

TOWN OF RICHWOOD, LOUISIANA

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2019**

Prepared by:

Fiscal Office with Assistance from
Contract Accountants

TOWN OF RICHWOOD, LOUISIANA
Annual Financial Report
for the Year Ended June 30, 2019

Table of Contents

	<u>Page</u>
Introduction Section (unaudited)	
Letter of Transmittal	1
List of Elected, Appointed Officials and Personnel	3
Town of Richwood Organizational Chart.....	4
Financial Section	
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
Required Supplementary Information	
Note to the Budgetary Comparison Schedules.....	44
General Fund - Budgetary Comparison Schedule (Unaudited)	45

TOWN OF RICHWOOD, LOUISIANA
Annual Financial Report
for the Year Ended June 30, 2019

Table of Contents
(CONTINUED)

	<u>Page</u>
Required Supplementary Information, Continued	
Sewer Fund - Budgetary Comparison Schedules (Unaudited)	46
Budget to GAAP Reconciliation (Unaudited).....	47
Combining Financial Statements:	
Proprietary Funds:	
Combining Statement of Net Position	48
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	49
Schedule of Compensation Paid to the Board of Alderpersons	50
Schedule of Compensation, Benefits, and Other Payments to the Mayor	51
Independent Auditors' Report Required by Government Auditing Standards	
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>	52
Summary Schedule of Findings	
Section I - Summary of Independent Auditors' Results	55
Section II - Financial Statement Findings	56
Section III - Federal Awards Findings and Questioned Costs	68
Status of Prior Year's Audit Findings.....	71

INTRODUCTION SECTION
(Unaudited)



TOWN OF RICHWOOD

"An Equal Opportunity Service Provider and Employer"

Gerald Brown, Mayor

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

June 18, 2020

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 Statute 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 Alderpersons, 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, 2019

List of Elected, Appointed Officials and Personnel

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

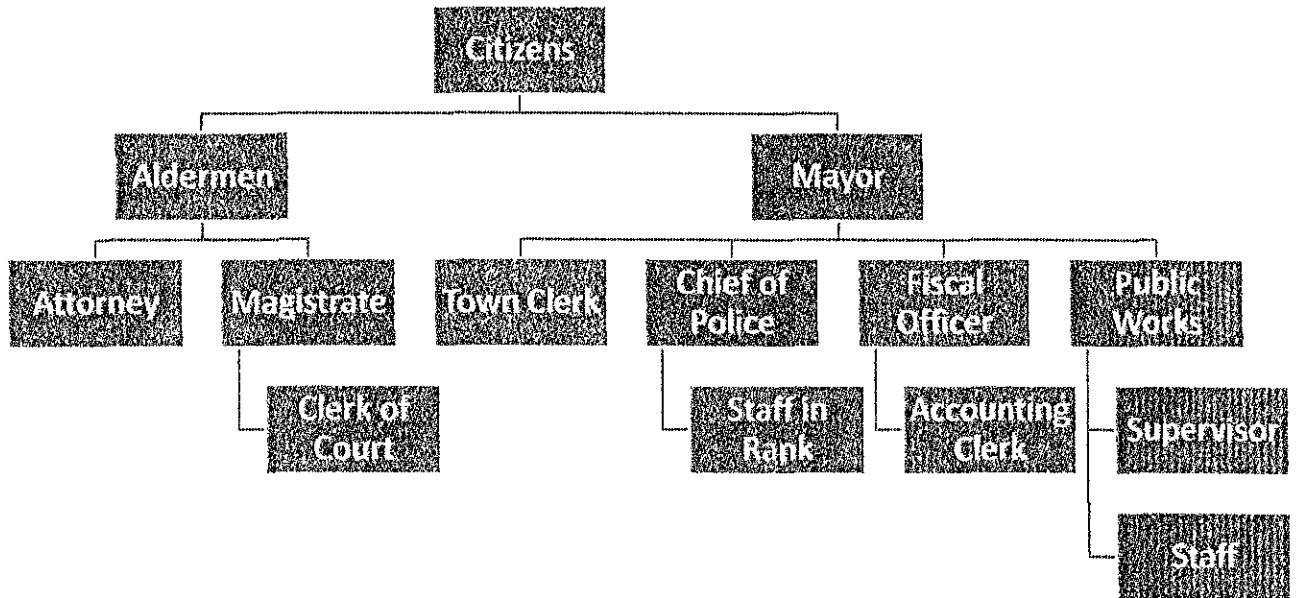
Personnel

Fiscal Officer
Police Officer
Public Works Supervisor
Public Works
Public Works
Public Works
Public Works
Public Works
Public Works
Deputy Clerk

