

**Town of Richwood
Richwood, Louisiana
Annual Financial Report
As of and for the Year Ended June 30, 2005**

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 3-8-06



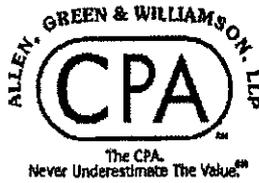
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ALLEN, GREEN & WILLIAMSON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

P. O. Box 6075

Monroe, LA 71211-6075

2414 Ferrand Street
Monroe, LA 71201

Phone: (318) 388-4422

Fax: (318) 388-4864

Toll-free: (888) 741-0205
www.allengreencpa.com

Tim Green, CPA

Margie Williamson, CPA

Ernest L. Allen, CPA
(Retired)
1963 - 2000

INDEPENDENT AUDITORS' REPORT

Honorable Edward L. Harris, Mayor,
and Members of the Board of Aldermen
Town of Richwood
Richwood, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Richwood as of and for the year ended June 30, 2005, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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, each major fund and the aggregate remaining fund information of the Town as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 21, 2006, 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 the 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.

The Management's Discussion and Analysis as listed in the table of contents, is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental 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. The accompanying information identified in the table of contents as supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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 taken as a whole.

Also, the accompanying other information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements of the Town. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Allen, Green & Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP
Monroe, Louisiana
February 21, 2006

Town of Richwood

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, 2005.

The Management's Discussion and Analysis (MD&A) is an element of the new 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 increase in net assets of \$52,539 whereas business-type activities reported a decrease of \$(19,928).

Total spending for our governmental activities was \$846,757. Most of the Town's property and sales taxes were used to support the net cost (after deducting restricted grants and fees charged to users) of these three areas: general and administrative of \$437,376, police department of \$299,233 and health and welfare of \$7,552.

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**

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**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

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 quality of water, 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 and sanitation systems are 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).

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.

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

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,

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Current and other assets	\$ 56,112	\$ 64,313	\$ 28,661	\$ 20,139	\$ 84,773	\$ 84,452
Capital assets	<u>91,645</u>	<u>158,228</u>	<u>822,386</u>	<u>785,648</u>	<u>914,031</u>	<u>943,876</u>
Total assets	<u>147,757</u>	<u>222,541</u>	<u>851,047</u>	<u>805,787</u>	<u>998,804</u>	<u>1,028,328</u>
Current and other liabilities	285,071	390,271	508,121	497,858	793,192	888,129
Long-term liabilities	<u>32,316</u>	<u>18,828</u>	<u>242,354</u>	<u>227,285</u>	<u>274,670</u>	<u>246,113</u>
	<u>317,387</u>	<u>409,099</u>	<u>750,475</u>	<u>725,143</u>	<u>1,067,862</u>	<u>1,134,242</u>
Net assets						
Invested in capital assets, net of debt	59,329	139,400	580,032	558,363	639,361	697,763
Unrestricted	<u>(228,959)</u>	<u>(325,958)</u>	<u>(479,460)</u>	<u>(477,719)</u>	<u>(708,419)</u>	<u>(803,677)</u>
Total net assets	<u>\$(169,630)</u>	<u>\$(186,558)</u>	<u>\$ 100,572</u>	<u>\$ 80,644</u>	<u>\$(69,058)</u>	<u>\$(105,914)</u>

Net assets of the Town's governmental activities increased by \$52,539. Unrestricted net assets – 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 \$(325,958) at the end of this year.

The net assets of our business-type activities decreased \$(19,928) in 2005.

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

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Revenues:						
Program revenues						
Charges for services	\$ 0	\$ 0	\$ 214,204	\$ 232,295	\$ 214,204	\$ 232,295
Operating grants and contributions	194,159	100,147	0	0	194,159	100,147
General revenues						
Property taxes	61,404	47,737	0	0	61,404	47,737
Sales tax	166,443	162,828	0	0	166,443	162,828
State revenue	5,100	229,909	0	0	5,100	229,909
Beer tax	9,537	8,623	0	0	9,537	8,623
Licenses and permits	44,154	45,881	0	0	44,154	45,881
Sewer, Garbage & Other Fees	124,573	117,693	0	0	124,573	117,693
Miscellaneous	300,446	107,396	0	0	300,446	107,396
Total Revenues	<u>905,816</u>	<u>820,214</u>	<u>214,204</u>	<u>232,295</u>	<u>1,120,020</u>	<u>1,052,509</u>
Functions/Program Expenses:						
Governmental Activities						
General and administrative	523,633	462,949	0	0	523,633	462,949
Police Department	326,246	299,233	0	0	326,246	299,233
Health & Welfare	78,379	82,126	0	0	78,379	82,126
Interest Expense	10,277	2,449	0	0	10,277	2,449
Business-type Activities						
Utility Enterprise	0	0	115,970	173,141	115,970	173,141
Total Functions/Program Expenses	<u>938,535</u>	<u>846,757</u>	<u>115,970</u>	<u>173,141</u>	<u>1,054,505</u>	<u>1,019,898</u>
Increase (decrease) in net assets before transfers	(32,719)	(26,543)	98,234	59,154	65,515	32,611
Transfers	<u>117,741</u>	<u>79,082</u>	<u>(117,741)</u>	<u>(79,082)</u>	<u>0</u>	<u>0</u>
Increase (decrease) in net assets	85,022	52,539	(19,507)	(19,928)	65,515	32,611
Net assets – beginning, as originally stated	<u>(254,652)</u>	<u>(169,630)</u>	<u>120,079</u>	<u>100,572</u>	<u>(134,573)</u>	<u>(69,058)</u>
Prior period adjustment	0	(69,467)	0	0	0	(69,467)
Net assets-beginning as restated	0	(239,097)	0	100,572	0	(138,525)
Net assets, ending	<u>\$(169,630)</u>	<u>\$(186,558)</u>	<u>\$ 100,572</u>	<u>\$80,644</u>	<u>\$(69,058)</u>	<u>\$(105,914)</u>

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

Governmental Activities

The cost of all governmental activities this year was \$846,757. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through town taxes was only \$746,610 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. Transfers from the Sewer Enterprise Fund of \$79,082 accounted for a significant part of the remaining revenue.

Business-type Activities

Revenues of the Town's business-type activities (see Table 2) increased by 8 percent (\$232,295 in 2005 compared to \$214,204 in 2004) and expenses increased by 49 percent (\$173,141 in 2005 compared to \$115,970 in 2004). The factors driving these results include:

The Town sewer system saw its operating revenues increase 8 percent or \$18,091, and operating expenses increased 49 percent or \$57,171 due to an increase in sewer billing costs.

THE TOWN'S FUNDS

As the Town completed the year, its governmental funds reported a combined fund deficit of \$(325,958) which is a decrease of \$(27,532) in fund balance from last year. A prior year adjustment of \$(69,467) was made to record a payable to the Department of Labor to bring last year's fund balance to \$(298,426)

GENERAL FUND BUDGETARY HIGHLIGHTS

Budgeted revenues exceeded actual revenues by \$107,599. Several revenues reflected significant variances from the budget but the overall variance was not significant.

