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Release Date 09-06-00

**WILLIAM D. EDWARDS, CPA**

A PROFESSIONAL CORPORATION  
206 REYNOLDS DRIVE, SUITE G-2 • RUSTON, LOUISIANA 71270

**TOWN OF RICHWOOD, LOUISIANA  
GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000**

TOWN OF RICHIWOOD  
GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2000

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# WILLIAM D. EDWARDS

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

## INDEPENDENT AUDITORS' REPORT

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

I have audited the accompanying general purpose financial statements of Town of Richwood, Louisiana, as of and for the year ended June 30, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of Town of Richwood's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

Except as discussed in the following paragraph, I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

I issued a disclaimed opinion for the year ended June 30, 1999, due to a scope limitation. I was unable to audit the balances as of July 1, 1999, nor was I able to satisfy myself as to those financial activities by other auditing procedures. Those financial activities are included in the governmental fund type and proprietary fund type and represent 100 percent and 100 percent of the financial activities of the governmental fund type and proprietary fund type, respectively. I was unable to obtain sufficient cost data on the sewer lines in the proprietary fund, nor the cost data on most of the assets in the Fixed Asset Account Group, nor was I able to satisfy myself as to those cost by other auditing procedures.

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had I been able to examine evidence regarding July 1, 1999 balances and sufficient cost data on the sewer lines, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Town of Richwood, as of June 30, 2000, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

  
Ruston, Louisiana  
August 29, 2000

TOWN OF RICHWOOD  
 Combined Balance Sheets - All Fund Types and Account Groups  
 As of June 30, 2000

	Governmental Fund Type		Proprietary Fund Type	General Fixed Asset Account Group	(Memo) Totals
	General Fund	Special Revenue Fund	Sewer Fund		
<b>ASSETS</b>					
Unrestricted assets:					
Cash and equivalents	\$34,717	\$4,343	\$9,112		\$48,172
Accounts receivable	44,571	14	19,457		64,042
Accrued billing			11,037		11,037
Due from other funds	21,358	500			21,858
Property, plant, and equipment			1,207,755	\$129,215	1,336,970
Accumulated depreciation			(513,296)		(513,296)
Other assets	1,728				1,728
<b>TOTAL ASSETS</b>	<u>102,374</u>	<u>4,857</u>	<u>734,065</u>	<u>129,215</u>	<u>970,511</u>
<b>Liabilities and Fund Equity</b>					
Liabilities:					
Accounts payable and taxes payable	\$189,702		\$288,912		\$478,614
Due to other funds	500	21,358			21,858
<b>Total liabilities</b>	<u>190,202</u>	<u>21,358</u>	<u>288,912</u>	<u>0</u>	<u>500,472</u>
Fund Equity:					
Investment in general fixed assets				\$129,215	129,215
Contributed capital - grants			1,207,755		1,207,755
Retained earnings - unreserved			(762,602)		(762,602)
Fund balance - unreserved - undesignated	(87,828)	(16,501)			(104,329)
<b>Total fund equity</b>	<u>(87,828)</u>	<u>(16,501)</u>	<u>445,153</u>	<u>129,215</u>	<u>470,039</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u>\$102,374</u>	<u>\$4,857</u>	<u>\$734,065</u>	<u>\$129,215</u>	<u>\$970,511</u>

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

TOWN OF RICHWOOD  
 Combined Statement of Revenue, Expenditures, and  
 Changes in Fund Balances - Governmental Fund Type  
 For the year ended June 30, 2000

	General Fund	Special Revenue Fund	(Memo) Totals
REVENUES			
Taxes	\$191,531		\$191,531
Fees and other nontax revenues	142,288		142,288
Grants and receipts from other governments	93,082	\$113,883	206,965
Other	15,440	1,371	16,811
TOTAL REVENUES	<u>442,341</u>	<u>115,254</u>	<u>557,595</u>
EXPENDITURES			
General government	312,834		312,834
Public safety	198,677		198,677
Health and welfare		28,222	28,222
Capital outlay	39,335	95,452	134,787
TOTAL EXPENDITURES	<u>550,846</u>	<u>123,674</u>	<u>674,520</u>
EXCESS OF REVENUES OVER EXPENDITURES	(108,505)	(8,420)	(116,925)
OTHER FINANCING SOURCE (USE)			
Operating transfer in	79,023		79,023
Operating transfer out	(8,939)		(8,939)
TOTAL OTHER FINANCING SOURCE (USE)	<u>70,084</u>	<u>0</u>	<u>70,084</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCE OVER EXPENDITURES AND OTHER FINANCING USE	(38,421)	(8,420)	(30,001)
FUND BALANCE (Deficit), BEGINNING	<u>(49,407)</u>	<u>(8,081)</u>	<u>(41,326)</u>
FUND BALANCE, ENDING	<u><u>(\$87,828)</u></u>	<u><u>(\$16,501)</u></u>	<u><u>(\$71,327)</u></u>