Tanisha Jolla
Larry Frasier-May
James Collins
John Godfrey
Ricki Willis
Theodore Washington
Lawrence Potter
Ronnie Lawson
Henry Best
Charlette Rainwater

TOWN OF RICHWOOD, LOUISIANA
Annual Financial Report
for the Year Ended June 30, 2019

Organizational Chart



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

(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, 2019, 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, 2019, 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 44 through 47 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 June 18, 2020, 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

June 18, 2020

TOWN OF RICHWOOD, LOUISIANA
Management's Discussion and Analysis
For the Year Ended June 30, 2019

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, 2019.

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, 2019. 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 \$308,346 increase in net position, and business-type activities also reported an increase of \$81,450.
- At the close of the current fiscal year, our governmental fund (the General Fund and Transportation Fund, and Street Improvements Public Facilities Project), reported fund balance of \$664,546. This represents an increase of \$205,968 as compared to the \$458,578 reported in the prior period.
- Total expenditures for our governmental funds were \$1,253,916, which is a 4.14 percent increase from the prior period.
- Government-wide total assets increased by \$314,179, which represents an increase of 14.07 percent from the prior period.
- Government-wide total liabilities decreased by \$75,617, which is a 6.69 percent decrease from the prior period.

TOWN OF RICHWOOD, LOUISIANA
Management's Discussion and Analysis, Continued
For the Year Ended June 30, 2019

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, 2019

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 three (3) 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 and physical accessibility fund, which is considered non-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, 2019

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 \$1,491,440 at the close of the most recent fiscal year.

Table 1
Town of Richwood's Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
<u>ASSETS</u>						
Current and other assets	\$ 824,718	\$ 615,955	\$ 217,877	\$ 181,716	\$ 1,042,595	\$ 797,671
Capital assets	1,153,221	1,025,348	350,962	409,580	1,504,183	1,434,928
TOTAL ASSETS	<u>1,977,939</u>	<u>1,641,303</u>	<u>568,839</u>	<u>591,296</u>	<u>2,546,778</u>	<u>2,232,599</u>
<u>LIABILITIES</u>						
Current and other liabilities	131,572	127,757	10,543	129,450	142,115	257,207
Long-term liabilities	788,223	763,748	125,000	110,000	913,223	873,748
TOTAL LIABILITIES	<u>919,795</u>	<u>891,505</u>	<u>135,543</u>	<u>239,450</u>	<u>1,055,338</u>	<u>1,130,955</u>
<u>NET POSITION</u>						
Net investment in capital assets	392,125	261,599	225,962	184,580	618,087	446,179
Restricted	-	-	85,506	85,506	85,506	85,506
Unrestricted	666,019	488,199	121,828	81,760	787,847	569,959
TOTAL NET POSITION	<u>\$ 1,058,144</u>	<u>\$ 749,798</u>	<u>\$ 433,296</u>	<u>\$ 351,846</u>	<u>\$ 1,491,440</u>	<u>\$ 1,101,644</u>

The net position of the Town's governmental activities increased by \$308,346 during 2019. 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 \$666,019 at the end of this year.

The net position of our business-type activity increased by \$81,450 in 2019. The unrestricted net position in our business-type activities increased to \$121,828 at the end of this year.

TOWN OF RICHWOOD, LOUISIANA
Management's Discussion and Analysis, Continued
For the Year Ended June 30, 2019