CAPITAL ASSET

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	<u>Total</u>
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Land	\$ 5,000	\$95,000	\$ 0	\$ 0	\$ 5,000	\$ 95,000
Sewer System	0	0	822,386	785,648	822,386	785,648
Furniture and equipment	52,295	42,229	0	0	52,295	42,229
Vehicles	<u>34,350</u>	<u>20,999</u>	<u>0</u>	<u>0</u>	<u>34,350</u>	<u>20,999</u>
Totals	<u>\$91,645</u>	<u>\$158,228</u>	<u>\$822,386</u>	<u>\$785,648</u>	<u>\$914,031</u>	<u>\$943,876</u>

DEBT ADMINISTRATION At June 30, 2005, the Town had \$227,285 in bonds payable outstanding and \$18,828 in capital leases payable. More information on long-term debt is presented in the notes to the 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. One of the most important factors affecting the budget is our sales and franchise tax collections. Approximately, 33% of total revenues in the general fund is sales and franchise tax. We have budgeted very little change in franchise and ad valorem tax revenues for the year ending June 30, 2005.

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

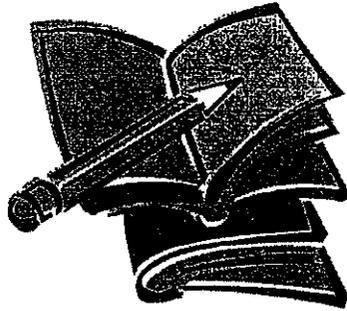
CONTACTING THE TOWN'S FINANCIAL MANAGEMENT Our financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact Charissa A. Holmes, Clerk, at the Town of Richwood, 5130 Brown Road, Richwood, Louisiana 71202-7004, telephone number (318) 322-2104.

Town of Richwood

BASIC FINANCIAL STATEMENTS:

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

Town of Richwood



TOWN OF RICHWOOD
STATEMENT OF NET ASSETS
June 30, 2005

Statement A

	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u>	<u>TOTAL</u>
ASSETS			
Cash and cash equivalents	16,754	207	16,961
Receivables (net)	49,966	17,525	67,491
Internal balances	(2,407)	2,407	0
Capital assets, net	<u>158,228</u>	<u>785,648</u>	<u>943,876</u>
TOTAL ASSETS	<u>222,541</u>	<u>805,787</u>	<u>1,028,328</u>
LIABILITIES			
Cash overdraft	19,708	0	19,708
Accounts, salaries and other payables	159,032	497,858	656,890
Accrued liabilities	211,531	0	211,531
Long term liabilities			
Due within one year	8,666	16,041	24,707
Due in more than one year	<u>10,162</u>	<u>211,244</u>	<u>221,406</u>
TOTAL LIABILITIES	<u>409,099</u>	<u>725,143</u>	<u>1,134,242</u>
NET ASSETS			
Invested in capital assets, net of related debt	139,400	558,363	697,763
Unrestricted	<u>(325,958)</u>	<u>(477,719)</u>	<u>(803,677)</u>
TOTAL NET ASSETS	<u>\$ (186,558)</u>	<u>\$ 80,644</u>	<u>\$ (105,914)</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, 2005

	PROGRAM REVENUES		
FUNCTIONS/PROGRAMS	EXPENSES	OPERATING CHARGES FOR SERVICES	GRANTS AND CONTRIBUTIONS
Governmental Activities:			
General and administrative	\$ 462,949	\$ 0	\$ 25,573
Police Department	299,233	0	0
Health and welfare	82,126		74,574
Interest expense	2,449		
Total Governmental Activities	846,757	0	100,147
Business-Type Activities:			
Utility Enterprise	173,141	232,295	0
Total Business-Type Activities	173,141	232,295	0
Total	\$ 1,019,898	\$ 232,295	\$ 100,147

General revenues:

 Taxes:

Property taxes, levied for general purposes
Sales tax revenue
State revenue
Beer tax
Franchise tax
Licenses and permits
Sewer, garbage and other fees
Fines and forfeitures
Miscellaneous

 Transfers

Total general revenues and transfers

Changes in net assets

Net assets - beginning, as originally stated

Prior period adjustment

Net assets - beginning, as restated

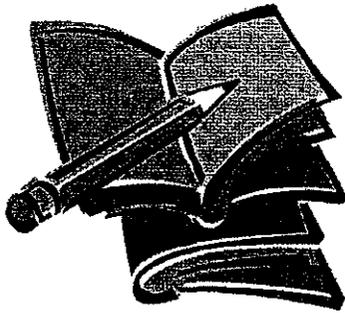
Net assets - ending

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

Statement B

<u>PRIMARY GOVERNMENT</u>		
<u>NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS</u>		
<u>Governmental</u>	<u>Business-Type</u>	
<u>Activities</u>	<u>Activities</u>	<u>TOTAL</u>
\$ (437,376)	\$ 0	\$ (437,376)
(299,233)		(299,233)
(7,552)		(7,552)
(2,449)		(2,449)
<u>(746,610)</u>	<u>0</u>	<u>(746,610)</u>
	<u>59,154</u>	<u>59,154</u>
	<u>59,154</u>	<u>59,154</u>
<u>(746,610)</u>	<u>59,154</u>	<u>(687,456)</u>
47,737		47,737
162,828		162,828
229,909		229,909
8,623		8,623
20,950		20,950
45,881		45,881
117,693		117,693
48,080		48,080
38,366		38,366
79,082	(79,082)	0
<u>799,149</u>	<u>(79,082)</u>	<u>720,067</u>
<u>52,539</u>	<u>(19,928)</u>	<u>32,611</u>
(169,630)	100,572	(69,058)
<u>(69,467)</u>	<u>0</u>	<u>(69,467)</u>
<u>(239,097)</u>	<u>100,572</u>	<u>(138,525)</u>
<u>\$ (186,558)</u>	<u>\$ 80,644</u>	<u>\$ (105,914)</u>