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

TOWN OF RICHWOOD  
 Combined Statement of Revenue, Expenditures, and  
 Changes in Fund Balances - Budget and Actual  
 GAAP Basis - General Fund  
 For the year ended June 30, 2000

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Utilities	\$17,000	\$0	(\$17,000)
Occupational license & Fees	30,000	24,467	(5,533)
Sales tax	200,000	142,442	(57,558)
Franchise fees	25,000	31,208	6,208
Tobacco tax, beer tax & video poker	22,000	19,513	(2,487)
Property tax	27,500	29,576	2,076
Garbage	40,000	36,782	(3,218)
Court System	45,000	49,871	4,871
Grants	40,000	90,532	50,532
State contracts		2,550	2,550
Other income	15,000	15,400	400
TOTAL REVENUES	<u>461,500</u>	<u>442,341</u>	<u>(19,159)</u>
EXPENDITURES			
General government	268,500	312,834	(44,334)
Public safety	265,000	198,677	66,323
Capital outlay		39,335	(39,335)
TOTAL EXPENDITURES	<u>533,500</u>	<u>550,846</u>	<u>(17,346)</u>
EXCESS OF REVENUES OVER EXPENDITURES	(72,000)	(108,505)	(36,505)
OTHER FINANCING SOURCE (USE)			
Operating transfer in		79,023	79,023
Operating transfer out		(8,939)	(8,939)
TOTAL OTHER FINANCING SOURCE (USE)	<u>0</u>	<u>70,084</u>	<u>70,084</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCE OVER EXPENDITURES AND OTHER FINANCING USE	(72,000)	(38,421)	33,579
FUND BALANCE (Deficit), BEGINNING	<u>(49,407)</u>	<u>(49,407)</u>	<u>0</u>
FUND BALANCE, ENDING	<u>(\$121,407)</u>	<u>(\$87,828)</u>	<u>\$33,579</u>

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

TOWN OF RICHWOOD  
 Combined Statement of Revenues, Expenses, and  
 Changes in Retained Earnings - Budget and Actual  
 GAAP Basis - Sewer Fund  
 For the year ended June 30, 2000

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Fees	\$200,000	\$160,725	(\$39,275)
TOTAL OPERATING REVENUES	<u>200,000</u>	<u>160,725</u>	<u>(39,275)</u>
OPERATING EXPENSES			
Purchase of services	65,000	87,137	(22,137)
Materials and supplies		6,744	(6,744)
Depreciation		30,194	(30,194)
Other		131	(131)
TOTAL OPERATING EXPENSES	<u>65,000</u>	<u>124,206</u>	<u>(59,206)</u>
Income (loss) before operating transfers	135,000	36,519	(98,481)
Operating Transfers In		8,939	8,939
Operating Transfers Out		(79,023)	(79,023)
Total operating transfers	<u>0</u>	<u>(70,084)</u>	<u>(70,084)</u>
NET INCOME	135,000	(33,565)	(168,565)
RETAINED EARNINGS, BEGINNING	<u>478,718</u>	<u>478,718</u>	<u>0</u>
RETAINED EARNINGS, ENDING	<u>\$613,718</u>	<u>\$445,153</u>	<u>(\$168,565)</u>

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

TOWN OF RICHWOOD  
 Statements of Cash Flows - Proprietary Fund Type  
 For the Year Ended June 30, 2000

CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Income	\$36,519
Adjustments to Reconcile Operating Income to Net	
Cash Provided by Operating Activities:	
Depreciation	30,194
Increase in accounts receivable	(30,494)
Increase in accrued liabilities	<u>39,261</u>
NET CASH (USED BY) OPERATING ACTIVITIES	75,480
CASH FLOWS FROM FINANCING ACTIVITIES	0
CASH FLOWS FROM INVESTING ACTIVITIES	
Operating transfers (net)	<u>(70,084)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>(70,084)</u>
NET INCREASE IN CASH	5,396
CASH AT BEGINNING OF YEAR	<u>3,716</u>
CASH AT END OF YEAR	<u><u>\$9,112</u></u>
SUMMARY	
Operating account	<u><u>\$9,112</u></u>
Expenditures for interest - cash basis	<u><u>-0-</u></u>
Expenditures for taxes - cash basis	<u><u>-0-</u></u>

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

TOWN OF RICHWOOD  
Notes to the Financial Statements  
For the Year Ended June 30, 2000

## INTRODUCTION

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

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

#### A. BASIS OF PRESENTATION

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

#### B. REPORTING ENTITY

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

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

1. Appointing a voting majority of an organization's governing body, and
  - a. The ability of the municipality to impose its will on that organization and/or
  - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the municipality.