Table 2
Town of Richwood's Changes in Net Position

	For the year ended June 30					
	2019	2018	2019	2018	2019	2018
	Governmental Activities		Business-type Activities		Total	
REVENUES						
Taxes:						
Property taxes	\$ 143,483	\$ 143,999	\$ -	\$ -	\$ 143,483	\$ 143,999
Franchise taxes	59,900	56,073	-	-	59,900	56,073
Sales taxes	327,857	332,391	-	-	327,857	332,391
Other taxes	760	1,286	-	-	760	1,286
Charitable gaming funds	398,626	339,674	-	-	398,626	339,674
Licenses and permits	73,240	33,399	-	-	73,240	33,399
Fines, forfeitures and court costs	73,912	64,339	-	-	73,912	64,339
Intergovernmental revenues	21,990	17,830	-	-	21,990	17,830
Garbage and other fees	66,424	66,716	-	-	66,424	66,716
Rents and royalties	8,030	-	-	-	8,030	-
Public safety	182,358	102,000	-	-	182,358	102,000
Sewer fees	-	-	106,508	92,984	106,508	92,984
State government grants	221,738	-	-	-	221,738	-
Municipal license taxes	15,897	16,257	-	-	15,897	16,257
Miscellaneous revenues	35,403	30,072	-	-	35,403	30,072
Total Revenues	1,629,618	1,204,036	106,508	92,984	1,736,126	1,297,020
EXPENDITURES						
Current:						
General government	779,675	586,617	-	-	779,675	586,617
Public safety	21,386	84,327	-	-	21,386	84,327
Public works	135,003	283,572	-	-	135,003	283,572
Sewer project costs	-	-	194,792	-	194,792	-
Billing service	-	-	-	67,013	-	67,013
Capital outlay	-	15,230	-	-	-	15,230
Bad debt	20,516	27,611	-	68,680	20,516	96,291
Interest and bank charges	61,062	29,679	-	7,912	61,062	37,591
Capital outlay exceeds depreciation	133,896	68,001	-	67,461	133,896	135,462
Total Expenditures	1,151,538	1,095,037	194,792	211,066	1,346,330	1,306,103
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	478,080	108,999	(88,284)	(118,082)	389,796	(9,083)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	169,734	183,660	169,734	183,660
Transfers out	(169,734)	(131,732)	-	(51,928)	(169,734)	(183,660)
TOTAL OTHER FINANCING SOURCES (USES)	(169,734)	(131,732)	169,734	131,732	-	-
NET CHANGE IN NET POSITIONS	308,346	(22,733)	81,450	13,650	389,796	(9,083)
Net Position, Beginning	749,798	772,531	351,846	338,196	1,101,644	1,110,727
Net Position, Ending	\$ 1,058,144	\$ 749,798	\$ 433,296	\$ 351,846	\$ 1,491,440	\$ 1,101,644

TOWN OF RICHWOOD, LOUISIANA
Management's Discussion and Analysis, Continued
For the Year Ended June 30, 2019

Governmental Activities

During the current fiscal year, net position for governmental activities increased \$308,346 from the prior fiscal year for an ending balance of \$1,058,144. This represents an increase of approximately 46 percent from the prior period.

The cost of all governmental activities this year was \$1,151,538. These expenditures were primarily financed through the Town's taxes, charitable gaming revenues, garbage fee collections, public safety, grant revenues and intergovernmental revenues. These revenue sources accounted for approximately 82 percent of the Town's total revenues.

Business-type Activities

Revenues of the Town's business-type activities increased by 14.5 percent (\$106,508 in 2019 compared to \$ 92,984 in 2018). Expenses decreased by \$16,274 or 7.71 percent (\$194,792 in 2019 compared to \$211,066 in 2018).

Capital Assets

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

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 99,500	\$ 99,500	\$ -	\$ -	\$ 99,500	\$ 99,500
Construction in progress	196,099	-	-	-	196,099	-
Other Improvements	168,250	181,435	-	-	168,250	181,435
Buildings	549,369	596,646	-	-	549,369	596,646
Building Improvements	7,480	8,859	-	-	7,480	8,859
Sewer System	-	-	350,962	409,580	350,962	409,580
Furniture and Equipment	44,931	43,669	-	-	44,931	43,669
Vehicles	9,392	12,439	-	-	9,392	12,439
Roads	78,200	82,800	-	-	78,200	82,800
Total	<u>\$ 1,153,221</u>	<u>\$ 1,025,348</u>	<u>\$ 350,962</u>	<u>\$ 409,580</u>	<u>\$ 1,504,183</u>	<u>\$ 1,434,928</u>

Government-wide capital assets, net of depreciation increased by 4.83 percent to \$1,504,183 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, 2019

Economic Factors and Next Year's 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 \$1,353,466, a 21.44 percent decrease from 2019 actual.

One of the most important factors affecting the budget is our charitable gaming (video bingo) collections which is approximately 24 percent of budgeted revenues in the Governmental funds. The General Fund's budget for expenditures in 2019 is \$1,091,380, a 5.4 percent increase from the 2019 actual.