Town of Richwood



Town of Richwood

**BASIC FINANCIAL STATEMENTS:
FUND FINANCIAL STATEMENTS (FFS)**

TOWN OF RICHWOOD
GOVERNMENTAL FUNDS
Balance Sheet
June 30, 2005

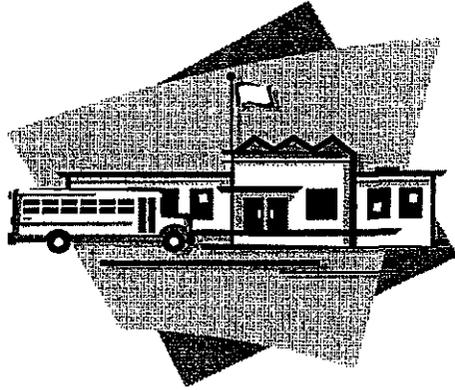
	<u>GENERAL</u>	<u>SUMMER FEEDING</u>	<u>MAINTENANCE</u>
ASSETS			
Cash and cash equivalents	\$ 0	\$ 15,164	\$ 498
Receivables	32,255	17,711	0
Interfund receivables	<u>28,889</u>	<u>0</u>	<u>0</u>
TOTAL ASSETS	<u>61,144</u>	<u>32,875</u>	<u>498</u>
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Cash overdraft	19,708	0	0
Accounts, salaries and other payables	318,189	51,044	1,325
Interfund payables	<u>10,438</u>	<u>18,359</u>	<u>0</u>
TOTAL LIABILITIES	348,335	69,403	1,325
FUND BALANCES:			
<i>Unreserved and undesignated</i>	<u>(287,191)</u>	<u>(36,528)</u>	<u>(627)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 61,144</u>	<u>\$ 32,875</u>	<u>\$ 498</u>

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

Statement C

OTHER	
<u>GOVERNMENTAL</u>	<u>TOTAL</u>
\$ 1,092	\$ 16,754
0	49,966
<u>500</u>	<u>29,389</u>
<u>1,592</u>	<u>96,109</u>
0	19,708
5	370,563
<u>2,999</u>	<u>31,796</u>
3,004	422,067
<u>(1,412)</u>	<u>(325,958)</u>
<u>\$ 1,592</u>	<u>\$ 96,109</u>

Town of Richwood



TOWN OF RICHWOOD

Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Assets
June 30, 2005

Statement D

Total fund balances - governmental funds \$ (325,958)

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.

Costs of capital assets	270,462	
Depreciation expense to date	<u>(112,234)</u>	
		158,228

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 fund liabilities. All liabilities - both current and long term - are reported in the Statement of Net Assets.

Balances at June 30, 2005 are:

Long-term liabilities		
Leases payable	<u>18,828</u>	
		<u>(18,828)</u>

Net Assets \$ (186,558)

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, 2005

	SUMMER		
	GENERAL	FEEDING	MAINTENANCE
REVENUES			
Local sources:			
Sales taxes	\$ 162,828	\$ 0	\$ 0
Property taxes	47,737	0	0
Beer Tax	8,823	0	0
Franchise taxes	20,950	0	0
Licenses and permits	45,881	0	0
Sewer, garbage and other fees	117,693	0	0
Intergovernmental revenues	129,810	74,574	105,449
Fines and forfeitures	48,080	0	0
Miscellaneous revenues	18,954	11,092	8,320
Total revenues	600,556	85,666	113,769
EXPENDITURES			
Current:			
General and administrative	404,246	0	11,415
Police Department	284,889	0	0
Health and welfare	0	82,030	0
Debt service:			
Principal retirement	10,789	0	2,699
Interest and bank charges	2,115	0	334
Capital outlay	0	0	90,000
Total expenditures	702,039	82,030	104,448
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	(101,483)	3,636	9,321
OTHER FINANCING SOURCES (USES)			
Transfers in	126,075	0	0
Transfers out	(30,126)	0	(10,993)
TOTAL OTHER FINANCING SOURCES (USES)	\$ 95,949	\$ 0	\$ (10,993)

Statement E

	OTHER GOVERNMENTAL	TOTAL
\$	0	\$ 162,828
	0	\$ 47,737
	0	8,623
	0	20,950
	0	45,881
	0	117,693
	20,223	330,056
	0	48,080
	0	38,366
	<u>20,223</u>	<u>820,214</u>
	38,215	453,876
	0	284,889
	96	82,126
	0	13,488
	0	2,449
	0	90,000
	<u>38,311</u>	<u>926,828</u>
	<u>(18,088)</u>	<u>(106,814)</u>
	0	126,075
	<u>(5,874)</u>	<u>(46,993)</u>
\$	<u>(5,874)</u>	\$ <u>79,082</u>

(Continued)

TOWN OF RICHWOOD
GOVERNMENTAL FUNDS
Combined Statement of Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended June 30, 2005

	<u>GENERAL</u>	<u>SUMMER FEEDING</u>	<u>MAINTENANCE</u>
NET CHANGE IN FUND BALANCES	\$ (5,534)	\$ 3,636	\$ (1,672)
FUND BALANCES - BEGINNING, AS ORIGINALLY STATED	(212,190)	(40,164)	845
PRIOR PERIOD ADJUSTMENT	<u>(69,467)</u>	<u>0</u>	<u>0</u>
FUND BALANCES - BEGINNING, AS RESTATED	<u>(281,657)</u>	<u>(40,164)</u>	<u>845</u>
FUND BALANCES - ENDING	<u>\$ (287,191)</u>	<u>\$ (36,528)</u>	<u>\$ (827)</u>

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

Statement E

<u>OTHER</u>		<u>TOTAL</u>
<u>GOVERNMENTAL</u>		
\$	(23,962)	\$ (27,532)
	22,550	(228,959)
	<u>0</u>	<u>(69,467)</u>
	<u>22,550</u>	<u>(298,426)</u>
\$	<u>(1,412)</u>	\$ <u>(325,958)</u>

(Concluded)

TOWN OF RICHWOOD

Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities
For the Year Ended June 30, 2005

Statement F

Total net change in fund balances - governmental funds \$ (27,532)

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 depreciation exceeds capital outlays in the period:

Capital outlays	\$90,000	
Depreciation	(23,417)	66,583

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

13,488

Change in net assets of governmental activities.

\$ 52,539

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

TOWN OF RICHWOOD
GENERAL FUND
Budgetary Comparison Schedule
For the Year Ended June 30, 2005

Statement G-1

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
BUDGETARY FUND BALANCES, Beginning	\$ (281,657)	\$ (281,657)	\$ (281,657)	0
Resources (inflows)				
Local sources:				
Sales Tax	250,000	250,000	162,828	(87,172)
Property Tax	52,000	52,000	47,737	(4,263)
Beer Tax	10,000	10,000	8,623	(1,377)
Franchise taxes	55,000	55,000	20,950	(34,050)
Licenses and permits	65,000	65,000	45,881	(19,119)
Sewer, garbage, and other fees	182,000	182,000	117,693	(64,307)
Intergovernmental revenues	9,550	9,550	129,810	120,260
Fines and forfeitures	100,000	100,000	48,080	(51,920)
Miscellaneous revenues	10,680	10,680	18,954	8,274
Transfers from other funds	100,000	100,000	126,075	26,075
Amounts available for appropriations	552,573	552,573	444,974	(107,599)
Charges to appropriations (outflows)				
Current:				
General and administrative	396,460	396,460	404,246	(7,786)
Police Department	300,000	300,000	284,889	15,111
Debt service:				
Principal retirement	0	0	10,789	(10,789)
Interest and bank charges	0	0	2,115	(2,115)
Transfers	0	0	30,126	(30,126)
Total charges to appropriations	696,460	696,460	732,165	(35,705)
BUDGETARY FUND BALANCES, ENDING	\$ (143,887)	\$ (143,887)	\$ (287,191)	\$ (143,304)

