

**TOWN OF RICHWOOD, LOUISIANA**

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**ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2020**

Prepared by:

Fiscal Office with Assistance from  
Contract Accountants

**TOWN OF RICHWOOD, LOUISIANA**  
**Annual Financial Report**  
**for the Year Ended June 30, 2020**

**Table of Contents**

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	<u>Page</u>
<b>Introduction Section (unaudited)</b>	
Letter of Transmittal .....	1
List of Elected, Appointed Officials and Personnel .....	3
Town of Richwood Organizational Chart .....	4
<b>Financial Section</b>	
Independent Auditors' Report.....	5
Management's Discussion and Analysis.....	8
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position .....	15
Statement of Activities.....	16
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	17
Reconciliation of the Balance Sheet – Governmental Funds to the Government-wide Statement of Net Position .....	18
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Government-wide Statement of Activities .....	20
Statement of Net Position – Proprietary Funds.....	21
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds .....	22
Statement of Cash Flows – Proprietary Funds.....	23
Notes to the Basic Financial Statements .....	24
<b>Required Supplementary Information</b>	
General Fund - Budgetary Comparison Schedule (Unaudited) .....	44
Note to the Budgetary Comparison Schedules (Unaudited) .....	45

**TOWN OF RICHWOOD, LOUISIANA**  
**Annual Financial Report**  
**for the Year Ended June 30, 2020**

**Table of Contents**  
**(CONTINUED)**

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	<u>Page</u>
<b>Required Supplementary Information, Continued</b>	
Combining Financial Statements:	
Proprietary Funds:	
Combining Statement of Net Position.....	46
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances .....	47
Schedule of Compensation Paid to the Board of Alderpersons .....	48
Schedule of Compensation, Benefits, and Other Payments to the Mayor .....	49
<b>Independent Auditors' Report Required by Government Auditing Standards</b>	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	51
<b>Summary Schedule of Findings</b>	
Section I - Summary of Independent Auditors' Results.....	53
Section II - Financial Statement Findings.....	54
Section III - Federal Awards Findings and Questioned Costs .....	58
<b>Status of Prior Year's Audit Findings.....</b>	<b>59</b>

**INTRODUCTION SECTION**  
**(Unaudited)**



# TOWN OF RICHWOOD

*"An Equal Opportunity Service Provider and Employer"*

*Gerald Brown, Mayor*

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*2710 Martin Luther King - Richwood Louisiana 71202-7004 - Phone: (318) 325-4328 - Fax: (318) 322-0584*

July 26, 2021

Honorable Mayor and Town Alderpersons  
Town of Richwood, Louisiana

The Town of Richwood is located in the southern portion of Ouachita Parish in Northeast Louisiana. It currently occupies approximately five (5) square miles and serves a population of 3,637. The Town was incorporated December 31, 1974, under the provisions of Louisiana Revised Statue 33:52. The Town's system of government is operated by the Lawson Act. The Act sets the framework and guide the work for more than 75% of the incorporated municipalities in Louisiana.

The Town operates under a form of government consisting of an elected Mayor and a Board of Alder persons, which has five (5) elected members, all of whom are elected at large. The Mayor is elected for a four-year term and has no limited terms, as well as the Alderpersons. The Mayor, with the Board approval, appoints the Town's Attorney, Magistrate, Clerk, and the Chief of Police. The laws of the Town are enacted through ordinances. The Board of Alderpersons adopts the Town's operating budget. The Mayor may veto ordinances of the Board of Alderpersons. Vetoes may be overridden by a two-thirds vote of the Board.

The Town provides a full range of services, including police protection, traffic control, building inspections, licenses and permits, commercial garbage collection, street maintenance, drainage maintenance and other health and welfare services, in addition to the administrative services provided to its residents.

## **Financial Controls**

The Town's administration is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Town is protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgement by management.

All internal control evaluations occur within the above framework. We believe that the Town's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

## **Budgetary Procedures**

The Lawson Act requires the annual preparation of a balanced operation budget. It prohibits the Fiscal Officer as well as the Mayor from approving any expenditure under any portion of the annual operation budget unless sufficient revenues have been appropriated by the Board of Alderpersons to finance the proposed expenditure. The Board is required to appropriate the necessary tax and other revenues measures to produce a balance budget. In addition, no budgeted expenditures may be made unless authorized by the Mayor through the allotment system.

The Town monitors revenues and expenditures closely during the year. The Town's Board of Alderpersons when necessary, to increase or curtail budgeted expenditures to ensure a balanced budget, adopts transfers with the budget.

Respectfully submitted,

*Bettina Woods*

Bettina Woods  
Town Clerk

**TOWN OF RICHWOOD, LOUISIANA**  
**Annual Financial Report**  
**for the Year Ended June 30, 2020**

**List of Elected, Appointed Officials and Personnel**

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Elected Officials

Mayor  
Mayor Pro-Tem  
Alderman  
Alderman  
Alderman  
Alderman

Gerald Brown  
Janice Fleming  
Wysingler Cleveland  
Leola Keys  
Simeon Profit  
Donald Richards

Appointed Officials

Attorney  
Judge  
Town Clerk  
Chief of Police

Jay Nolen  
Robert Noel  
Bettina Woods  
Johnny Cleveland

Personnel

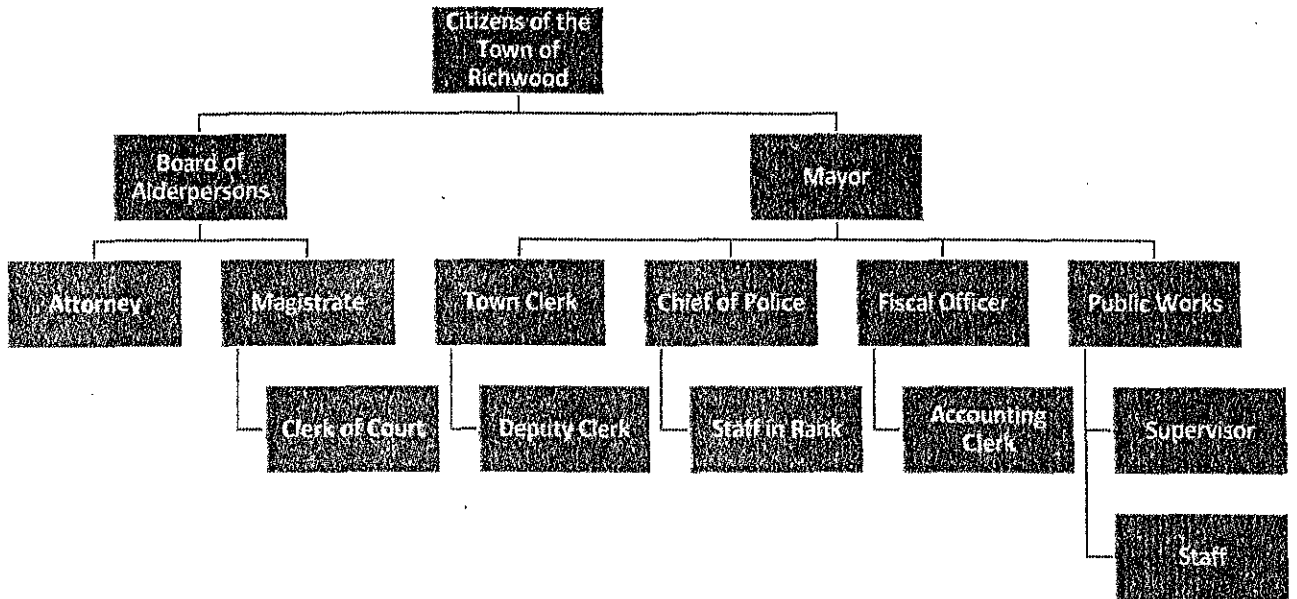
Fiscal Officer  
Deputy Clerk  
Public Relations  
Police Officer  
Police Officer  
Police Officer  
Police Officer  
Police Officer  
Public Works Supervisor  
Public Works  
Public Works  
Public Works  
Public Works  
Public Works  
Public Works (Seasonal)

Maria Sims  
Charlette Rainwater  
Leo Kelly  
Larry Frasier-May  
Tamekia Knowles  
Robyn James  
Garrick Booker  
Johnathon Doyle  
James Collins  
Ricki Willis  
Ronnie Lawson  
Henry Best  
Lawrence Potter  
Theodore Washington  
Willie Byrd

**TOWN OF RICHWOOD, LOUISIANA**  
**Annual Financial Report**  
**for the Year Ended June 30, 2020**

**Organizational Chart**

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**FINANCIAL SECTION**



Member  
American Institute of  
Certified Public Accountants  
Society of Louisiana  
Certified Public Accountants

Alcide J. Tervalon, Jr., CPA  
Waldo J. Moret, Jr., CPA  
Paul K. Andoh, Sr., CPA  
Joseph A. Akanji, CPA  

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(Retired)  
Michael B. Bruno, CPA (2011)

## INDEPENDENT AUDITORS' REPORT

To the Members of the Board of Alderpersons  
and the Honorable Gerald Brown, Mayor  
Town of Richwood  
Richwood, Louisiana

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, business-type activities, the major fund (general fund), and the remaining fund information of the Town of Richwood (the Town) as of and for the year then ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

**INDEPENDENT AUDITORS' REPORT**  
**(Continued)**

To the Members of the Board of Alderpersons  
and the Honorable Gerald Brown, Mayor  
Town of Richwood  
Richwood, Louisiana

**Auditors' Responsibility, continued**

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the major fund (general fund) and the remaining fund information of the Town as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 8 through 14 and budgetary comparison information on pages 45 and 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**INDEPENDENT AUDITORS' REPORT**  
**(Continued)**

To the Members of the Board of Alderpersons  
and the Honorable Gerald Brown, Mayor  
Town of Richwood  
Richwood, Louisiana

**Other Matters, continued**

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining business-type activities financial statements, the schedule of compensation, benefits and other payments to the mayor and the schedule of compensation paid to board members are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining business-type activities financial statements, the schedule of compensation, benefits and other payments to the mayor and the schedule of compensation paid to board members are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining business-type activities financial statements, the schedule of compensation, benefits and other payments to the mayor and the schedule of compensation paid to board members are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 26, 2021, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

  
BRUNO & TERVALON LLP  
CERTIFIED PUBLIC ACCOUNTANTS  
New Orleans, Louisiana

July 26, 2021

**TOWN OF RICHWOOD, LOUISIANA**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2020**

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Our discussion and analysis of the Town of Richwood's (the Town) financial performance provides an overview of the Town's financial activities for the year ended June 30, 2020.