TOWN OF RICHWOOD  
Notes to the Financial Statements  
For the year ended June 30, 2000

2. Organizations for which the municipality does not appoint a voting majority but are fiscally dependent of the municipality.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization were not included because of the nature or significance of the relationship. As required by generally accepted accounting principles, these financial statements present the Town of Richwood (the primary government). The Town of Richwood has no component units.

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

#### C. FUND ACCOUNTING

The accounts of the Town of Richwood are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. The individual funds account for the governmental resources allocated to them for the purposes of carrying on specific activities in accordance with special regulations, restrictions, or limitations. The funds used by the Town of Richwood are grouped into two broad fund types and 3 generic funds as follows:

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

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

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

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

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

TOWN OF RICHWOOD  
Notes to the Financial Statements  
For the year ended June 30, 2000

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

*General Fixed Asset Account Group* The General Fixed Assets Account Group is used to account for all fixed assets of the Town other than those accounted for in proprietary funds.

#### D. BASIS OF ACCOUNTING

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used by all governmental funds. The governmental funds use the following practices in recording revenues and expenditures:

##### Revenues

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

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

Licenses and permits are recognized as revenue in the period received, but not before the benefit period. However, for the year ended June 30, 2000, amounts were also recognized as revenue if they were available within 60 days (based on actual collections). Since licenses and permits were not "billed" on a timely basis, this accrual recognizes revenue to finance the budget for that period.

##### Expenditures

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

##### Other Financing Sources (Uses)

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

TOWN OF RICHWOOD  
Notes to the Financial Statements  
For the year ended June 30, 2000

E. BUDGETS

The Town adopted a budget for the fiscal year ended June 30, 2000 for the General fund and the proprietary fund. The Town follows the following procedures in establishing the budgetary data reflected in the financial statements. During the July meeting, the town clerk submits to the board of aldermen a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and expenses and the means of financing them. During the August meeting, the budget is legally enacted through passage of an ordinance. The public is invited to attend all meetings. The town clerk is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures or expenses of any fund must be approved by the board of aldermen. Appropriations lapse at the end of the year.

Special Revenue Funds were not budgeted for the year ending June 30, 2000.

F. ENCUMBRANCES

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

G. FIXED ASSETS

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

H. SALES TAXES

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

I. TOTAL COLUMNS OF COMBINED STATEMENTS

Total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not made in the aggregation of this data.

TOWN OF RICHWOOD  
Notes to the Financial Statements  
For the year ended June 30, 2000

2. FUND DEFICITS

The following funds had deficit balances in unreserved fund balance or retained earnings, as indicated at June 30, 2000:

General Fund - Fund Balance	<u>\$87,828</u>
Summer Food Fund - Fund Balance	<u>\$16,832</u>
LCDBG Fund - Fund Balance	<u>\$2,255</u>
Sewer Fund - Retained Earnings	<u>\$762,602</u>

3. AD VALOREM TAXES

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

For the year ended June 30, 2000, total taxes originally levied were \$31,708, of which approximately \$5,081 was assessed on residential property, \$821 was assessed on public service property, \$5,203 was assessed as exempt, and \$25,806 was assessed on commercial property and dedicated entirely for general purposes.

Property Tax Calendar

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

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

4. CASH AND CASH EQUIVALENTS

At June 30, 2000, the Town has cash and cash equivalents (book balances) totaling \$48,172 as follows:

Demand deposits	<u>\$48,172</u>
-----------------	-----------------

These deposits are stated at cost, which approximates market. Under state law, these deposits (or resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank the market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name

TOWN OF RICHWOOD  
Notes to the Financial Statements  
For the year ended June 30, 2000

of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At June 30, 2000, the Town has \$83,716 in deposit (collected bank balances). These deposits are secured from risk by \$83,716 of federal deposit insurance and \$0 of pledged securities held by the custodial bank in the name of the fiscal agent bank. (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No. 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the district that the fiscal agent has failed to pay deposited funds upon demand.