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

TOWN OF RICHWOOD
SUMMER FEEDING
Budgetary Comparison Schedule
For the Year Ended June 30, 2005

Statement G-2

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
BUDGETARY FUND BALANCES, Beginning	\$ (40,164)	\$ (40,164)	\$ (40,164)	0
Resources (inflows)				
Local sources:				
Intergovernmental revenues	104,984	104,984	74,574	(30,410)
Miscellaneous revenues	10,279	10,279	11,092	813
Transfers from other funds	0	0	0	0
Amounts available for appropriations	75,099	75,099	45,502	(29,597)
Charges to appropriations (outflows)				
Current:				
Health and welfare	114,620	114,620	82,030	32,590
Transfers	0	0	0	0
Total charges to appropriations	114,620	114,620	82,030	32,590
BUDGETARY FUND BALANCES, ENDING	\$ (39,521)	\$ (39,521)	\$ (36,528)	2,993

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

TOWN OF RICHWOOD
MAINTENANCE
Budgetary Comparison Schedule
For the Year Ended June 30, 2005

Statement G-3

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
BUDGETARY FUND BALANCES, Beginning	\$ 845	\$ 845	\$ 845	0
Resources (inflows)				
Local sources:				
Intergovernmental revenues	105,450	105,450	105,449	(1)
Miscellaneous revenues	9,320	9,320	8,320	(1,000)
Transfers from other funds	0	0	0	0
Amounts available for appropriations	115,615	115,615	114,614	(1,001)
Charges to appropriations (outflows)				
Current:				
General and administrative	15,448	15,448	11,415	4,033
Capital outlay	90,000	90,000	90,000	0
Debt service:				
Principal retirement	0	0	2,699	(2,699)
Interest and bank charges	0	0	334	(334)
Transfers	10,993	10,993	10,993	0
Total charges to appropriations	116,441	116,441	115,441	1,000
BUDGETARY FUND BALANCES, ENDING	\$ (826)	\$ (826)	\$ (827)	(1)

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, 2005

Statement H

ASSETS	
Current Assets:	
Cash	\$ 207
Receivables	17,525
Interfund receivables	<u>9,938</u>
Total Current Assets	<u>27,670</u>
Non Current Assets:	
Capital assets, net	<u>785,648</u>
Total Noncurrent Assets	<u>785,648</u>
TOTAL ASSETS	<u>813,318</u>
LIABILITIES	
Current Liabilities:	
Accounts, salaries and other payables	497,858
Interfund payables	7,531
Bonds payable	<u>16,041</u>
Total Current Liabilities	521,430
Noncurrent Liabilities	
Bonds payable	<u>211,244</u>
TOTAL LIABILITIES	<u>732,674</u>
NET ASSETS	
Invested in capital assets, net of related debt	558,363
Unrestricted	<u>(477,719)</u>
TOTAL NET ASSETS	<u>\$ 80,644</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 Revenues, Expenses,
and Changes In Net Assets
For the Year Ended June 30, 2005

Statement 1

OPERATING REVENUES	
Fees	\$ 177,295
Miscellaneous	<u>55,000</u>
TOTAL OPERATING REVENUES	<u>232,295</u>
OPERATING EXPENSES	
Purchase of services	121,346
Depreciation	<u>36,738</u>
TOTAL OPERATING EXPENSES	<u>158,084</u>
Income (loss) before non-operating income (expenses)	74,211
NON-OPERATING INCOME (EXPENSES)	
Interest expense	<u>(15,057)</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>59,154</u>
TRANSFERS IN/OUT	
Transfers in	30,126
Transfers out	<u>(109,208)</u>
Total transfers in/out	<u>(79,082)</u>
CHANGE IN NET ASSETS	(19,928)
NET ASSETS, BEGINNING	<u>100,572</u>
NET ASSETS, ENDING	<u>\$ 80,644</u>

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

TOWN OF RICHWOOD

PROPRIETARY FUND - SEWER ENTERPRISE FUND
 Statement of Cash Flows
 For the Year Ended June 30, 2005

Statement J

CASH FLOW FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 183,514
Payments to employees	0
Payments to others	(129,308)
Other receipts	<u>57,510</u>
Net cash provided (used) for operating activities	<u>111,716</u>
CASH FLOW (USES) FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfers in	30,126
Transfers out	<u>(109,208)</u>
Net cash provided (used) for noncapital financing activities	<u>(79,082)</u>
CASH FLOW (USES) FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets	0
Interest paid on bonds	(15,057)
Principal paid on bonds	<u>(15,069)</u>
Net cash provided (used) for capital and related financing activities	<u>(30,126)</u>
Net increase (decrease) in cash and cash equivalents	2,508
CASH AND CASH EQUIVALENTS - BEGINNING	<u>(2,301)</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 207</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 74,211
Adjustments to reconcile operating income to net cash provided (used) for operating activities:	
Depreciation	36,738
(Increase) decrease in accounts receivable	6,219
Increase (decrease) in interfund receivables	(5,021)
Increase (decrease) in accounts payable	(7,962)
Increase (decrease) in interfund payables	<u>7,531</u>
Net cash provided (used) by operating activities	<u>\$ 111,716</u>

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

Town of Richwood
Notes to the Basic Financial Statements

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Town of Richwood
Notes to the Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES The accompanying financial statements of the Town of Richwood have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

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

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

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the municipality to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Town.
2. Organizations for which the Town does not appoint a voting majority but are fiscally dependent on the Town.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization were not included because of the nature or significance of the relationship.

As required by generally accepted accounting principles, these financial statements present the Town of Richwood (the primary government). The Town of Richwood has no component units.

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

B. 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 the Basic Financial Statements

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.

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.

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

Maintenance – accounts for repairs and maintenance of tractors, police cars, and equipment.

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

Enterprise funds – are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including amortization and depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. 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. Fiduciary funds are not included in the GWFS. Fiduciary funds are reported only in the Statement of Fiduciary Net Assets at the fund financial statement level.

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.

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.

Town of Richwood
Notes to the Basic Financial Statements

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 paid.

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.

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, 2005 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

Town of Richwood
Notes to the Basic Financial Statements

commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. During the June meeting, the budget is legally enacted through passage of an ordinance. The public is invited to attend all meetings. The Town Clerk is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures or expenses of any fund must be approved by the Board of Aldermen. Appropriations lapse at the end of the year. There were no amendments to the original budget.

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. Those with maturities of 90 days or less would be classified as cash equivalents and all others reported as investments.

G. 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.

H. 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.

I. 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.

J. 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:

Computers and computer equipment	5
Furniture and equipment	10
Vehicles	7

Town of Richwood
Notes to the Basic Financial Statements

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

L. RESTRICTED NET ASSETS For the government-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments;

Imposed by law through constitutional provisions or enabling legislation.