The Management's Discussion and Analysis (MD&A) for the Town is designed to:

1. Assist the reader in focusing on significant financial issues.
2. Identify changes in the Town's overall financial position and results of operations and assist the user in determining whether financial position has improved or deteriorated as a result of the year's operations.
3. Identify any significant variations from the original, amended, and final budget amounts and include any currently known reasons for those variations that are expected to have a significant effect on future services or liquidity; and
4. Identify individual fund issues or concerns.

As management of the Town, we offer the readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town as of and for the year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with the Town's basic financial statements and supplementary information provided in this report in assessing the efficiency and effectiveness of our stewardship of public resources.

The 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. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

**Financial Highlights**

- Governmental activities reported a \$203,480 increase in net position, and business-type activities reported a decrease of \$21,423.
- At the close of the current fiscal year, our governmental fund (the General Fund, Transportation Fund, and Physical Accessibility Fund), reported a fund balance of \$878,776. This represents an increase of \$214,230 as compared to the \$664,546 reported in the prior period.
- Total expenditures for our governmental funds were \$1,512,592 which is a 17.10 percent increase from the prior period.
- Government-wide total assets increased by \$174,284 which represents an increase of 6.40 percent from the prior period.
- Government-wide total liabilities decreased by \$7,773 which is a 0.74 percent increase from the prior period.

**TOWN OF RICHWOOD, LOUISIANA**  
**Management's Discussion and Analysis, Continued**  
**For the Year Ended June 30, 2020**

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**Overview of the Financial Statements**

The discussion and analysis provided here are intended to serve as an introduction to the Town of Richwood's basic financial statements. The Town's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) the notes to the financial statements. This report also includes supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Town of Richwood's finances, in a manner similar to a private-sector business. The government-wide financial statements include two statements:

The *statement of net position* presents information on all of the Town of Richwood's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town of Richwood is improving or deteriorating.

The *statement of activities* presents information showing how the Town of Richwood's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave.)

Both of the government-wide financial statements distinguish functions of the Town of Richwood that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town of Richwood include general government, public safety, and public works. The business-type activities of the Town of Richwood include sewer services provided to the Town.

The Government-wide financial statements can be found immediately following this management's discussion and analysis.

**Fund financial statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Richwood, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the Town of Richwood's funds can be divided into two categories: governmental fund and proprietary funds.

**TOWN OF RICHWOOD, LOUISIANA**  
**Management's Discussion and Analysis, Continued**  
**For the Year Ended June 30, 2020**

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Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town of Richwood maintains two (2) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered major, and the transportation fund, which is considered major.

The Town of Richwood adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. There were no activities in transportation fund in current year, hence no budget was adopted.

The governmental funds financial statements can be found immediately following the government-wide financial statements.

Proprietary Fund. The Town of Richwood maintains one (1) type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Richwood uses an enterprise fund to account for its Sewer Fund activities.

Proprietary fund provides the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer Fund, which is considered to be a major fund of the Town of Richwood.

The proprietary fund financial statements can be found immediately following the governmental funds financial statements.

**Notes to the financial statements**

The notes provided additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the fund financial statements.

**TOWN OF RICHWOOD, LOUISIANA**  
**Management's Discussion and Analysis, Continued**  
**For the Year Ended June 30, 2020**

**Government-wide Overall Financial Analysis**

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$1,638,033 at the close of the most recent fiscal year.

**Table 1**  
**Town of Richwood's Net Position**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b><u>ASSETS</u></b>						
Current and other assets	\$1,116,290	\$ 824,718	\$ 132,616	\$217,877	\$1,248,906	\$1,042,595
Capital assets	1,186,181	1,153,221	285,975	350,962	1,472,156	1,504,183
<b>TOTAL ASSETS</b>	<b>\$2,302,471</b>	<b>\$1,977,939</b>	<b>\$ 418,591</b>	<b>\$568,839</b>	<b>\$2,721,062</b>	<b>\$2,546,778</b>
<b><u>LIABILITIES</u></b>						
Current and other liabilities	\$ 209,934	\$ 131,572	\$ 6,718	\$ 10,543	\$ 216,652	\$ 142,115
Long-term liabilities	830,913	788,223	-	125,000	830,913	913,223
<b>TOTAL LIABILITIES</b>	<b>\$1,040,847</b>	<b>\$ 919,795</b>	<b>\$ 6,718</b>	<b>\$135,543</b>	<b>\$1,047,565</b>	<b>\$1,055,338</b>
<b><u>NET POSITION</u></b>						
Net investment in capital assets	355,268	392,125	285,975	225,962	641,243	618,087
Restricted	-	-	-	85,506	-	85,506
Unrestricted	906,356	666,019	125,898	121,828	1,032,254	787,847
<b>TOTAL NET POSITION</b>	<b>\$1,261,624</b>	<b>\$1,058,144</b>	<b>\$ 411,873</b>	<b>\$433,296</b>	<b>\$1,673,497</b>	<b>\$1,491,440</b>

The net position of the Town's governmental activities increased by \$203,480 during 2020. The unrestricted net position (the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements) was \$906,356 at the end of this year.

The net position of our business-type activity decreased by \$21,423 in 2020. The unrestricted net position in our business-type activities increased to \$125,898 at the end of this year.



**TOWN OF RICHWOOD, LOUISIANA**  
**Management's Discussion and Analysis, Continued**  
**For the Year Ended June 30, 2020**

**Table 2**  
**Town of Richwood's Changes in Net Position**

	For the years ended June 30					
			2020		2019	
	2020	2019	2020	2019	2020	2019
	Governmental Activities		Business-type Activities		Total	
<b>REVENUES</b>						
Taxes:						
Property taxes	\$ 144,386	\$ 143,483	\$ -	\$ -	\$ 144,386	\$ 143,483
Franchise taxes	63,256	59,900	-	-	63,256	59,900
Sales taxes	344,483	327,857	-	-	344,483	327,857
Other taxes	252	760	-	-	252	760
Charitable gaming funds	380,832	388,626	-	-	380,832	388,626
Licenses and permits	56,167	73,240	-	-	56,167	73,240
Fines, forfeitures and court costs	65,761	73,912	-	-	65,761	73,912
Intergovernmental revenues	20,210	21,990	-	-	20,210	21,990
Garbage and other fees	73,291	66,424	-	-	73,291	66,424
Public safety	504,539	182,358	-	-	504,539	182,358
Sewer fees	-	-	23,588	106,508	23,588	106,508
State government grants	22,139	221,738	-	-	22,139	221,738
Municipal license taxes	-	15,897	-	-	-	15,897
Miscellaneous revenues	51,506	43,433	23,801	-	75,307	43,433
<b>Total Revenues</b>	<b>1,726,822</b>	<b>1,629,618</b>	<b>47,389</b>	<b>106,508</b>	<b>1,774,211</b>	<b>1,736,126</b>
<b>EXPENDITURES</b>						
Current:						
General government	1,016,676	913,571	-	-	1,016,676	913,571
Public safety	158,804	21,386	-	-	158,804	21,386
Public works	154,782	135,003	-	-	154,782	135,003
Street and sanitation	146,592	-	-	-	146,592	-
Water and sewer	-	-	64,987	194,792	64,987	194,792
Bad debt	-	20,516	-	-	-	20,516
Interest and bank charges	46,488	61,062	3,825	-	50,313	61,062
<b>Total Expenditures</b>	<b>1,523,342</b>	<b>1,151,538</b>	<b>68,812</b>	<b>194,792</b>	<b>1,592,154</b>	<b>1,346,330</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>203,480</b>	<b>478,080</b>	<b>(21,423)</b>	<b>(88,284)</b>	<b>182,057</b>	<b>389,796</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	-	169,734	-	169,734
Transfers out	-	(169,734)	-	-	-	(169,734)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>(169,734)</b>	<b>-</b>	<b>169,734</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN NET POSITIONS</b>	<b>203,480</b>	<b>308,346</b>	<b>(21,423)</b>	<b>81,450</b>	<b>182,057</b>	<b>389,796</b>
<b>Net Position, Beginning</b>	<b>1,058,144</b>	<b>749,798</b>	<b>433,296</b>	<b>351,846</b>	<b>1,491,440</b>	<b>1,101,644</b>
<b>Net Position, Ending</b>	<b>\$ 1,261,624</b>	<b>\$ 1,058,144</b>	<b>\$ 411,873</b>	<b>\$ 433,296</b>	<b>\$ 1,673,497</b>	<b>\$ 1,491,440</b>

**TOWN OF RICHWOOD, LOUISIANA**  
**Management's Discussion and Analysis, Continued**  
**For the Year Ended June 30, 2020**

**Governmental Activities**

During the current fiscal year, net position for governmental activities increased \$203,480 from the prior fiscal year for an ending balance of \$1,226,160. This represents an increase of approximately 14% percent from the prior period.

The cost of all governmental activities this year was \$1,558,806. These expenditures were primarily financed through the Town's taxes, charitable gaming revenues, grant revenues, and public safety collections. These revenue sources accounted for approximately 53% percent of the Town's total revenues.