5. RECEIVABLES AND DUE FROM OTHER GOVERNMENT UNITS

The receivables of \$71,010 at June 30, 2000, and due from other government units of \$4,055, are as follows:

	<u>General Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Accounts receivable:			
Sales Tax	\$28,037		\$28,037
User fees		\$30,494	30,494
Franchise taxes	6,808		6,808
Other	5,671		5,671
Due from other governmental units:			
Beer tax	2,375		2,375
Grants	1,680		1,680
TOTAL	<u>\$44,571</u>	<u>\$30,494</u>	<u>\$75,065</u>

6. PROPERTY AND EQUIPMENT

General Fund

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

	<u>Balance 6/30/99</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/00</u>
Land	\$5,000			\$5,000
Building	5,000			5,000
Equipment	50,700	\$35,135		85,835
Vehicle	38,750	13,995	(\$19,365)	33,380
Total	<u>\$99,450</u>	<u>\$49,130</u>	<u>(\$19,365)</u>	<u>\$129,215</u>

TOWN OF RICHWOOD  
Notes to the Financial Statements  
For the year ended June 30, 2000

Proprietary Fund

A summary of the property and equipment in the Proprietary Fund at June 30, 2000 consists of the following:

	Balance 6/30/99	Additions	Deletions	Balance 6/30/00
Sewer lines system	\$1,207,755			\$1,207,755
Less accumulated depreciation	(483,102)	(\$30,194)		(513,296)
Total	\$724,653	(\$30,194)	\$0	\$694,459

7. PENSION AND RETIREMENT PLANS

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

8. LEASES

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

9. INTERFUND RECEIVABLES AND PAYABLES

At June 30, 2000, interfund receivables and payables were as follows:

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

10. LITIGATION AND CLAIMS

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial. The Town of Richwood is not involved in any litigation at June 30, 2000. However, the Louisiana State Police has an open criminal investigation.

TOWN OF RICHWOOD  
Notes to the Financial Statements  
For the year ended June 30, 2000

11. MAYOR AND BOARD MEMBERS PER DIEM AND SALARY

The following is a schedule of per diem payments for the year ended June 30, 2000:

Mayor Ed Harris	\$24,000
Jimmie Smith	2,100
Leo Kelly	2,100
Linda Clark	2,050
Steve B. Hunter	2,050
Lavern Hester	<u>2,100</u>
Total	<u>\$34,400</u>

12. YEAR 2000 COMPUTER SYSTEMS COMPLIANCE

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

SUPPLEMENTARY INFORMATION SCHEDULES

TOWN OF RICHWOOD  
Combining Balance Sheet - Special Revenue Funds  
As of June 30, 2000

	Summer Lunch Fund	Maintenance Fund	LCDBG Fund	Totals
<b>ASSETS</b>				
Cash and equivalents	\$1,513	\$2,586	\$244	\$4,343
Accounts receivable	14			14
Due from other funds			500	500
<b>TOTAL ASSETS</b>	<u>\$1,527</u>	<u>\$2,586</u>	<u>\$744</u>	<u>\$4,857</u>
<b>Liabilities and Fund Equity</b>				
Liabilities:				
Due to other funds	\$18,359		\$2,999	\$21,358
Total liabilities	18,359	\$0	2,999	21,358
Fund balance - unreserved - undesignated	(16,832)	2,586	(2,255)	(16,501)
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u>\$1,527</u>	<u>\$2,586</u>	<u>\$744</u>	<u>\$4,857</u>

See accompanying auditor's report and notes.

TOWN OF RICHWOOD  
Combining Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Special Revenue Funds  
For the year ended June 30, 2000

	Summer Lunch Program	Maintenance Fund	LCDBG Fund	Totals
REVENUES				
Grants	\$9,223		\$102,110	\$111,333
State contracts		\$2,550		2,550
Other income	1,321	50		1,371
TOTAL REVENUES	<u>10,544</u>	<u>2,600</u>	<u>102,110</u>	<u>115,254</u>
EXPENDITURES				
Health and welfare:				
Administrative	21,278		5,000	26,278
Legal and professional			1,660	1,660
Other		14	270	284
Capital outlay			95,452	95,452
TOTAL EXPENDITURES	<u>21,278</u>	<u>14</u>	<u>102,382</u>	<u>123,674</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	(10,734)	2,586	(272)	(8,420)
FUND BALANCE (Deficit), BEGINNING	<u>(6,098)</u>	<u>0</u>	<u>(1,983)</u>	<u>(8,081)</u>
FUND BALANCE (Deficit), ENDING	<u><u>(\$16,832)</u></u>	<u><u>\$2,586</u></u>	<u><u>(\$2,255)</u></u>	<u><u>(\$16,501)</u></u>

See accompanying auditor's report and notes.