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

M. FUND BALANCES OF FUND FINANCIAL STATEMENTS 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.

N. 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 residual equity transfers. All other interfund transfers of the primary government are reported as operating transfers.

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

O. 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.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficit Fund Balances The following funds had deficit fund balances at June 30:

	<u>Deficit</u>
Major Funds	
General fund	\$287,191
Summer Feeding	\$ 36,528
Maintenance	\$ 827
Non Major Funds	
LCDGB	\$ 1766
Project RAP	\$ 5

Town of Richwood
Notes to the Basic Financial Statements

The Town is working on a plan to address these deficits.

The General Fund's actual expenditures exceeded appropriations by \$35,705.

NOTE 3 - BUDGET TO GAAP RECONCILIATION

Sources/inflows of resources:

	<u>General</u>	<u>Summer Feeding</u>	<u>Maintenance</u>
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$444,974	\$45,502	\$114,614
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	281,657	40,164	(845)
Transfers from other funds and proceeds from capital leases are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(126,075)</u>	<u>0</u>	<u>0</u>
 Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	 <u>\$600,556</u>	 <u>\$85,666</u>	 <u>\$113,769</u>

Charges to appropriations/outflows

Actual amounts (budgetary basis) "charges to appropriations" from the budgetary comparison schedule	\$732,165	\$82,030	\$115,441
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(30,126)</u>	<u>0</u>	<u>(10,993)</u>
 Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	 <u>\$702,039</u>	 <u>\$82,030</u>	 <u>\$104,448</u>

NOTE 4 - CASH AND CASH EQUIVALENTS At June 30, 2005, the Town had deposits of \$16,961 and a cash overdraft of \$19,708.

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. The Town has deposit balances (collected bank balances) of \$14,754 at June 30, 2005. These deposits are secured from risk by \$14,754 of federal deposit insurance (GASB Risk Category 1). The Town does not have an investment policy.

Town of Richwood
Notes to the Basic Financial Statements

NOTE 5 - RECEIVABLES The following is a summary of receivables at June 30, 2005:

	<u>General</u>	<u>Summer Feeding</u>	<u>Enterprise</u>	<u>Total</u>
Accounts and Accrued Receivables				
Sales Tax	\$23,680	\$ 0	\$0	\$23,680
Franchise Fees	5,090	0	0	5,090
User Fees	0	0	17,525	17,525
Due from other Governmental Units				
Grant Receivables	0	17,711	0	17,711
Other	<u>3,485</u>	<u>0</u>	<u>0</u>	<u>3,485</u>
Total	<u>\$32,255</u>	<u>\$17,711</u>	<u>\$17,525</u>	<u>\$67,491</u>

The Town expects to collect these balances in full; therefore, no allowance is necessary.

NOTE 6 - INTERFUND RECEIVABLES/PAYABLES Interfund receivables and payables include the following:

Due from/to other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Sewer Fund	\$ 7,531
General Fund	LCDBG Fund	2,999
General Fund	Summer Feeding	18,359
Sewer Fund	General Fund	9,938
LCDBG Fund	General Fund	<u>500</u>
Total		<u>\$ 39,327</u>

The purpose of the interfund receivables/payables was to pay a bill which was actually to be paid by the general fund. Interfund transfers are normally transfers from the sewer fund to the general fund to cover operations of the general fund.

	<u>Transfers In</u>	<u>Transfers Out</u>
Transfers In/Out		
General	\$126,075	\$30,126
Maintenance	0	10,993
Other Governmental	0	5,874
Sewer Fund	<u>30,126</u>	<u>109,208</u>
Total	<u>\$156,201</u>	<u>\$156,201</u>

Town of Richwood
Notes to the Basic Financial Statements

NOTE 7 - CAPITAL ASSETS A schedule of changes in capital assets for the year ended June 30, 2005, follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities:				
Cost				
Land	\$ 5,000	\$ 90,000	\$0	\$ 95,000
Exhaustible capital assets				
Buildings	0	0	0	0
Furniture and equipment	113,159	0	0	113,159
Vehicles	<u>62,303</u>	<u>0</u>	<u>0</u>	<u>62,303</u>
	<u>180,462</u>	<u>90,000</u>	<u>0</u>	<u>270,462</u>
Accumulated Depreciation				
Buildings	0	0	0	0
Furniture and equipment	60,864	10,066	0	70,930
Vehicles	<u>27,953</u>	<u>13,351</u>	<u>0</u>	<u>41,304</u>
	<u>88,817</u>	<u>23,417</u>	<u>\$0</u>	<u>112,234</u>
Capital assets, net	<u>\$91,645</u>	<u>\$66,583</u>	<u>\$0</u>	<u>\$158,228</u>

Depreciation expense was charged to governmental activities as follows:

General and administrative	\$ 9,073
Police department	<u>14,344</u>
Total	<u>\$23,417</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business Type Activities:				
Cost				
Exhaustible capital assets				
Furniture and equipment (Sewer System)	\$1,469,547	\$ 0	\$0	\$1,469,547
	<u>1,469,547</u>	<u>0</u>	<u>0</u>	<u>1,469,547</u>
Accumulated Depreciation				
Furniture and equipment (Sewer System)	647,161	36,738	0	683,899
	<u>647,161</u>	<u>36,738</u>	<u>0</u>	<u>683,899</u>
Capital assets, net	<u>822,386</u>	<u>(36,738)</u>	<u>0</u>	<u>785,648</u>
Total capital assets, net	<u>\$ 914,031</u>	<u>\$ 29,845</u>	<u>\$0</u>	<u>\$ 943,876</u>

Town of Richwood
Notes to the Basic Financial Statements

NOTE 8 - ACCOUNTS, SALARIES, AND OTHER PAYABLES The payables at June 30, 2005, are as follows:

	<u>General</u>	<u>Summer Feeding</u>	<u>Maintenance</u>	<u>Other Governmental</u>	<u>Enterprise</u>	<u>Total</u>
Accounts Payable	\$106,658	\$51,044	\$1,325	\$5	\$497,858	\$656,890
Payroll Liabilities	<u>211,531</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>211,531</u>
Total	<u>\$318,189</u>	<u>\$51,044</u>	<u>\$1,325</u>	<u>\$5</u>	<u>\$497,858</u>	<u>\$868,421</u>

NOTE 9 - LONG-TERM LIABILITIES The following is a summary of the long-term obligation transactions for the year ended June 30, 2004:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental activities					
Capital leases	<u>\$32,316</u>	<u>\$0</u>	<u>\$ 13,488</u>	<u>\$18,828</u>	<u>\$ 8,666</u>
Total governmental activities	<u>32,316</u>	<u>0</u>	<u>13,488</u>	<u>18,828</u>	<u>8,666</u>
Business-type activities					
Bonds payable	<u>242,354</u>	<u>0</u>	<u>15,069</u>	<u>227,285</u>	<u>16,041</u>
Total business-type activities	<u>242,354</u>	<u>0</u>	<u>15,069</u>	<u>227,285</u>	<u>16,041</u>
Total long-term liabilities	<u>\$274,670</u>	<u>\$0</u>	<u>\$28,557</u>	<u>\$246,113</u>	<u>\$24,707</u>