**Business-type Activities**

Revenues of the Town's business-type activities decreased by 55.5% (\$47,389 in 2020 compared to \$106,508 in 2019). Expenses decreased by \$125,980 or 64.67% (68,812 in 2020 compared to \$ 194,792 in 2019).

**Capital Assets**

At June 30, the Town had invested in the following capital assets, net of depreciation.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Land	\$ 99,500	\$ 99,500	\$ -	\$ -	\$ 99,500	\$ 99,500
Construction in progress	218,238	196,099	-	-	218,238	196,099
Other Improvements	155,776	168,250	-	-	155,776	168,250
Buildings	502,092	549,369	-	-	502,092	549,369
Building Improvements	6,101	7,480	-	-	6,101	7,480
Sewer System	-	-	285,975	350,962	285,975	350,962
Furniture and Equipment	90,388	44,931	-	-	90,388	44,931
Vehicles	40,485	9,392	-	-	40,485	9,392
Roads	73,601	78,200	-	-	73,601	78,200
Total	\$ <u>1,186,181</u>	\$ <u>1,153,221</u>	\$ <u>285,975</u>	\$ <u>350,962</u>	\$ <u>1,472,156</u>	\$ <u>1,504,183</u>

Government-wide capital assets, net of depreciation decreased by 2.13 percent to \$1,472,156 during the current year.

See Note 5 for more information on capital assets.

**TOWN OF RICHWOOD, LOUISIANA**  
**Management's Discussion and Analysis, Continued**  
**For the Year Ended June 30, 2020**

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**Economic Factors and Budgets**

Our elected officials and citizens consider many factors when setting the Town's budget and tax rates. Total budgeted revenues and other sources in the General Fund for 2020 are \$1,616,000, a 5 percent decrease from 2020 actual.

One of the most important factors affecting the budget is our sales taxes collections which is approximately 21 percent of budgeted revenues in the Governmental funds. The General Fund's actual expenditures in 2020 of \$1,490,453 were less than budget by \$91,396 or 6%.

**Contacting the Town's Financial Management**

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

**BASIC FINANCIAL STATEMENTS**

**TOWN OF RICHWOOD, LOUISIANA**

**Government-Wide  
Statement of Net Position  
June 30, 2020**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 616,232	\$ 127,263	\$ 743,495
Receivables, net	302,536	3,778	306,314
Investments	169,942	-	169,942
Bond issuance costs	27,580	-	27,580
Due from general fund	-	1,575	1,575
Capital assets, net of accumulated depreciation	1,186,181	285,975	1,472,156
<b>TOTAL ASSETS</b>	<b>2,302,471</b>	<b>418,591</b>	<b>2,721,062</b>
<b><u>LIABILITIES</u></b>			
Accounts payable	156,469	6,718	163,187
Interest payable	47,238	-	47,238
Payroll liabilities	4,652	-	4,652
Due to sewer fund	1,575	-	1,575
Long-term liabilities:			
Portion due within one year	75,000	-	75,000
Portion due after one year	755,913	-	755,913
<b>TOTAL LIABILITIES</b>	<b>1,040,847</b>	<b>6,718</b>	<b>1,047,565</b>
<b><u>NET POSITION</u></b>			
Net investments in capital assets	355,268	285,975	641,243
Unrestricted	906,356	125,898	1,032,254
<b>TOTAL NET POSITION</b>	<b>\$ 1,261,624</b>	<b>\$ 411,873</b>	<b>\$ 1,673,497</b>

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

**TOWN OF RICHWOOD, LOUISIANA**

**Government-Wide  
Statement of Activities  
For the Year Ended June 30, 2020**

Functions/Programs	Program Revenues				Primary Government Net (Expenses) Revenues and Changes in Net Position		Total	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities		
<b>Primary government</b>								
Governmental Activities:								
General government	\$ 1,016,676	\$ -	\$ -	\$ 22,139	\$ (994,537)	\$ -	\$ (994,537)	
Public safety	158,804	570,300	-	-	411,496	-	411,496	
Public works	154,782	-	-	-	(154,782)	-	(154,782)	
Street and Sanitation	146,592	-	-	-	(146,592)	-	(146,592)	
Interest expenses	46,488	-	-	-	(46,488)	-	(46,488)	
Total Government Activities	1,523,342	570,300	-	22,139	(930,903)	-	(930,903)	
Business-Type Activities:								
Water and sewer	64,987	23,588	-	-	-	(41,399)	(41,399)	
Interest expenses	(3,825)	-	-	-	-	(3,825)	(3,825)	
Total Business-Type Activities	61,162	23,588	-	-	-	(45,224)	(45,224)	
<b>Total</b>	\$ 1,584,504	\$ 593,888	\$ -	\$ 22,139	(930,903)	(45,224)	(976,127)	
General revenues:								
Taxes:								
					144,386	-	144,386	
					63,256	-	63,256	
					344,483	-	344,483	
					252	-	252	
					380,832	-	380,832	
					73,291	-	73,291	
					56,167	-	56,167	
					20,210	-	20,210	
					51,506	23,801	75,307	
					1,134,383	23,801	1,158,184	
						203,480	(21,423)	182,057
						1,058,144	433,296	1,491,440
						\$ 1,261,624	\$ 411,873	\$ 1,673,497

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

**TOWN OF RICHWOOD, LOUISIANA**

**Governmental Funds  
Balance Sheet  
June 30, 2020**

	<u>GENERAL FUND</u>	<u>TRANSPORTATION FUND</u>	<u>NON-MAJOR FUND LCDBG STREET IMPROVEMENTS PUBLIC FACILITIES PROJECT</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 393,380	\$ 222,852	\$ -	\$ 616,232
Accounts receivable, net	302,536	-	-	302,536
Investments	169,942	-	-	169,942
<b>Total assets</b>	<b>\$ 865,858</b>	<b>\$ 222,852</b>	<b>\$ -</b>	<b>\$ 1,088,710</b>
<b><u>LIABILITIES</u></b>				
Accounts payable	\$ 156,469	\$ -	-	156,469
Interest payable	47,238	-	-	47,238
Payroll liabilities	4,652	-	-	4,652
Due to other funds	1,575	-	-	1,575
<b>Total liabilities</b>	<b>209,934</b>	<b>-</b>	<b>-</b>	<b>209,934</b>
<b><u>FUND BALANCES (DEFICITS)</u></b>				
Assigned	-	222,852	-	222,852
Unassigned	655,924	-	-	655,924
<b>Total fund balance</b>	<b>655,924</b>	<b>222,852</b>	<b>-</b>	<b>878,776</b>
<b>Total liabilities and fund balances</b>	<b>\$ 865,858</b>	<b>\$ 222,852</b>	<b>\$ -</b>	<b>\$ 1,088,710</b>

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

TOWN OF RICHWOOD, LOUISIANA

Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Position  
June 30, 2020

Amounts reported for governmental activities in the statement of net position are different because:

<b>Total Fund Balances - Governmental Funds</b>	\$	878,776
<p>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 Position 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.</p>		
Costs of capital assets	2,202,657	
Accumulated Depreciation	<u>(1,016,476)</u>	
		1,186,181
<p>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 Position.</p>		
<p>Balances at June 30, 2020 are:</p>		
<p>Long-term liabilities:</p>		
Bonds payable	(737,116)	
Compensated absences	<u>(93,797)</u>	
		(830,913)
<p>Bond issue costs are expensed when paid in the governmental funds but are treated as a prepaid expense and amortized in the Statement of Net Position</p>		
		<u>27,580</u>
<b>Net Position - Governmental Activities</b>	<b>\$</b>	<b><u>1,261,624</u></b>

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



**TOWN OF RICHWOOD, LOUISIANA**

**Governmental Funds  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the Year Ended June 30, 2020**

	NON-MAJOR FUND			TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	TRANSPORTATION FUND	LCDBG STREET IMPROVEMENTS PUBLIC FACILITIES PROJECT	
<b><u>REVENUES</u></b>				
Taxes:				
Property taxes	\$ 144,386	\$ -	\$ -	\$ 144,386
Franchise taxes	63,256	-	-	63,256
Sales taxes	344,483	-	-	344,483
Charitable gaming funds	380,832	-	-	380,832
Licenses and permits	56,167	-	-	56,167
Fines, forfeitures and court costs	65,761	-	-	65,761
Intergovernmental revenues	20,210	-	-	20,210
Federal Government grants	-	-	22,139	22,139
Garbage and other fees	73,291	-	-	73,291
Public safety	504,539	-	-	504,539
Other taxes	252	-	-	252
Miscellaneous revenues	51,506	-	-	51,506
<b>Total Revenues</b>	<b>1,704,683</b>	<b>-</b>	<b>22,139</b>	<b>1,726,822</b>
<b><u>EXPENDITURES</u></b>				
Current:				
General government	903,588	-	-	903,588
Public safety	153,620	-	-	153,620
Public works	146,258	-	-	146,258
Street and Sanitation	146,592	-	-	146,592
Capital outlay	93,907	-	22,139	116,046
Debt service:				
Interest and bank charges	46,488	-	-	46,488
<b>Total Expenditures</b>	<b>1,490,453</b>	<b>-</b>	<b>22,139</b>	<b>1,512,592</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>214,230</b>	<b>-</b>	<b>-</b>	<b>214,230</b>
<b>FUND BALANCES - July 1, 2019</b>	<b>441,694</b>	<b>222,852</b>	<b>-</b>	<b>664,546</b>
<b>FUND BALANCES - June 30, 2020</b>	<b>\$ 655,924</b>	<b>\$ 222,852</b>	<b>\$ -</b>	<b>\$ 878,776</b>