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, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 475,670	\$ 94,959	\$ 570,629
Receivables, net	252,415	3,778	256,193
Investments	68,033	117,565	185,598
Bond issuance costs	28,600	-	28,600
Due from general fund	-	1,575	1,575
Capital assets, net of accumulated depreciation	1,153,221	350,962	1,504,183
TOTAL ASSETS	1,977,939	568,839	2,546,778
<u>LIABILITIES</u>			
Cash overdraft	478	-	478
Accounts payable	77,629	6,718	84,347
Payroll liabilities	4,652	-	4,652
Due to sewer fund	1,575	-	1,575
Interest payable	47,238	3,825	51,063
Long-term liabilities:			
Portion due within one year	25,000	125,000	150,000
Portion due after one year	763,223	-	763,223
TOTAL LIABILITIES	919,795	135,543	1,055,338
<u>NET POSITION</u>			
Net investments in capital assets	392,125	225,962	618,087
Restricted	-	85,506	85,506
Unrestricted	666,019	121,828	787,847
TOTAL NET POSITION	\$ 1,058,144	\$ 433,296	\$ 1,491,440

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, 2019

Functions/Programs	Expenses	Program Revenues			Primary Government Net (Expenses) Revenues and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	
Primary government							
Governmental Activities:							
General government	\$ 983,443	\$ 73,912	\$ -	\$ -	\$ (909,531)	\$ -	\$ (909,531)
Public safety	24,593	182,358	-	-	157,765	-	157,765
Public works	143,502	66,424	-	221,738	144,660	-	144,660
Total Government Activities	<u>1,151,538</u>	<u>322,694</u>	<u>-</u>	<u>221,738</u>	<u>(607,106)</u>	<u>-</u>	<u>(607,106)</u>
Business-Type Activities:							
Water and sewer	194,792	106,508	-	-	-	(88,284)	(88,284)
Total Business-Type Activities	<u>194,792</u>	<u>106,508</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(88,284)</u>	<u>(88,284)</u>
Total	<u>\$ 1,346,330</u>	<u>\$ 429,202</u>	<u>\$ -</u>	<u>\$ 221,738</u>	<u>(607,106)</u>	<u>(88,284)</u>	<u>(695,390)</u>
General revenues:							
Taxes:							
Property taxes					143,483	-	143,483
Franchise tax					59,900	-	59,900
Sales tax revenue					327,857	-	327,857
Other taxes					760	-	760
Charitable gaming funds					398,626	-	398,626
Municipal license taxes					15,897	-	15,897
Licenses and permits					73,240	-	73,240
Intergovernmental revenue					21,990	-	21,990
Miscellaneous					43,433	-	43,433
Transfers					(169,734)	169,734	-
Total general revenues and transfers					<u>915,452</u>	<u>169,734</u>	<u>1,085,186</u>
Changes in net position					308,346	81,450	389,796
Net position - July 01, 2018					<u>749,798</u>	<u>351,846</u>	<u>1,101,644</u>
Net position - June 30, 2019					<u>\$ 1,058,144</u>	<u>\$ 433,296</u>	<u>\$ 1,491,440</u>

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

TOWN OF RICHWOOD, LOUISIANA

Governmental Funds

Balance Sheet

June 30, 2019

	NON-MAJOR FUND			
	GENERAL FUND	TRANSPORTATION FUND	LCDBG STREET IMPROVEMENTS PUBLIC FACILITIES PROJECT	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>				
Cash and cash equivalents	\$ 252,818	\$ 222,852	\$ -	\$ 475,670
Accounts receivable, net	226,776	-	25,639	252,415
Investments	68,033	-	-	68,033
Total assets	\$ 547,627	\$ 222,852	\$ 25,639	\$ 796,118
<u>LIABILITIES</u>				
Cash overdraft	\$ 478	\$ -	\$ -	\$ 478
Accounts payable	51,990	-	25,639	77,629
Payroll liabilities	4,652	-	-	4,652
Due to other funds	1,575	-	-	1,575
Interest payable	47,238	-	-	47,238
Total liabilities	105,933	-	25,639	131,572
<u>FUND BALANCES</u>				
Assigned	-	222,852	-	222,852
Unassigned	441,694	-	-	441,694
Total fund balance	441,694	222,852	-	664,546
Total liabilities and fund balances	\$ 547,627	\$ 222,852	\$ 25,639	\$ 796,118

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, 2019**

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

Total Fund Balances - Governmental Funds	\$ 664,546
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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.