The individual issue is as follows:

<u>Bond Issue</u>	<u>Issue Date</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Final Payment Due</u>	<u>Interest to Maturity</u>	<u>Principal Outstanding</u>
Town of Richwood Sewer Revenue Bond	08/07/2000	\$290,000	6.40%	10/01/2015	\$90,468	\$227,285

The Town records items under capital leases as an asset and an obligation in the accompanying financial statements. The following is an analysis of capital leases:

<u>Type</u>	<u>Lease Date</u>	<u>Amount</u>
2001 Ford Crown Victoria	June 18, 2001	\$23,477
Two Tractors and Mowers	August 23, 2000	59,995
Three Gateway Computers	January 16, 2001	3,891
Copier	October 5, 2003	\$ 9,296

Town of Richwood
Notes to the Basic Financial Statements

The annual requirements to amortize all bonds outstanding at June 30, 2005 are as follows:

For the year ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 16,041	\$ 14,083	\$ 30,124
2007	17,098	13,026	30,124
2008	18,225	11,899	30,124
2009	19,427	10,697	30,124
2010	20,727	9,397	30,124
2011-2015	<u>135,767</u>	<u>31,366</u>	<u>167,133</u>
Total	<u>\$227,285</u>	<u>\$ 90,468</u>	<u>\$317,753</u>

The following is a schedule of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments, as of June 30, 2005:

Fiscal year:	<u>Computers</u>	<u>Vehicle</u>	<u>Copier</u>
2006	\$175	\$5,904	\$3,443
2007	0	5,904	2,295
2008	0	2,203	0
Less amount representing executory costs	<u>0</u>	<u>0</u>	<u>0</u>
Net minimum lease payments	175	14,011	5,738
Less amounts representing interest	<u>0</u>	<u>627</u>	<u>469</u>
Present value of net minimum lease payments	<u>\$175</u>	<u>\$13,384</u>	<u>\$5,269</u>

NOTE 10 – LITIGATION AND CLAIMS The Town of Richwood is not involved in litigation at June 30, 2005.

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.

The Town has entered into an agreement with the IRS to pay payroll taxes that are owed by the Town. This liability at June 30, 2005 was \$141,024 and is included in the financial statements of the general fund. The Town owes \$70,507 to the Department of Labor and is included in the financial statements of the general fund.

The Town is seriously delinquent on the vehicle lease. At June 30, 2005, the Town was ten payments behind on this lease.

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 the Basic Financial Statements

Property Tax Calendar

Millage rates adopted	August 21, 2003
Levy date	January 1, 2004
Tax bills mailed	November 23, 2004
Due date	December 31, 2004
Lien date	January 1, 2005

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 land

A revaluation of all property is required after 1978 to be completed no less than every four years. The last revaluation was completed for the roll of January 1, 2004. Total taxable value was \$3,172,494 in calendar year 2004.

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, and January and February 2005. All property taxes are recorded in the general fund. The Town considers the date penalty and interest accrues (January 1, 2005) 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 2004 are budgeted in the 2004-2005 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 \$29,810. 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 Payroll liabilities for the June 30, 2004 fiscal year were understated by \$69,467 resulting in an understatement in net assets on the government wide and fund financials of \$69,467. The \$69,467 is a payable to the Department of Labor. This correction has no effect on the revenue of expenditures of the current fiscal year.

Town of Richwood
Notes to the Basic Financial Statements

NOTE 15 – SUBSEQUENT EVENT In July of 2005 the Town received a loan of \$150,000 which was used to pay the debt to the IRS.

**Town of Richwood
Special Revenue Funds**

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

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

Project RAP – This is a TANF Program for teen pregnancy prevention.

TOWN OF RICHWOOD
NONMAJOR SPECIAL REVENUE FUNDS
Combining Balance Sheet
June 30, 2005

Schedule 1

	SHARE GRANT	LCDBG	PROJECT RAP	TOTALS
ASSETS				
Cash and cash equivalents	\$ 359	\$ 733	\$ 0	\$ 1,092
Interfund receivables	0	500	0	500
TOTAL ASSETS	359	1,233	0	1,592
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts, salaries and other payables	0	0	5	5
Interfund payables	0	2,999	0	2,999
Total liabilities	0	2,999	5	3,004
Fund Balances (Deficit)				
Unreserved and undesignated	359	(1,766)	(5)	(1,412)
Total Fund Balances	359	(1,766)	(5)	(1,412)
TOTAL LIABILITIES AND FUND BALANCES	\$ 359	\$ 1,233	\$ 0	\$ 1,592

TOWN OF RICHWOOD

NONMAJOR SPECIAL REVENUE FUNDS
 Combining Statement of Revenues, Expenditures,
 and Changes in Fund Balances (Deficit)
 For the Year Ended June 30, 2005

Schedule 2

	SHARE GRANT	LCDBG	PROJECT RAP	TOTALS
REVENUES				
Local sources:				
Intergovernmental revenues	\$ 0	\$ 0	\$ 20,223	\$ 20,223
Other	0	0	0	0
Total revenues	0	0	20,223	20,223
EXPENDITURES				
Current:				
General and administrative	0	0	38,215	38,215
Health and welfare	96	0	0	96
Debt service:				
Principal retirement	0	0	0	0
Interest and bank charges	0	0	0	0
Total expenditures	96	0	38,215	38,311
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	(96)	0	(17,992)	(18,088)
OTHER FINANCING SOURCES (USES)				
Transfers in	0	0	0	0
Transfers out	(5,874)	0	0	(5,874)
TOTAL OTHER FINANCING SOURCES (USES)	(5,874)	0	0	(5,874)
EXCESS (Deficiency) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(5,970)	0	(17,992)	(23,962)
FUND BALANCES (Deficit)				
- BEGINNING	6,329	(1,766)	17,987	22,550
FUND BALANCES (Deficit) - ENDING	\$ 359	\$ (1,766)	\$ (5)	\$ (1,412)

Town of Richwood

**Schedule of Compensation Paid Mayor and Aldermen
For the Year Ended June 30, 2005**

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 were paid \$225 per month.

Edward L. Harris, Mayor	\$ 34,000
Steve B. Hunter, Mayor Pro-Temp	3,300
Simeon Profit, Street Commissioner	3,000
Lavern Hester, Alderman	2,700
Alvin Jackson, Alderman	2,700
Les Kelly, Alderman	<u>2,700</u>
TOTAL	<u>\$ 48,400</u>

Town of Richwood

**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 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 financial statements. The section of the report on internal control over financial reporting is, likewise, based solely on the audit of the financial statements and includes, where appropriate, any reportable conditions and/or material weaknesses.