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

**TOWN OF RICHWOOD, LOUISIANA**

**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, 2020**

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

**Total Net Change in Fund Balances - Governmental Funds** \$ 214,230

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

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

Capital outlay	116,046	
Depreciation expense	<u>(83,086)</u>	
		32,960
Net change on bonds obligation		23,980
Change on bond issuance costs		(1,020)

The liability and expense for compensated absences are not reported in governmental funds. Instead, payments for compensated absences are reported as salaries when they occur. Only the payment consumes current financial resources and it would take a current liability catastrophic event for this liability to become a current liability

(66,670)

**Change in Net Position of Governmental Activities** \$ 203,480

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

TOWN OF RICHWOOD, LOUISIANA

Proprietary Fund - Sewer Utility Fund  
Statement of Net Position  
June 30, 2020

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ASSETS

**Current Assets:**

Cash and cash equivalents	\$ 127,263
Receivables, net	3,778
Due from general fund	<u>1,575</u>

Total Current Assets 132,616

**Non-current Assets**

Capital assets, net of depreciation	<u>285,975</u>
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**TOTAL ASSETS** 418,591

LIABILITIES

**Current liabilities:**

Accounts payable	<u>6,718</u>
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Total Current Liabilities 6,718

**TOTAL LIABILITIES** 6,718

NET POSITION

Invested in capital assets, net of related debt	285,975
Unrestricted	<u>125,898</u>

**TOTAL NET POSITION** \$ 411,873

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

TOWN OF RICHWOOD, LOUISIANA

Proprietary Fund - Sewer Utility Fund  
Statement of Revenue, Expenses, and Changes in Fund Net Position  
For the Year Ended June 30, 2020

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<b>Charges for services:</b>	
Sewer fees	\$ 23,588
Total operating revenues	<u>23,588</u>
<b><u>Operating Expenses</u></b>	
Depreciation	<u>64,987</u>
Total operating expenses	<u>64,987</u>
Operating loss	<u>(41,399)</u>
<b>Non-Operating Income (Expenses)</b>	
Other revenue	23,801
Interest expense	<u>(3,825)</u>
Total non-operating income (expenses)	<u>19,976</u>
<b>Transfers</b>	
Transfers - In	55,227
Transfers - Out	<u>(55,227)</u>
Total transfers	<u>-</u>
Changes in net position	(21,423)
<b>Net Position - July 1, 2019</b>	<u>433,296</u>
<b>Net Position - June 30, 2020</b>	<u>\$ 411,873</u>

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

TOWN OF RICHWOOD, LOUISIANA

Proprietary Fund - Sewer Fund  
Statement of Cash Flows  
For the Year Ended June 30, 2020

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<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Receipts from customers	\$ 23,588
Payments to other operating expense	<u>(3,825)</u>
Net cash provided by operating activities	<u>19,763</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Principal paid on capital debt	(125,000)
Interest paid on capital debt	<u>(3,825)</u>
Net cash used in capital and related financing activities	<u>(128,825)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from sale of investments	117,565
Other investing receipts	<u>23,801</u>
Net cash provided by investing activities	<u>141,366</u>
Net increase in cash and cash equivalents	32,304
CASH AND CASH EQUIVALENTS - BEGINNING	<u>94,959</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 127,263</u>
<b>Reconciliation of operating loss to net cash used in operating activities</b>	
Operating loss	\$ (41,399)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation of capital assets	64,987
(Increase) decrease in:	
Interest payable	<u>(3,825)</u>
Net cash provided by operating activities	<u>\$ 19,763</u>

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

**TOWN OF RICHWOOD, LOUISIANA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2020**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. INTRODUCTION**

The Town of Richwood (the Town), a bedroom community within Ouachita Parish, Louisiana, was incorporated to ensure the provision of basic infrastructure and services for its citizens. The Town began with an incorporated area of approximately one square mile. Now the Town boasts contiguous limits of five (5) square miles. Since 1990, the Town has more than quadrupled its population. The Town functions under the form of government the Lawrason Act established in 1898.

The accompanying financial statements of the Town 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.

**B. REPORTING ENTITY**

The Town is located in the southern portion of Ouachita Parish in Northeast Louisiana. The Town was incorporated on December 31, 1974, under the provisions of Louisiana Revised Statute 33:52. The Town operates under a form of government consisting of an elected mayor and a board of alderpersons, which has five (5) 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 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.

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

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

**TOWN OF RICHWOOD, LOUISIANA**  
**Notes to the Financial Statements, Continued**  
**For the Year Ended June 30, 2020**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

**B. REPORTING ENTITY, (continued)**

3. Organization for which the reporting entity financial statements would be misleading if data of the organization were not included because of the nature of significance of the relationship.

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

**C. BASIS OF PRESENTATION – GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and transit functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**D. BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS**

The Town uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. The funds used by the Town are grouped into two broad fund types and three generic funds as follows:

1. Governmental Funds

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

The Town reports the following governmental funds:

- 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.



**TOWN OF RICHWOOD, LOUISIANA**  
**Notes to the Financial Statements, Continued**  
**For the Year Ended June 30, 2020**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

**D. BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS, (continued)**

1. Governmental Funds,

- Transportation fund - accounts for the parish transportation program.
- LCDBG street improvements fund – accounts for the street improvements public facilities project.

2. Proprietary Funds

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

- Enterprise funds 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 sewer 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.

**E. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

I. *Government-Wide Financial Statements (GWFS)*

The Statement of Net Position and the Statement of Activities display information about the reporting government as a whole. The Statement of Net Position and the Statement of Activities were 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 non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, Accounting and Financial Reporting for Non-exchange Transactions. When an expense is incurred for purposes for which both restricted and unrestricted net position are available, it is the Town's policy to first apply restricted resources.

**TOWN OF RICHWOOD, LOUISIANA**  
**Notes to the Financial Statements, Continued**  
**For the Year Ended June 30, 2020**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

**E. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING, (continued)**

*I. Government-Wide Financial Statements (GWFS),*

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.

*II. 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:

1. 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.

**TOWN OF RICHWOOD, LOUISIANA**  
**Notes to the Financial Statements, Continued**  
**For the Year Ended June 30, 2020**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

**E. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING, (continued)**

- 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.

**2. Expenditures**

Salaries are recorded as earned.

**3. 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.

**4. Operating Revenues and Expenses**

Proprietary funds distinguish operating revenues and expenses from non-operating 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 non-operating revenues and expenses.

**F. BUDGETARY INFORMATION**

**Budgets**

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 Alderpersons a proposed budget for the Town's general fund, proprietary fund, and special revenue funds for the fiscal year commencing the following July 1. The budgets include proposed expenditures and the means of financing them. During the June Council meeting, the budget is legally enacted through the 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 Alderpersons. Appropriations lapse at the end of the year.

**TOWN OF RICHWOOD, LOUISIANA**  
**Notes to the Financial Statements, Continued**  
**For the Year Ended June 30, 2020**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

**F. BUDGETARY INFORMATION, (continued)**

Therefore, a motion to adopt the 2019-2020 annual budget was approved by the Board of Alderpersons on July 1, 2019.

**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.

**G. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE**

1. **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.

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

2. **Investments**

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

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

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

**TOWN OF RICHWOOD, LOUISIANA**  
**Notes to the Financial Statements, Continued**  
**For the Year Ended June 30, 2020**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

**G. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE, (continued)**

*Definitions*

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

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

3. Short-term Inter-fund Receivables/Payables

During 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 inter-fund loans are classified as inter-fund receivables/payables.

4. Eliminations and Reclassifications

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as inter-fund activity and balances in the funds were eliminated or reclassified. Inter-fund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activity's column.

5. 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.

6. 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 \$1,000. 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:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	20 years
Computers and computer equipment	5 years
Furniture and equipment	10 years
Vehicles	3-7 years

**TOWN OF RICHWOOD, LOUISIANA**  
**Notes to the Financial Statements, Continued**  
**For the Year Ended June 30, 2020**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

**G. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE, (continued)**

**7. Compensated Absences**

The Town has implemented GASB Statement Number 16 *Accounting for Compensated Absences*. Under GASB Statement No. 16, a liability for unpaid vacation that is attributable to services already rendered and that is not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to benefits.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account “compensated absences payable” in the fund from which employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

Employees of the Town earn one week to three weeks of vacation leave annually, depending upon length of service; with exceptions of two employees, vacation leave does not accumulate. Employees earn from one week to three weeks of sick leave annually, depending upon length of service; employees are allowed to accumulate 45 days of sick leave. All sick leaves are forfeited upon termination of employment, except for appointed department heads. Liability for these compensated absences is recorded as long-term debt in the government-wide statements. The cost of leave privileges, computed in accordance with GASB Codification Section C60, is recognized as a current-year expenditure in the General Fund when leave is taken.

The Town has the following policy relating to vacation and sick leave:

A full-time employee after completing one year of continuous employment from the date of hire is eligible for forty hours vacation with pay. An employee, upon completion of two years continuous employment from the date of hire is eligible for eighty hours of vacation with pay. Upon completion of eight years of continuous employment, the employee is eligible for three weeks of vacation with pay. No more than forty hours may be carried over from one year to the next without the Mayor’s approval.

Each employee is granted five days sick leave with pay annually with the extension of up to ten days if approved by the Mayor. Any extra sick days for long-term illness must be approved by the Town Council. A maximum carry-over of five days is permissible.

**TOWN OF RICHWOOD, LOUISIANA**  
**Notes to the Financial Statements, Continued**  
**For the Year Ended June 30, 2020**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

**G. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE, (continued)**

The Town's recognition and measurement criteria for compensated absences follow:

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees when both of the following conditions are met:

- A. The employee's right to receive compensation is attributable to services already rendered, and
- B. It is probable that the employees will be compensated for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

A liability for sick leave should be accrued using one of the following termination approaches:

- A. An accrual for earned sick leave should be made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals.
- B. Alternatively, a governmental entity should estimate its accrued sick leave liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments.