# WILLIAM D. EDWARDS

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

## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Mayor and Board of Aldermen  
Town of Richwood  
Richwood, Louisiana

I have audited the general purpose financial statements of the Town of Richwood, as of and for the year ended June 30, 2000, and have issued my report thereon dated August 29, 2000. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether Town of Richwood's general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 00-3, 00-5, 00-6, and 00-9.

### Internal Control Over Financial Reporting

In planning and performing my audit, I considered Town of Richwood's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Town of Richwood's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 00-1, 00-2, 00-4, 00-7, and 00-8.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe none of the reportable conditions described is a material weakness.

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



Ruston, Louisiana

August 29, 2000

TOWN OF RICHWOOD  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 For the Year Ended June 30, 2000

I have audited the general purpose financial statements of Town of Richwood as of and for the year ended June 30, 2000, and have issued my report thereon dated August 29, 2000. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My audit of the general purpose financial statements as of June 30, 2000 resulted in a qualified opinion.

**A. Summary of Audit Results**

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

Internal Control

Material Weaknesses \_\_\_ Yes X No Reportable X Yes \_\_\_ No

Compliance

Compliance Material to Financial Statements \_\_\_ Yes X No

2. Federal Awards

Internal Control

Material Weaknesses \_\_\_ Yes X No Reportable \_\_\_ Yes X No

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

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

3. Identification of Major Programs:

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

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

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

## **B. Financial Statements Findings**

00-1. The town does not adequately control receipts. My testing showed that some of the receipts could not be traced from the daily cash receipt log to a specific bank deposit.

Recommendation: I recommend that the town immediately set up a system of reconciling the daily cash receipt log to the related bank deposits.

Response: Our new accounting clerk has been tasked with setting up a system to overcome this weakness.

00-2. Many of the transactions posted for the year ended June 30, 2000, were not properly coded or in the case of some receipts, not recorded. This situation prevented timely and accurate bank reconciliations.

Recommendation: I recommend the Town establish a procedure to review the timeliness and accuracy of the accounting functions.

Response: Our new accounting clerk has been tasked with setting up a system to overcome this weakness.

00-3. Payroll tax reports have been prepared, but payments have not been paid with these reports. The amount owed appears to be about \$97,214 without penalties and interest.

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

Response: Our accounting clerk is negotiating with the IRS and the state of Louisiana at this time.

00-4. During the course of my audit, certain documents were not provided, such as:

1. Underlying documents for the LCDBG grant receipts and disbursements.
2. Three of the sixteen requests for reimbursements for the JTPA grant were not provided.
3. Documents related to the Summer Food grant were not provided.
4. Fixed asset detail records were not provided.

Recommendation: I recommend that the town ensure that all records are maintained and available to provide to third parties upon request, as well as complying with the state's record retention requirements.

Response: Under the LCDBG grant as well as the JTPA grant, disbursements are not made without first providing receipts/invoices, therefore, we feel that these are not items the Town should have been cited for. In addition, the LCDBG receives quarterly compilation reports from the CPA firm of Kenneth Folden.

00-5. The Town failed to prepare monthly financial statements and present them to the governing body. For municipalities, this is required by R.S. 33:425.

Recommendation: I recommend the Town prepare and maintain adequate monthly financial statements for the board.

Response: We have fully installed the Quickbooks software and are now catching up on the posting.

00-6. The Town used public funds for its Christmas party.

Recommendation: I recommend that the Town not use public funds for its Christmas party.

Response: We will ensure that this item is not repeated.

00-7. Bank statements and related canceled checks are neither reviewed nor reconciled timely to the general ledger balances.

Recommendation: I recommend that the Town reconcile the bank statements to the computer general ledger on a monthly basis, as well as to the manual check register.

Response: We have been reconciling our bank statements with our checkbooks. However, if this is not an acceptable accounting practice, then in the future we will reconcile to the computer ledger. Please be further advised that we have a competent accounting department and the cited findings are not expected to be repeated in the pursuing years.

00-8. The Town's control over traffic tickets is not adequate. Its system consists of keeping copies of the tickets in a file until paid and then moving the paid tickets to another file.