ALLEN, GREEN & WILLIAMSON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

P. O. Box 6075

Monroe, LA 71211-6075

2414 Ferrand Street
Monroe, LA 71201

Phone: (318) 388-4422

Fax: (318) 388-4654

Toll-free: (888) 741-0205

www.allengreencpa.com

Tim Green, CPA

Margie Williamson, CPA

Ernest L. Allen, CPA
(Retired)
1963 - 2000

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 Edward L. Harris, 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, each major fund, and the aggregate remaining fund information of the Town of Richwood, (the Town) as of and for the year ended June 30, 2005, which collectively comprise the Town's basic financial statements and have issued our report thereon dated February 21, 2006. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on internal control over financial reporting. However, we noted certain matters involving internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over financial reporting that, in our judgment, could adversely affect the Town's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items 05-F1, 05-F2, and 05-F5.

A material weakness is a reportable 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 caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of 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, we believe that none of the reportable conditions described above is a material weakness.

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 and other matters that are required to be reported under Government Auditing Standards which are described in accompanying Schedule of Findings and Questioned Costs as items 05-F3, 05-F4 and 05-F6.

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

Allen, Green & Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
February 21, 2006

**Town of Richwood
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2005**

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

Reference # and title: 05-F1 Vendor Expenses

Criteria or specific requirement: Expenses should be documented with original invoices or other documentation to provide support for the expenses. Amounts on checks should agree to the invoice amount. Invoices should be paid on a timely basis. A timely basis is considered 30 days after the invoice date, if not noted otherwise on the invoice.

Condition found: The following was noted from a test of 30 vendor disbursements:

- One check did not have its supporting documentation properly cancelled.
- Two checks were not supported by purchase orders.
- Two checks did not agree to the invoice amount.
- One check did not pay the entire invoice amount.
- Eight checks were not paid timely.

Possible asserted effect (cause and effect):

Cause: Unknown

Effect: Some payments are being made without proper documentation. Also, some payments are not being made on a timely basis.

Recommendations to prevent future occurrences: All invoices should be paid timely. Original documentation should be obtained and kept on file for all disbursements.

Reference # and title 05-F2 Payroll Expenses and Contract Labor

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

Criteria or specific requirement: All employees should have an I-9 in their personal file. All payments to employees should be processed through the payroll process.

Condition found: The following was noted from a test of 30 payroll disbursements:

- Two personnel files did not have I-9's in them.
- One summer food service worker and workers in the Project RAP program were paid as contract laborers, rather than as employees, which is not in compliance with the Internal Revenue Code concerning employee status.

Possible asserted effect (cause and effect):

Cause: Unknown

Effect: Some personnel files do not contain the proper documentation in them.

A summer fund service worker and workers in the Project RAP Program were paid as contract laborers.

Recommendations to prevent future occurrences: All employees should have an I-9 in their personnel file. The Town should process all payments to employees through the payroll process.

Reference # and title 05-F3 Late Submission of the Audit Report

**Town of Richwood
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2005**

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

Criteria or specific requirement: In accordance with LSA-R.S. 24:513 A(5)(a) "Audits should be completed within six months of the close of the entity's fiscal year."

Condition found: The audit report was filed with the Legislative Auditor's office after the deadline.

Possible asserted effect (cause and effect):

Cause: The audit contract was not signed with the Town until October 26, 2005. The delay was caused by the Town's failure to pay the audit fee for last year's audit on a timely basis.

Effect: The audit report was not filed timely.

Recommendations to prevent future occurrences: The Town should take steps to insure timely payment of the audit fee. The auditor is not independent if the prior year fee has not been paid.

Reference # and title 05-F4 Bids and Quotes on Purchases

Entity-wide or program/department specific: This finding is limited to the Summer Feeding Program.

Criteria or specific requirement: Louisiana Revised Statute 38:2211-38:2213 requires that bids be received for purchases over \$20,000 and that three written quotes be received for purchases over \$10,000 but less than \$20,000.

Condition found: One purchase should have been made after receipt of bids and two purchases should have been made after three written quotes were received.

Possible asserted effect (cause and effect):

Cause: It appears that the director of the Summer Feeding Program was not aware that she needed to receive bids and quotes on these purchases.

Effect: Louisiana Revised Statutes have not been followed.

Recommendations to prevent future occurrences: Reviews should be done to see which purchases need bids or quotes.

Reference # and title 05-F5 Controls Over Traffic Tickets in the Police Department

Criteria or specific requirement: Good internal controls require records to be maintained to account for the issuance and final disposition of all traffic tickets.

Condition found: The following was noted from a test of 25 traffic tickets:

Eight traffic tickets could not be traced to a final disposition. A final disposition includes a payment, reduction, issuance of bench warrant, or arrest.

Possible asserted effect (cause and effect):

Cause: Unknown

**Town of Richwood
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2005**

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

Effect: Some traffic tickets are being issued and no action is being taken on these tickets.

Recommendations to prevent future occurrences: Record keeping in the Police Department should be improved to ensure that a final disposition is being taken on all issued traffic tickets.

Reference # and title **05-F6** **Louisiana Local Government and Budget Act**

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

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

Condition found: The Town's budgeted revenues exceeded actual revenues by more than five percent in the general and summer feeding funds. The Town's actual expenditures and other uses exceeded budgeted expenditures and other uses by more than five percent in the general fund.

Possible asserted effect (cause and effect):

Cause: Unknown

Effect: The Town is in violation of LSA-R.S. 39:1311

Recommendations to prevent future occurrences: The Town should monitor revenues and expenditures and amend budgets as needed.

Other Information

The information in the following section concerns management's actions or intentions concerning prior-and current-year audit finding. This information has been prepared by the management of the Town of Richwood. Management accepts full responsibility for the accuracy of the information. This information has not been audited by the auditors and accordingly no opinion is expressed.

**Town of Richwood
Summary of Prior-Audit Findings
June 30, 2005**

Reference # and title: 04-F1 Inadequate Documentation for some Expenses

Condition found: The following was noted from a test of 25 vendor disbursements:

- Eleven invoices were not paid timely.
- Three checks were for amounts that differed from the invoice amount.
- Three invoices were not marked as being paid to cancel the documentation.
- Original invoices were not provided for four disbursements. Three of these invoices were faxes instead of the original invoice and an invoice was not provided for one disbursement.
- Sales tax was paid on one invoice.
- One invoice was not supported by a purchase order.

The following was noted from a test of 10 travel disbursements:

- Four invoices did not have records to verify the hotel expenses.
- One check paid for a charge that was not related to travel expense.

Corrective action planned: See current year audit finding 05-F1.