The Town uses the alternative approach to accrue the liability for sick leave which includes salary-related payments. The Town reported compensated absences in the amount of \$93,797 during the current audit period.

8. Restricted Net Position

For the government-wide statement of net position, net position is reported as restricted when constraints placed on net position use are either:

- Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or
- 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, then unrestricted resources as they are needed.

**TOWN OF RICHWOOD, LOUISIANA**  
**Notes to the Financial Statements, Continued**  
**For the Year Ended June 30, 2020**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

**G. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE, (continued)**

9. Fund Equity of Fund Financial Statements

GASB 54 requires the fund balance amounts to be reported within the fund balance categories as follows:

- *Non-spendable* - Fund balance that is not in spendable form or legally or contractually required to be maintained intact. This category includes items that are not easily converted to cash such as inventories and prepaid items.
- *Restricted* - Fund balance that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- *Committed* - Fund balance that can only be used for specific purposes determined by the Town's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board of Alderpersons removes or changes the specified use by taking the same type of action it employed to previously commit the funds. Committed fund balance is the result of either a policy of the Board of Alderpersons or motions that were passed at a Board meeting committing the funds.
- *Assigned* - Fund balance that is constrained by the Board of Alderperson's intent to be used for specific purposes but are neither restricted nor committed. Intent should be expressed by the Board of Alderpersons.
- *Unassigned* - Fund balance that is the residual classification for the general fund.

The Town has not established benchmarks for unassigned fund balance requirements. The Town reduces committed amounts, followed by assigned amounts and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used. The Town considers restricted amounts to have been spent when expenditure has been incurred for purposes for which both restricted and unrestricted fund balances are available.

10. Interfund Transactions

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.



**TOWN OF RICHWOOD, LOUISIANA**  
**Notes to the Financial Statements, Continued**  
**For the Year Ended June 30, 2020**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

**G. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE, (continued)**

All other inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other inter-fund 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.

11. 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.

**H. REVENUES AND EXPENDITURES/EXPENSES**

1. Program revenues

Amounts reported as program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment.

All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property taxes

Property taxes attach as an enforceable lien on real property and are levied as of July 1<sup>st</sup>. The tax levy is divided into two billings: the first billing (mailed on July 1) is an estimate of the current year's levy based on the prior year's taxes; the second billing (mailed on January 1) reflects adjustments to the current year's actual levy. The billings are considered past due 30 days after the respective tax billing date, at which time the applicable property is subject to lien, and penalties and interest are assessed.

**TOWN OF RICHWOOD, LOUISIANA**  
**Notes to the Financial Statements, Continued**  
**For the Year Ended June 30, 2020**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

**H. REVENUES AND EXPENDITURES/EXPENSES, (continued)**

3. Proprietary funds operating and non-operating revenues and expenses

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer fund are charges to customers for services. Operating expenses for enterprise funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses.

**I. RECENT ACCOUNTING PRONOUNCEMENTS**

In January 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement (Statement) No. 84 – *Fiduciary Activities* which establishes criteria for identifying fiduciary activities of all state and local governments. The criteria focus on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Statement No. 84 describes four (4) fiduciary funds that should be reported, if applicable: (1) pension and other employee benefit trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. The Statement is effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

In November 2016, the GASB issued Statement No. 83 – *Certain Asset Retirement Obligations* which addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future assets retirement activities related to its tangible capital assets should recognize a liability based on the guidance in the Statement which establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The Statement requires that recognition occur when the liability is both incurred and reasonable estimable.

**TOWN OF RICHWOOD, LOUISIANA**  
**Notes to the Financial Statements, Continued**  
**For the Year Ended June 30, 2020**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

**I. RECENT ACCOUNTING PRONOUNCEMENTS, (continued)**

The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. The Statement requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. The best estimate should include probability weighting of all potential outcomes, when such information is available or can be obtained at reasonable cost. If probability weighting is not feasible at reasonable cost, the most likely amount should be used. The statement requires that a deferred outflow of resources associated with an ARO be measured at the amount of the corresponding liability upon initial measurement. The Statement is effective for periods beginning after June 15, 2018.

**NOTE 2 – CASH AND CASH EQUIVALENTS**

At June 30, 2020, the Town has cash and cash equivalents (book balances) totaling as follows:

Demand deposits	\$ <u>743,495</u>
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These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. As of June 30, 2020, the Town has \$743,495 in bank deposits (collected bank balances). These deposits are secured from risk by \$600,990 of federal deposit insurance and \$142,505 of bank deposits are not secured by federal deposit insurance or the pledged of securities. These unsecured deposits are subject to custodial credit risk.

Custodial credit risk is the risk that, in event of a failure of financial institution or counterparty, the Town would not be able to recover its deposits, investments, or collateral securities that are in the possession of an outside party. At June 30, 2020, the Town has \$743,495 in deposits (collected bank balances).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten (10) days of being notified by the Town that the fiscal agent has failed to pay deposited funds upon demand.

**TOWN OF RICHWOOD, LOUISIANA**  
**Notes to the Financial Statements, Continued**  
**For the Year Ended June 30, 2020**

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**NOTE 3 – INVESTMENTS**

At June 30, 2020, the Town had its assets in money market instruments managed by a financial institution. The account had a fair value of \$169,942 in Governmental Funds as of June 30, 2020. This amount represents 100 percent of the Town's investment as of this date.

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

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

Custodial Credit Risks: For an investment, this is the risk that, in the event of a failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in possession of an outside party.

**NOTE 4 – RECEIVABLES**

Amounts are aggregated into single accounts receivable (net of allowance for un-collectibles) line for certain funds and aggregate columns. Below is the detail of receivables for the general and enterprise funds in the aggregate, including the applicable allowances for uncollectible accounts at June 30, 2020.

<u>Accounts and Accrued Receivables</u>	<u>General</u>	<u>Enterprise</u>	<u>Total</u>
Sales Tax	\$ 73,956	\$ -	\$ 73,956
RCC Fees	66,477	-	66,477
Charitable Gaming	108,128	-	108,128
Court Fines	34,884	-	34,884
Property Taxes	19,302	-	19,302
Garbage Collections	15,259	-	15,259
Franchise Fees	10,992	-	10,992
RCC I.C.E.	7,153	-	7,153
Sewer Fees	-	3,778	3,778
Allowance for Doubtful Accounts	(33,615)	-	(33,615)
Accounts Receivable, net	<u>\$ 302,536</u>	<u>\$ 3,778</u>	<u>\$ 306,314</u>

**TOWN OF RICHWOOD, LOUISIANA**  
**Notes to the Financial Statements, Continued**  
**For the Year Ended June 30, 2020**

**NOTE 5 – CAPITAL ASSETS**

A schedule of changes in capital assets for the year ended June 30, 2020, follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Ending Balance</u>
<b><u>Governmental activities:</u></b>			
Non-depreciable capital assets			
Land	\$ 99,500	\$ -	\$ 99,500
Construction-in-progress	196,099	22,139	218,238
Total non-depreciable capital Assets	295,599	22,139	317,738
Depreciable capital assets:			
Buildings	943,700	-	943,700
Building improvements	20,680	-	20,680
Furniture and equipment	230,940	59,442	290,382
Infrastructure – roads	115,000	34,465	149,465
Other improvements	315,066	-	315,066
Vehicles	165,626	-	165,626
Total depreciable capital assets	1,791,012	93,907	1,884,919
Accumulated depreciation:			
Buildings	(394,331)	(47,277)	(441,608)
Building improvements	(13,200)	(1,379)	(14,579)
Furniture and equipment	(186,009)	(13,984)	(199,993)
Infrastructure	(36,800)	(4,600)	(41,400)
Other improvements	(146,816)	(12,474)	(159,290)
Vehicles	(156,234)	(3,372)	(159,606)
Total accumulated depreciation	(933,390)	(83,086)	(1,016,476)
Total capital assets being depreciated, net	<u>857,622</u>	<u>10,821</u>	<u>868,443</u>
Capital assets, net	<u>\$ 1,153,221</u>	<u>\$ 32,960</u>	<u>\$ 1,186,181</u>

Depreciation expense was charged to governmental activities as follows:

General and community development	\$ 69,378
Public safety and police	5,184
Public works	8,524
Total	<u>\$ 83,086</u>

**TOWN OF RICHWOOD, LOUISIANA**  
**Notes to the Financial Statements, Continued**  
**For the Year Ended June 30, 2020**

**NOTE 5 – CAPITAL ASSETS, (continued)**

<u>Business-type activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Ending Balance</u>
Depreciable capital assets:			
(Sewer System)	\$ 1,772,946	\$ -	\$ 1,772,946
Accumulated depreciation:	<u>(1,421,984)</u>	<u>(64,987)</u>	<u>(1,486,971)</u>
Capital assets, net	<u>\$ 350,962</u>	<u>\$ (64,987)</u>	<u>\$ 285,975</u>

