the \$100,000 cost overrun for the construction of the Multi-Purpose Building.

Finally, it was noted that the Town did not adopt a budget for fiscal year 2012 before year-end.

Recommendation

We recommend the Town comply with the state statute and ensure the budget is revised appropriately as soon as negative variances in excess of five percent become apparent.

Management Corrective Action Plan

The Town is aware of the need to amend the budget as necessary during the course of the year when the District's budget is beyond the 5% negative variance threshold. As such, we originally attempted to amend the budget based on projected expenditures towards the end of the year but failed to do so prior to year-end. In regards to the fiscal year 2012 budget, we failed to do so as we did not have final budgeted numbers for a couple of the line items.

We will continue to take an active roll regarding this issue.

**Town of Richwood
Schedule of Findings
For the Year Ended June 30, 2011**

2011-06 Written Documentation

First Reported: 2009

Finding

The Town has not prepared formal written policies and procedures governing the Town's fiscal operations. Failure to have such written documentation limits the Town's ability to adequately deal with employee turnover as well as enforcing the policies and procedures in the event of noncompliance by an employee.

Recommendation

The Town needs to have written documentation to assist during an unexpected event such as the loss of a key employee. The written policies and procedures manual would also serve as documentation of the Town's internal controls.

Management Corrective Action

The Town will be developing these policies and procedures in the near future.

**Town of Richwood
Summary Status of Prior Year Findings**

The following is a summary of the status of the prior year findings included in Luffey, Huffman, Ragsdale and Soignier (APAC) audit report dated July 13, 2011 of the Town of Richwood, Louisiana as of and for the year ended June 30, 2010.

2010-01 Failure to Properly Record Transactions

First Reported: 2007

Finding: A number of transactions required adjustment during the audit. Areas needing attention were as follows:

- Disaggregating Certain Revenues and Expenditures
- Chart of Accounts
- Reporting Transactions in the Appropriate Fund
- Reconciling Bank Account Items
- Reporting Payroll Expenses by Department
- Matching Receipt with Year-end Revenue Accrual
- Correcting Prior Year Audited Balances

Status: The Town still has a number of issues in this area. See related Finding 2011-01

2010-02 Controls over Purchasing and Disbursements

First Reported: 2003

Finding: The Town's internal controls over purchasing and disbursements were inadequate and not functioning properly. Areas of concern were as follows:

- 2 vendor disbursements without supporting invoices
- 1 vendor disbursement paid from a statement instead of an invoice
- 2 vendor disbursements were for less than the invoice amount without an explanation as to the reason
- 4 payroll disbursements without a supporting timesheet
- 5 police time cards did not have time stamp or were time stamped but not legible

Town of Richwood
Summary Status of Prior Year Findings

- o 3 (of the 3 pulled in the testwork) payroll disbursements to the IRS for remittance of taxes did not have supporting documentation as to the source of the amount transmitted.

Status: The Town has made significant improvement in this area and this finding is considered as cleared.

2010-03 Louisiana Audit Law

First Reported: 2008

Finding: The audited financial statements were not submitted to the Louisiana Legislative Auditor by December 31, 2010 (six months after fiscal year end) as required by Louisiana Revised Statute 24:513.

Status: The Town is still experiencing problems in submitting its financial statements timely. See related finding 2011-02

2010-04 Possible Noncompliance with State Law Regarding Participation in the Municipal Police Employees Retirement System.

First Reported: 2009

Finding: The Town does not participate in the Municipal Police Employees Retirement System (the System) and was not able to produce evidence that the Town is exempt from participation in the System. Per Louisiana Revised Statutes 11:2214, unless the Town enacted an ordinance on or before January 1, 1978, to exempt the Town, participation in the System is mandatory for certain police employees.

Status: The Town has not obtained a ruling on this issue. See related Finding 2011-03

2010-05 Collection of Property Taxes.

First Reported: 2010

Finding: The Town does not have adequate procedures in place to ensure collection of all property tax assessments. Currently, the Town's collection efforts are limited to sending out a second notice. If the tax payer does not pay from the initial billing (mailed by the Ouachita Parish Tax Assessor) or the second billing (mailed by the Town), no action is taken to secure the funds due to the Town.

Status: The Town has not taken any action in this area. See related Finding 2011-04

2010-06 Written Documentation

First Reported: 2009

Finding: The Town has not prepared formal written policies and procedures governing the Town's fiscal operations. Additionally, the Town has not prepared a disaster recovery and business continuity plan.

**Town of Richwood
Summary Status of Prior Year Findings**

Status: The Town has been included in the Ouachita Parish Homeland Security and Emergency Preparedness Agency's disaster recovery plan. The Town is still in need of preparing written policies and procedures governing the Town's fiscal operations. See related Finding 2011-06.

Management Letter

2010-01 Louisiana Local Government Budget Act

First Reported as a finding: 2000

First Reported in a management letter: 2010

Finding: The Town needs to be able to compare its legally adopted budget to the financial activity at any point in time a management tool for decision making.

Additional specific compliance issues in 2010 were as follows:

The budget did not include an estimated fund balanced

The budget was not adopted until July 2009

The Town was unable to provide evidence of a budget message, publication of the time and place for the budget hearing or that the budget was available for public inspection.

Status: The Town has continues to have significant issues in this area. See related Finding 2011-05