Reference # and title: 04-F2 Payroll Expenses & Contract Labor

Condition found: The following was noted from a testing of 34 payroll disbursements;

- Two time sheets were not signed by the employee.
- Five personnel files did not have documentation of the employee's rate of pay.
- Seven personnel files did not have I-9's in them.
- Three time sheets were not signed by the employee's supervisor.

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

Corrective action planned: See current year audit finding 05-F2.

Reference # and title 04-F3 Late Submission of the Audit Report

Condition found: The audit report was filed with the Legislative Auditor's office after the deadline.

Corrective action planned: See current year audit finding 05-F3.

Reference and title #04-F2 04-F4 Louisiana Local Government and Budget Act

Condition found: The Town's budgeted revenues exceeded actual revenues by more than five percent in the general fund. The Town did not adopt a budget for any special revenue funds.

Corrective action planned: See current year audit finding 05-F6.

Reference and title # 04-F5 Required Payments For Crime-Stoppers of Ouachita, Inc.

Town of Richwood
Summary of Prior-Audit Findings
June 30, 2005

Condition found: Act 50 passed in the regular session of the 002 Louisiana Legislature, requires any district, parish, city or mayor's court to assess an additional cost of court in the amount of \$2.00 to any defendant convicted of any criminal offense or any traffic offense. Further, The Act requires the proceeds of the additional cost of court to be paid monthly to the local crime stopper organization, in this instance Crime-Stoppers of Ouachita, Inc. to be used to pay rewards to the individuals who provide information of criminal activity to the crime stopper organizations. It appears the additional \$2.00 cost of court fee was not assessed until after the fiscal year end.

Corrective action taken: A fee of \$2.00 of court cost collected is allocated to Crime-Stoppers of Ouachita, Inc. Payments of these fees ceased when police patrols were temporarily suspended and not new citations issued. The Town will reinstate payment to this agency as required.

Town of Richwood
Corrective Action Plan for Current-Year Findings and Questioned Costs
For the Year Ended June 30, 2005

Person responsible for corrective action:

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

Anticipated completion date: Immediately.

Reference # and title **05-F4** **Bids and Quotes on Purchases**

Condition found: One purchase should have been made after receipt of bids and two purchases should have been made after three written quotes were received.

Corrective action planned: In the future the Town will monitor its purchases more carefully, so it can determine the need for a bid or a quote.

Person responsible for corrective action:

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

Anticipated completion date: Immediately.

Reference # and title **05-F5** **Controls Over Traffic Tickets in the Police Department**

Condition found: The following was noted from a test of 25 traffic tickets:

Eight traffic tickets could not be traced to a final disposition. A final disposition includes a payment, reduction, issuance of bench warrant, or arrest.

Corrective action planned: The Town recently employed a new office manager, with almost ten years experience and supervisory skills, for the police department. The Town anticipates that this employee's skills will lead to better accountability in the police department.

Person responsible for corrective action:

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

Anticipated completion date: Immediately.

Reference # and title **05-F6** **Louisiana Local Government and Budget Act**

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

Criteria or specific requirement: LSA-R.S. 39:1311 requires the chief executive or administrative officer to advise the governing authority or independently elected official in writing when total expenditures and other uses for the remainder of the

Town of Richwood
Corrective Action Plan for Current-Year Findings and Questioned Costs
For the Year Ended June 30, 2005

year, within a fund, are exceeding the total budgeted expenditures and other uses by five percent or more and, when total revenue and other sources for the remainder of the year, within a fund, are failing to meet total budgeted revenues and other sources by five percent or more.

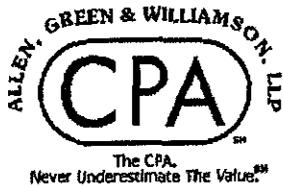
Condition found: The Town's budgeted revenues exceeded actual revenues by more than five percent in the general and summer feeding funds. The Town's actual expenditures and other uses exceeded budgeted expenditures and other uses by more than five percent in the general fund.

Corrective action planned: The Town will more closely monitor revenues and expenditures and amend budgets throughout the year as needed.

Person responsible for corrective action:

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

Anticipated completion date: Immediately.



ALLEN, GREEN & WILLIAMSON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

P. O. Box 6075

Monroe, LA 71211-6075

2414 Ferrand Street

Monroe, LA 71201

Telephone: (318) 388-4422

Fax: (318) 388-4664

Toll-free: (888) 741-0205

www.allengreencpa.com

Tim Green, CPA
Margie Williamson, CPA

Diane Ferschoff, CPA

Ernest L. Allen, CPA
(Retired)

1963 - 2000

Management Letter

Board of Aldermen
Town of Richwood
Richwood, Louisiana

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Richwood, as of and for the year ended June 30, 2005 which collectively comprise the Town's basic financial statements, we considered the Town's internal control to plan our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control.

However, during our audit, we noted certain matters involving internal control and other operational matters that is presented for your consideration. This letter does not affect our report dated February 21, 2006, on the financial statements of the Town. We will review the status of these comments during our next audit engagement. Our comments and recommendations, which has been discussed with appropriate members of management, are intended to improve internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

05-M1 Town Failed to Prepare and Issue IRS Form 1099

Comment: We reviewed a vendor history and determined that three vendors should have received a 1099. Our testing showed that none of these three vendors received a 1099.

Recommendation: Form 1099-MISC should be prepared and issued for payments to individuals (non-employee) for services provided, where the amount exceeded \$600.00 during the course of the year.

Management's response: The Town recently hired a new assistant for the mayor's office. This employees will also help the accounting department, so the above item should not occur in the future.

05-M2 Information Systems

Comment: The Town performs weekly back-ups of it's computer system that are saved to the computer in the Town Hall. However, the Town is unsure if the back-ups are stored anywhere else other than the Town's computer. The Town needs to research and see where else the back-ups are stored. If they are not stored anywhere else they should look into purchasing a system to do back-ups on a recordable tape or disk. These back-ups should be stored either in a fireproof safe or at a location separate from the Town Hall.

Management's Response: The Town expects several new revenue sources in the upcoming year. These sources will enable the Town to purchase a system to back up information on a recordable tape or disk.

* * * * *

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

Immediately following this letter is a Status of Prior Management Letter Item. This information has not been audited by Allen, Green & Williamson, LLP, and no opinion is expressed. However, we did follow-up on the prior management letter item and performed procedures to assess the reasonableness of the Status of Prior Management Letter Item prepared by the auditee, and we would report, as a current-year management letter item when Allen, Green & Williamson, LLP, concludes that the Status of Prior Management Letter Item materially misrepresents the status of any prior management letter item.

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

Allen, Green + Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
February 21, 2006

**Town of Richwood
Status of Prior Year Management Letter Items
June 30, 2005**

04-M1 Listing of Dispositions

Comment: The Town provided a listing of dispositions from capital assets but the listing did not include the date and purpose of the dispositions.

Management Action Taken: The Town has conducted its physical inventory and is currently maintaining records that comply with the dates of purchase, disposition and reasons for disposition.