**NOTE 6 – LONG-TERM LIABILITIES**

A schedule of long-term bonds payable for the year ended June 30, 2020, follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balances</u>	<u>Amounts Due Within One Year</u>
<b><u>Governmental Activities:</u></b>					
Long-term debt:					
Bonds Series 2008A	\$ 770,000	\$ -	\$ (25,000)	\$ 745,000	\$ 75,000
Less: deferred amount for issuance of discounts inflows	<u>(8,904)</u>	<u>-</u>	<u>1,020</u>	<u>(7,884)</u>	<u>-</u>
Total bonds series 2008A	<u>761,096</u>	<u>-</u>	<u>(23,980)</u>	<u>737,116</u>	<u>75,000</u>
Other Liabilities:					
Compensated absences payable	<u>27,127</u>	<u>70,629</u>	<u>(3,959)</u>	<u>93,797</u>	<u>-</u>
Total governmental activities	<u>788,223</u>	<u>70,629</u>	<u>(27,939)</u>	<u>830,913</u>	<u>75,000</u>
<b><u>Business-type Activities:</u></b>					
Bonds Series 2008 B	<u>125,000</u>	<u>-</u>	<u>(125,000)</u>	<u>-</u>	<u>-</u>
Total bond series 2008 B	<u>125,000</u>	<u>-</u>	<u>(125,000)</u>	<u>-</u>	<u>-</u>
Total long-term liabilities	<u>\$ 913,223</u>	<u>\$ 70,629</u>	<u>\$ (152,939)</u>	<u>\$ 830,913</u>	<u>\$ 75,000</u>

**TOWN OF RICHWOOD, LOUISIANA**  
**Notes to the Financial Statements, Continued**  
**For the Year Ended June 30, 2020**

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**NOTE 6 – LONG-TERM LIABILITIES, (continued)**

	<u>General Fund</u>
	Bonds, Series 2008A
Original Issue	\$ <u>770,000</u>
Issue Date	2/1/2008
Interest Rate	6 percent
Final Payment Due	2/15/2028
Interest to Maturity	<u>197,161</u>
Principal Outstanding June 30, 2020	\$ <u><u>745,000</u></u>

**Bond Series 2008 A:**

In February 2008, the Town issued revenue bonds in the amount of \$1,300,000. Series 2008A is dedicated to public improvements and is paid by the General Fund. The annual requirements to amortize all bonds outstanding at June 30, 2020, are as follows:

<u>Governmental Funds</u>			
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 75,000	\$ 47,238	\$ 122,238
2022	80,000	28,241	108,241
2023	85,000	36,438	121,438
2024	90,000	31,338	121,338
2025	95,000	22,969	117,969
2026-2028	<u>320,000</u>	<u>30,938</u>	<u>350,938</u>
Total	<u>\$745,000</u>	<u>\$197,162</u>	<u>\$ 942,162</u>

**TOWN OF RICHWOOD, LOUISIANA**  
**Notes to the Financial Statements, Continued**  
**For the Year Ended June 30, 2020**

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**NOTE 7 – 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. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

**NOTE 8 – 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.

Property Tax Calendar

Millage rates adopted	September, 2019
Levy date	January 1, 2019
Tax bills mailed	November, 2019
Due date	December 31, 2019
Lien date	January 1, 2020

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 percent land	15 percent machinery
10 percent residential improvements	15 percent commercial improvements
15 percent industrial improvements	25 percent public-service properties, excluding land

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 one (1) percent 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 2019 and January and February 2020. All property taxes are recorded in the general fund. The Town considers the date penalty and interest accrues (January 1, 2020) 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 2020 are budgeted in the 2020-2021 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.



**TOWN OF RICHWOOD, LOUISIANA**  
**Notes to the Financial Statements, Continued**  
**For the Year Ended June 30, 2020**

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**NOTE 9 – 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 on behalf of the Town in the amount of \$14,750. This amount was recognized as state revenue with a corresponding expenditure in the applicable fund from which the salary was paid.

**NOTE 10 – DEBT SERVICE RESERVE REQUIREMENTS**

In accordance with the Town's bond indenture, the Town is required to hold in reserve \$77,000 for its 2008 A Series Bonds to remain in compliance with its bond covenant. For the year ended June 30, 2020, the Town meet this requirement.

**NOTE 11 – ECONOMIC DEPENDENCY**

Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 280-10-50-42 requires disclosure in financial statements of a situation where one entity provides more than 10 percent of the audited entity's revenues. Charitable gaming revenue for the current year was \$380,832. The revenues received from charitable gaming accounts for approximately 22 percent of the Town's current year Governmental Fund revenues. The Town also received \$344,483 in sales tax, which accounts for approximately 20 percent of the Town's current year Governmental Fund revenues.

**NOTE 12 – CONTINGENCIES**

The Town is the recipient of both Federal and State grants and awards. These grants and awards are governed by various requirements, guidelines, regulations and contractual agreements.

The administration of the programs and activities funded by these grants and awards is under the control of the Town and is subject to audit and review by the applicable funding sources. Any grant or award found not to be properly spent in accordance with the requirements, guidelines, regulations and contractual agreements of the funding sources may be subject to recapture.

**TOWN OF RICHWOOD, LOUISIANA**  
**Notes to the Financial Statements, Continued**  
**For the Year Ended June 30, 2020**

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**NOTE 13 – LOUISIANA MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM**

Municipalities are required to offer retirement benefits to full-time police officers in order to remain in compliance with the Municipal Police Employees' Retirement Statute (MPERS). As of June 30, 2020, the Town employed three (3) full-time officers. The Police Chief and the other two (2) officers were eligible participant in MPERS at June 30, 2020. The Town began funding the pension plan as from August 1, 2020.

**NOTE 14 – COVID-19 PANDEMIC**

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a global pandemic, which continues to spread throughout the United States. The COVID-19 pandemic has negatively impacted the global economy and created significant volatility and disruption of financial markets. The extent of impact of the COVID-19 pandemic on the Town's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and the impact on its investments, customers, employees and vendors, all of which are uncertain and cannot be predicted or reasonably estimated at this time. The lockdown experienced for an extended period of time further delayed the issuance of this year's audit report.

**NOTE 15 – SUBSEQUENT EVENTS**

In preparing the financial statements, management of the Town has evaluated subsequent events and transactions for potential recognition or disclosure through July 26, 2021 the date of the independent auditors' report, which was the date which the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF RICHWOOD, LOUISIANA**  
**Notes to the Budgetary Comparison Schedules**  
**For the Year Ended June 30, 2020**  
**(Unaudited)**

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

**Budget Basis of Accounting**

The General Fund budget is prepared on the modified accrual basis of accounting, a basis consistent with accounting principles generally accepted in the United State of America (GAAP). Budgeted amounts are as amended by the Board. Legally, the Board must adopt a balanced budget; that is, total budgeted revenues and other financing sources including fund balance must equal or be expected to exceed budgeted expenditures by five (5) percent or more. The Board approves budgets at the functional level for the general fund and at the fund level for special revenue fund. Management can transfer amounts between line items within a function.

**TOWN OF RICHWOOD, LOUISIANA**  
**General Fund**  
**Budgetary Comparison Schedule (Unaudited)**  
**For the Year Ended June 30, 2020**

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts (GAAP Basis)	Final Budget Favorable (Unfavorable)
<b>REVENUES</b>				
Ad valorem	\$ 145,000	\$ 145,000	\$ 144,386	\$ (614)
Beer tax	1,500	1,500	252	(1,248)
Charitable gaming funds	330,000	330,000	380,832	50,832
Fines and forfeitures	55,000	55,000	65,760	10,760
Franchise tax	50,000	50,000	63,256	13,256
Garbage collections	70,000	70,000	73,291	3,291
Licenses and permits	40,000	40,000	56,167	16,167
Miscellaneous	5,000	5,000	51,507	46,507
Multi-Purpose center rental	8,500	8,500	-	(8,500)
Municipal license taxes	15,000	15,000	-	(15,000)
Richwood Correctional Center fees	102,000	102,000	-	(102,000)
Richwood Correctional Center I.C.E sponsorship	450,000	450,000	-	(450,000)
Sales taxes	290,000	290,000	344,483	54,483
Sewer fees	4,000	4,000	-	(4,000)
Intergovernmental revenues	-	-	20,210	20,210
State revenue	50,000	50,000	-	(50,000)
Public Safety	-	-	504,539	504,539
<b>Total Revenues</b>	<u>1,616,000</u>	<u>1,616,000</u>	<u>1,704,683</u>	<u>88,683</u>
<b>EXPENDITURES</b>				
General government	845,514	845,514	903,588	(58,074)
Public safety	175,221	175,221	153,620	21,601
Public works	561,114	561,114	146,258	414,856
Capital outlay	-	-	93,907	(93,907)
Street and sanitation	-	-	146,592	(146,592)
Debt service - interest	-	-	46,488	(46,488)
<b>Total expenditures</b>	<u>1,581,849</u>	<u>1,581,849</u>	<u>1,490,453</u>	<u>91,396</u>
<b>Net Changes in Fund Balance</b>	34,151	34,151	214,230	(2,713)
<b>Fund Balances, Beginning</b>	<u>319,048</u>	<u>262,086</u>	<u>441,694</u>	<u>179,608</u>
<b>Fund Balances, Ending</b>	<u>\$ 353,199</u>	<u>\$ 296,237</u>	<u>\$ 655,924</u>	<u>\$ 176,895</u>

See accompanying independent auditors' report and notes to budgetary comparison schedule.

**SUPPLEMENTARY INFORMATION**

**TOWN OF RICHWOOD, LOUISIANA**

**Proprietary Funds  
Combining Statement of Net Position  
June 30, 2020**

	Enterprise Funds		
	Sewer Fund	Sinking Fund	Total
<b><u>ASSETS</u></b>			
<b><u>Current Assets:</u></b>			
Cash and cash equivalents	\$ 114,712	\$ 12,551	\$ 127,263
Receivables, net	3,778	-	3,778
Due from General Fund	1,575	-	1,575
<b>Total Current Assets</b>	<b>120,065</b>	<b>12,551</b>	<b>132,616</b>
<b><u>Non-Current Assets:</u></b>			
Capital assets, net of depreciation	285,975	-	285,975
<b>Total assets</b>	<b>406,040</b>	<b>12,551</b>	<b>418,591</b>
<b><u>LIABILITIES</u></b>			
<b><u>Current Liabilities:</u></b>			
Accounts payable	6,718	-	6,718
<b>Total Current Liabilities</b>	<b>6,718</b>	<b>-</b>	<b>6,718</b>
<b>Total liabilities</b>	<b>6,718</b>	<b>-</b>	<b>6,718</b>
<b><u>Net Position</u></b>			
Invested in capital assets, net of related debt	285,975	-	285,975
Restricted for:			
Debt service	-	-	-
Public safety and recreation	-	-	-
Unrestricted	113,347	12,551	125,898
<b>Total Net Position</b>	<b>\$ 399,322</b>	<b>\$ 12,551</b>	<b>\$ 411,873</b>

See accompanying independent auditors' report.