Recommendation: I recommend the Town prepare a log of all tickets, by number, immediately. This log should be maintained by someone outside the police department and periodically reconciled to the ticket book log maintained by the police chief.

Response: Each police officer has a ticket book starting at different numerical intervals and the secretary found it difficult to keep the alphabetic written log of tickets in numerical order. Nevertheless, the secretary of the Richwood Police Department does in fact have a numerical log of traffic tickets.

00-9. The Town's budgeted revenues exceeded actual revenues by more than 5% and actual expenses exceeded budgeted expenses by more than 5% in the Proprietary fund.

Recommendation: I recommend the Town monitor its budget and amend as necessary.

Response: We concur with your recommendation and now we are in a position to monitor the budget effectively.

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

None

TOWN OF RICHWOOD  
SUMMARY OF PRIOR YEAR FINDINGS  
For the Year Ended June 30, 2000

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

99-1. The bulk of transactions for the year ended June 30, 1999 were not posted to the computer general ledger, the bank accounts were not reconciled monthly, nor were monthly financial statements prepared, until several months after June 30, 1999.

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

Conclusion: Unresolved - see 00-2

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

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

Conclusion: Unresolved - see 00-4

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

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

Conclusion: Unresolved - see 00-2

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

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

Conclusion: Resolved

99-5 The town could not provide documentation as to what happened to the \$296 left over in the bank account for the Arts Fund from the year ended June 30, 1998.

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

Conclusion: Resolved.

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

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

Conclusion: Resolved

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

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

Conclusion: Resolved

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

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

Conclusion: Unresolved - see 00-4

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

None

## **C. MANAGEMENT LETTER**

None

# TOWN OF RICHWOOD

5130 Brown Road  
Richwood, LA 71202-7004  
Phone: (318) 322-2104  
Fax: (318) 323-3254

## CORRECTIVE ACTION PLAN For the Year Ended June 30, 2000

**Edward L. Harris**  
Mayor

Steve B. Hunter  
MAYOR PRO-TEM

**Council Members**

Simeon Profit  
STREET COMMISSIONER

Lavern Hester

Alvin Jackson

Leo Kelly

Carolus Sutton  
TOWN'S CLERK

Jay Nolan  
TOWN'S ATTORNEY

Robert S. Noel, Atty.  
TOWN'S MAGISTRATE

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

- 00-1. See Schedule of Findings and Questioned Costs - Section B.
- 00-2. See Schedule of Findings and Questioned Costs - Section B.
- 00-3. See Schedule of Findings and Questioned Costs - Section B.
- 00-4. See Schedule of Findings and Questioned Costs - Section B.
- 00-5. See Schedule of Findings and Questioned Costs - Section B.
- 00-6. See Schedule of Findings and Questioned Costs - Section B.
- 00-7. See Schedule of Findings and Questioned Costs - Section B.
- 00-8. See Schedule of Findings and Questioned Costs - Section B.
- 00-9. See Schedule of Findings and Questioned Costs - Section B.



# WILLIAM D. EDWARDS

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

I have audited the financial statements of Town of Richwood as of and for the year ended June 30, 2000, and have issued my report thereon dated August 29, 2000. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

As part of my examination, I have issued my report on the financial statements, dated August 29, 2000, and my report on internal control and compliance with laws, regulations, and contracts, dated August 29, 2000.

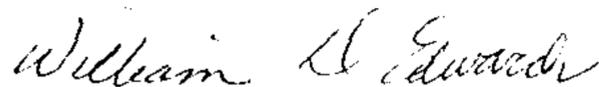
During the course of my examination, I became aware of the following matters which represent immaterial deviations of compliance or suggestions for improved internal controls.

Suggestion 00-1. During my fieldwork, I noted that the Town did not receive a grant for the year ended June 30, 2000, and therefore, the bank account should be closed and the monies transferred to the General Fund.

Suggestion 00-2. Due to the Summer Food monies being transferred from the Summer Food Fund, the General Fund should writeoff the due from Summer Food Fund.

Suggestion 00-3. There is no requirement to budget for the Sewer Fund. The Town's budget in the past has included the income and expenses from the Sewer fund providing revenue to the General Fund. This revenue is actually an operating transfer. The General Fund budget should have a line item identified as transfer from Sewer Fund, without the detail on revenue and expenses of the Sewer Fund.

I recommend management address the foregoing issue as an improvement to operations and the administration of public programs. I am available to further explain the suggestion or help implement the recommendation.



Ruston, Louisiana  
August 16, 2000