**TOWN OF RICHWOOD, LOUISIANA**

**Proprietary Funds**

**Combining Statement of Revenues, Expenses, and Changes in Net Position  
For the Year Ended June 30, 2020**

	Enterprise Funds		Total
	Sewer Fund	Sinking Fund	
<b><u>OPERATING REVENUES</u></b>			
<b><u>Charges for services:</u></b>			
Sewer fees	\$ 23,588	\$ -	\$ 23,588
Total operating revenues	<u>23,588</u>	<u>-</u>	<u>23,588</u>
<b><u>OPERATING EXPENSES</u></b>			
<b><u>Cost of services</u></b>			
Depreciation	<u>64,987</u>	<u>-</u>	<u>64,987</u>
Total operating expenses	<u>64,987</u>	<u>-</u>	<u>64,987</u>
Operating loss	<u>(41,399)</u>	<u>-</u>	<u>(41,399)</u>
<b><u>Non-Operating Income</u></b>			
Other revenues	23,801	-	23,801
Interest expense	<u>(3,825)</u>	<u>-</u>	<u>(3,825)</u>
Total Non-Operating Income (Expenses)	<u>19,976</u>	<u>-</u>	<u>19,976</u>
<b><u>TRANSFERS</u></b>			
Transfers - In	22,593	32,634	55,227
Transfers - Out	<u>(32,634)</u>	<u>(22,593)</u>	<u>(55,227)</u>
Total transfers	<u>(10,041)</u>	<u>10,041</u>	<u>-</u>
Changes in net position	(31,464)	10,041	(21,423)
<b>NET POSITION - July 1, 2019</b>	<u>430,786</u>	<u>2,510</u>	<u>433,296</u>
<b>NET POSITION - June 30, 2020</b>	<u>\$ 399,322</u>	<u>\$ 12,551</u>	<u>\$ 411,873</u>

See accompanying independent auditors' report.



**TOWN OF RICHWOOD, LOUISIANA**  
**Supplementary Schedule – Compensation**  
**Paid to the Alderpersons**  
**For the Year Ended June 30, 2020**

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The schedule of compensation paid to the Alderpersons was prepared in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Alderpersons are paid \$750.00 per month. The following schedule shows total amounts paid in the fiscal year ended June 30, 2020:

Mayor Pro-Tempore, Janice Fleming	\$ 9,000
Alderman Wysinger Cleveland	9,000
Alderwoman Leola Keys	9,000
Alderman Simeon Profit	9,000
Alderman Donald Richard	9,000
Total	<u>\$ 45,000</u>

See accompanying independent auditors' report.

TOWN OF RICHWOOD, LOUISIANA

Schedule of Compensation, Benefits and Other Payments to the Mayor  
For the Year Ended June 30, 2020

---

Gerald Brown, Mayor  
July 1, 2019 - June 30, 2020

	<u>Purpose</u>	<u>Amount</u>
Salary		\$ 54,000
Total		<u>\$ 54,000</u>

See accompanying independent auditors' report.

**INDEPENDENT AUDITORS' REPORT  
REQUIRED BY  
*GOVERNMENT AUDITING STANDARDS***



Member  
American Institute of  
Certified Public Accountants  
Society of Louisiana  
Certified Public Accountants

Alcide J. Tervalon, Jr., CPA  
Waldo J. Moret, Jr., CPA  
Paul K. Andoh, Sr., CPA  
Joseph A. Akanji, CPA

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(Retired)  
Michael B. Bruno, CPA (2011)

INDEPENDENT AUDITORS' 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

To the Members of the Board of Alderpersons  
and the Honorable Gerald Brown, Mayor  
Town of Richwood  
Richwood, Louisiana

We have audited, in accordance with the 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, the financial statements of the governmental activities, business-type activities, and the major fund (general fund) and the remaining fund information of the Town of Richwood, Louisiana (the Town), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated July 26, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

INDEPENDENT AUDITORS' 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  
(CONTINUED)

**Internal Control Over Financial Reporting, Continued**

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider to be significant deficiencies as items #2020-001 and #2020-002.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's financial statements are free from 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings as item #2020-001.

INDEPENDENT AUDITORS' 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*  
(CONTINUED)

**The Town's Response to Findings**

The Town's response to the findings identified in our audit is described in the accompanying schedule of findings. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Bruno & Tervalon LLP*  
BRUNO & TERVALON LLP  
CERTIFIED PUBLIC ACCOUNTANTS  
New Orleans, Louisiana

July 26, 2021

## SUMMARY SCHEDULE OF FINDINGS

**TOWN OF RICHWOOD, LOUISIANA**  
**Summary Schedule of Findings**  
**for the Year Ended June 30, 2020**

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**SECTION I - SUMMARY OF INDEPENDENT AUDITORS' RESULTS**

*Financial Statements*

Type of auditors' report issued:	<b>Unmodified</b>		
Internal Control Over Financial Reporting:			
• Material weakness(es) identified?	_____ yes	<u>  X  </u> no	
• Significant deficiencies identified that are not considered to be material weakness(es)?	<u>  X  </u> yes	_____ none reported	
Noncompliance material to financial statements noted?	<u>  X  </u> yes	_____ no	
Internal Control Over Federal Programs:			
• Material weakness(es) identified?	_____ yes	_____ no	<u>  X  </u> n/a
• Significant deficiencies identified that are not considered to be material weaknesses?	_____ yes	_____ none reported	<u>  X  </u> n/a
Other Conditions:			
• Material weakness(es) identified?	_____ yes	<u>  X  </u> no	
• Significant deficiencies identified that are not considered to be material weaknesses?	_____ yes	<u>  X  </u> no	
Was a management letter issued	<u>  X  </u> yes	_____ no	



**FINANCIAL STATEMENT FINDINGS**

**TOWN OF RICHWOOD, LOUISIANA**  
**Summary Schedule of Findings**  
**for the Year Ended June 30, 2020**

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**(CONTINUED)**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**Audit Finding Reference Number**

**2020-001 - Strengthening Control Over Recordkeeping**

**Finding Classification**

Significant Deficiency

**Finding Type**

Accounting Records/ Documentation

**Finding Title**

Strengthening Control Over Recordkeeping

**Resolution (resolved, not resolved, partially resolved)**

Partially resolved

**Number of years finding reported**

Five (5)

**Financial Impact of Finding**

Amount less than \$150,000

**Resolution is with or without course**

The resolution of this finding is without cause

**Criteria**

Grantees receiving Federal and State funding, whether directly or as a sub-award are required to maintain a system of recordkeeping that will ensure that every documentation is complete, accurate and properly retained for the time period required by the regulations.

**TOWN OF RICHWOOD, LOUISIANA**  
**Summary Schedule of Findings**  
**for the Year Ended June 30, 2020**

---

**(CONTINUED)**

**SECTION II – FINANCIAL STATEMENT FINDINGS, Continued**

**Audit Finding Reference Number**

**2020-001 - Strengthening Control Over Recordkeeping, Continued**

**Condition**

During our audit, the following situations were noted:

- Errors in selected account receivables and related revenue; and
- Some accruals and correcting journals entries were not made on a timely basis. On a few occasions, these entries were made during our audit.

**Cause**

Performance of necessary procedures and devotion of required time by the Town's staff are lacking due to their sole reliance on the contract accountant. The Town suffered a major loss of the sole fiscal officer during the audit year in addition to delays caused by COVID-19 pandemic.

**Effect**

Complete and accurate financial statements are not readily available for year-end audit to meet the required statutory deadlines. Inconsistencies noted require additional time for corrections.

**Recommendation**

Management should continue to strengthen internal controls relating to recordkeeping to ensure that financial reports are prepared more accurately and timely.

**Management's Response**

The Town is developing procedures to strengthen our controls over recordkeeping and financial reporting with the hiring of a new fiscal officer. These procedures will seek to ensure that financial statements and records are reviewed monthly and necessary journal entries are recorded at the time of occurrence instead of at year-end. These controls will ensure that all documentation is current, accurately reported, and readily available upon the auditors' request.

**TOWN OF RICHWOOD, LOUISIANA**  
**Summary Schedule of Findings**  
**for the Year Ended June 30, 2020**

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(CONTINUED)

**SECTION II – FINANCIAL STATEMENT FINDINGS, Continued**

**Audit Finding Reference Number**

2020-002 –Financial Statement Preparation and Closeout Procedures

**Finding Classification**

Significant Deficiency

**Finding Type**

Financial Reporting

**Finding Title**

Financial Statement Preparation and Closeout Procedures

**Resolution (resolved, not resolved, partially resolved)**

Not Resolved

**Number of years finding reported**

Four (4)

**Financial impact**

Amount less than \$150,000

**Resolution is with or without course**

The resolution of this finding is without cause

**Criteria**

All financial reporting should be properly performed, reconciled, and supporting documentation maintained in accordance with the Town's policies and procedures in order to timely prepare yearend financial statements.

**TOWN OF RICHWOOD, LOUISIANA**  
**Summary Schedule of Findings**  
**for the Year Ended June 30, 2020**

---

(CONTINUED)

**SECTION II – FINANCIAL STATEMENT FINDINGS, Continued**

**Audit Finding Reference Number**

**2020-002 –Financial Statement Preparation and Closeout Procedures, Continued**

**Condition**

The Town and the hired external accounting firm worked together to closeout and prepare auditable financial statements after year end. A tremendous number of hours were spent to resolve this condition which caused a delay in timely preparation of complete set of financial statements. The result was that numerous adjustments were recorded and delay of timely completion of audit engagement.

**Cause**

The primary contributory factor for this situation was partly due to loss of fiscal officer, staff turnover, lack of adequate controls and procedures to timely and efficiently closeout and prepare financial statements and issues with Covid-19 pandemic.

**Effect**

Delay in timely completion of year end audit and placement of the Town on noncompliance list of LLA office.

**Recommendation**

The Town should continue in its efforts to establish and implement financial reporting procedures after year end and ensure the same condition is not reoccurring in future.

**Management's Response**

To ensure that the same condition is not reoccurring in the future, the Town will take more proactive measures to review financial statements and accounting records on a monthly basis in an effort to identify potential inconsistencies or posting errors as they occur. We believe the implementation of ensuring a detailed monthly review will strengthen our closeout procedures, as well as assist with providing more timely year-end financial statements.

**TOWN OF RICHWOOD, LOUISIANA**  
**Summary Schedule of Findings**  
**for the Year Ended June 30, 2020**

---

**(CONTINUED)**

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

Not applicable in current year.

**STATUS OF PRIOR YEAR'S AUDIT FINDINGS**

**TOWN OF RICHWOOD, LOUISIANA**  
**Status of Prior Year's Findings**  
**for the Year Ended June 30, 2020**

---

**FINANCIAL STATEMENT FINDINGS**

**Audit Finding Reference Number**

**2019-001 - Untimely Submission of Financial Audit Report by Due Date**

**Condition**

The Town did not meet the December 31, 2019, statutory deadline for reporting the required annual audit to the State of Louisiana.

**Recommendation**

The Town should continue the implementation of a plan to ensure adequate staffing levels to support timely financial reporting and ensure future audits are completed by statutory due dates.

**Corrective Action Implemented**

The Town henceforth will hold an initial audit responsibility meeting for all parties involved in processing the audit at least three (3) months prior to due date to define specific responsibilities and due dates for deliverables.

**Current Status**

This condition is considered resolved in current year as a result of an emergency/disaster related extension granted by the LLA.



**TOWN OF RICHWOOD, LOUISIANA**  
**Status of Prior Year's Findings, Continued**  
**for the Year Ended June 30, 2020**

---

**FINANCIAL STATEMENT FINDINGS, Continued**

**Audit Finding Reference Number**

**2019-002 - Strengthening Control Over Recordkeeping**

**Condition**

During our audit, the following situations were noted:

- Errors in selected account receivables and related revenue;
- Errors in payroll liabilities; and
- Some accruals and correcting journals entries were not made on a timely basis. On a few occasions, these entries were made during our audit.

**Recommendation**

Management should continue to strengthen internal controls relating to recordkeeping to ensure that financial reports are prepared more accurately and timely.

**Corrective Action Implemented**

The Town will continue to work with a CPA firm to ensure entries are recorded properly and on a timely manner.

**Current Status**

This condition is considered partially resolved. See repeated Finding #2020-001.

**TOWN OF RICHWOOD, LOUISIANA**  
**Status of Prior Year's Findings, Continued**  
**for the Year Ended June 30, 2020**

---

**FINANCIAL STATEMENT FINDINGS, Continued**

**Audit Finding Reference Number**

**2019-003 – Financial Statement Preparation and Closeout Procedures**

**Condition**

The Town and the hired external accounting firm worked together to closeout and prepare auditable financial statements after year end. A tremendous number of hours were spent to resolve this condition which caused a delay in timely preparation of complete set of financial statements. The result was that numerous adjustments were recorded and delay of timely completion of audit engagement.

**Recommendation**

The Town should continue in its efforts to establish and implement financial reporting procedures after year end and ensure the same condition is not reoccurring in the future.

**Corrective Action Implemented**

The Town implemented monthly review of available financial statements with in-house fiscal staff after they have reviewed periodically with contracted accountants. However, the Town lost the in-house fiscal staff during the year combined with delays caused by COVID-19 pandemic.

**Current Status**

This condition is considered partially resolved. See repeated Finding #2020-002.

**TOWN OF RICHWOOD, LOUISIANA**  
**Status of Prior Year's Findings, Continued**  
**for the Year Ended June 30, 2020**

---

**FINANCIAL STATEMENT FINDINGS, Continued**

**Audit Finding Reference Number**

**2019-004 – Recording Traffic Citations**

**Condition**

The Town is using the Lemis system to record traffic citations. However outstanding traffic citation amounts were not reported properly in the accounting system. We noted no evidence of supervisory review of information inputted into the accounting system.

**Recommendation**

Management should provide necessary oversight to ensure proper accountability and collection on a timely basis.

**Corrective Action Implemented**

The Town will review citation information obtained from the courts on a monthly basis and determine the necessary journal entries to ensure the proper accountability of the revenues and receivables that are due.

**Current Status**

This condition is considered partially resolved. See ML #2020-002.



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Joseph A. Akanji, CPA

---

(Retired)  
Michael B. Bruno, CPA (2011)

## MANAGEMENT LETTER

Honorable Mayor Gerald Brown and  
Members of the Town Board of Alderpersons  
Town of Richwood, Louisiana

Management of Town of Richwood (the Town) is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the financial statements of the Town of Richwood, Louisiana (the Town) as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purposes of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

However, during our audit we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses and matters that are opportunities for strengthening internal controls and operating efficiency. The following paragraph summarizes our comments and suggestions regarding these matters. We previously reported on the Town's internal control in our report dated July 26, 2021. This letter does not affect our report dated July 26, 2021 on the financial statements of the Town.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various Town management, and we will be pleased to discuss these comments in further detail at your convenience. Our comments are summarized as follows:

## CURRENT YEAR COMMENTS

### ML 2020-001 - Ineffective Collection Efforts Over Sanitation Fees (Repeat)

#### Finding Classification

Management Letter Comments

#### Finding Type

Accounting Records/Documentation

#### Finding Title

Ineffective Collection Efforts over Sanitation Fees

#### Resolution (resolved, not resolved, partially resolved)

Partially resolved

#### Number of years finding reported

Five (5)

#### Financial impact of finding

Amount less than \$150,000

#### Resolutions is with or without course

The resolution of this finding is without cause

#### Criteria

Appropriate controls should be in place to ensure that all past due fees on sanitation charges are properly recorded and collected.

#### Condition

We determined that there are no documentation and follow-ups on sanitation fees that are past due on a timely basis. The input into the accounting system does not provide for appropriate and adequate oversight. In 2020, we noted some improvements in collections efforts.

**CURRENT YEAR COMMENTS, CONTINUED**

**ML 2020-001 - Ineffective Collection Efforts Over Sanitation Fees, Continued**

**Cause**

Lack of procedures for proper accounting for sanitation fees.

**Effect**

Uncollected fees may occur without timely detection.

**Recommendation**

Management should develop procedures to ensure past due fees are collected on a timely basis.

**Management's Response**

The Town is developing internal controls to ensure that past due fees will be collected, as well as properly recorded in the accounting system on a timelier basis. We will designate a staff person to contact customers with delinquent accounts. We will also review a listing of accounts with outstanding balances on a monthly basis and take the necessary steps to collect the funds that are due to the Town.

**ML 2020-002 – Louisiana Municipal Police Employees' Retirement Enrollment**

**Finding Classification**

Management Letter Comment

**Finding Type**

Compliance

**Finding Title**

State compliance

**Resolution (resolved, not resolved, partially resolved)**

Partially resolved

**Number of years finding reported**

Two (2)

Honorable Mayor Gerald Brown and  
Members of the Town Board of Alderpersons  
Town of Richwood, Louisiana  
July 26, 2021 – Page 4

**Financial impact**

Amount less than \$150,000

**Resolution is with or without course**

The resolution of this finding is without cause

**Criteria**

State mandate requires all police officers to participate in the Municipal Police Employees Retirement System.

**Condition**

Municipalities are required to offer retirement benefits to full-time police officers in order to remain in compliance with the Municipal Police Employees' Retirement Statute (MPERS). As of June 30, 2020, the Town employed three (3) full-time officers and enrolled them in MPERS. However, the funding for the pension plan started in August 2020.

**Cause**

The Town was aware of participation in MPERS late in 2020 and started funding the plan late.

**Effect**

Noncompliance with State statutes may warrant heavy penalties if not timely resolved. Subsequent to yearend the Town continues regular payments and compliance with MPERS requirements.

**Recommendation**

We recommend management should continue to implement policies and procedures to ensure enrollment in MPERS in order to prevent future reoccurrence of such condition.

**Management's Response**

The Town will ensure that policies and procedures are in place to ensure that all current and future police officer are enrolled in MPERS.

Honorable Mayor Gerald Brown and  
 Members of the Town Board of Alderpersons  
 Town of Richwood, Louisiana  
 July 26, 2021 – Page 5

**STATUS OF PRIOR YEAR COMMENTS**

	<u>Resolved</u>	<u>Partially resolved</u>
ML 2019-001 Ineffective Collection Efforts Over Sanitation Fees		X – Repeat ML 2020-001
ML 2019-002 Errors in Accounting for Compensated Absences	X	
ML 2019-003 Louisiana Municipal Police Employees’ Retirement Enrollment		X – Repeat ML 2020-001

\*\*\*\*\*

This report is intended solely for the information and use of the management, members of the Board of Alderpersons and the Legislative Auditor for the State of Louisiana, and is not intended to be and should not be used by anyone other than these specific parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Bruno & Tervalon LLP*  
**BRUNO & TERVALON LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
 New Orleans, Louisiana

July 26, 2021