Costs of capital assets	2,086,611	
Accumulated Depreciation	<u>(933,390)</u>	
		1,153,221

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.

Balances at June 30, 2019 are:

Long-term liabilities:

Bonds payable	(761,096)	
Compensated absences	<u>(27,127)</u>	
		(788,223)

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

28,600

Net Position - Governmental Activities	\$ <u>1,058,144</u>
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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, 2019

	NON-MAJOR FUNDS			
	GENERAL FUND	TRANSPORTATION FUND	LCDBG STREET IMPROVEMENTS PUBLIC FACILITIES PROJECT	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Taxes:				
Property taxes	\$ 143,483	\$ -	\$ -	\$ 143,483
Franchise taxes	59,900	-	-	59,900
Sales taxes	327,857	-	-	327,857
Charitable gaming funds	398,626	-	-	398,626
Licenses and permits	89,137	-	-	89,137
Fines, forfeitures and court costs	73,912	-	-	73,912
Intergovernmental revenues	21,990	-	-	21,990
State government grants	-	-	221,738	221,738
Garbage and other fees	66,424	-	-	66,424
Public safety	182,358	-	-	182,358
Other taxes	760	-	-	760
Miscellaneous revenues	43,433	-	-	43,433
Total Revenues	1,407,880	-	221,738	1,629,618
EXPENDITURES				
Current:				
General government	779,675	-	-	779,675
Public safety	21,386	-	-	21,386
Public works	135,003	-	-	135,003
Capital outlay	14,536	-	221,738	236,274
Bad debt	20,516	-	-	20,516
Debt service:				
Interest and bank charges	61,062	-	-	61,062
Total Expenditures	1,032,178	-	221,738	1,253,916
EXCESS OF REVENUES OVER EXPENDITURES	375,702	-	-	375,702
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(169,734)	-	-	(169,734)
TOTAL OTHER FINANCING SOURCES (USES)	(169,734)	-	-	(169,734)
NET CHANGE IN FUND BALANCES	205,968	-	-	205,968
FUND BALANCES - July 1, 2018	235,726	222,852	-	458,578
FUND BALANCES - June 30, 2019	\$ 441,694	\$ 222,852	\$ -	\$ 664,546

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, 2019**

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

Total Net Change in Fund Balances - Governmental Funds	\$ 205,968
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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	210,635	
Depreciation expense	(82,762)	
	127,873	

Interest expense on bonds payable	(1,020)
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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

(24,475)

Change in Net Position of Governmental Activities	\$ 308,346
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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, 2019

ASSETS

Current Assets:

Cash and cash equivalents	\$ 94,959
Receivables, net	3,778
Investments	117,565
Due from general fund	<u>1,575</u>

Total Current Assets 217,877

Non-current Assets

Capital assets, net of depreciation	<u>350,962</u>
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TOTAL ASSETS 568,839

LIABILITIES

Current liabilities:

Accounts payable	6,718
Interest payable	3,825
Bonds payable	<u>125,000</u>

Total Current Liabilities 135,543

TOTAL LIABILITIES 135,543

NET POSITION

Invested in capital assets, net of related debt 225,962

Restricted for:

Debt service	80,660
Public safety and recreation	4,846

Unrestricted 121,828

TOTAL NET POSITION \$ 433,296

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, 2019**

Charges for services:

Sewer fees \$ 106,508

Total operating revenues 106,508

Operating Expenses

Cost of services:

Billing services 83,352

Depreciation 64,536

Other general administration 42,787

Total operating expenses 190,675

Operating loss (84,167)

Non-Operating Expenses

Interest expense (4,117)

Total non-operating expenses (4,117)

Transfers - In (Out)

Transfers - In 247,554

Transfers - Out (77,820)

Total transfers 169,734

Changes in net position 81,450

Net Position - July 1, 2018 351,846

Net Position - June 30, 2019 \$ 433,296

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, 2019**

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from customers	\$ 106,508
Payments to suppliers for services	(110,698)
Net cash used in operating activities	<u>(4,190)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Noncapital transfers from other funds	217,430
Noncapital transfers to other funds	(47,695)
Net cash provided by noncapital financing activities	<u>169,735</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Purchases of capital assets	(5,919)
Principal paid on capital debt	(100,000)
Interest paid on capital debt	(4,117)
Net cash used in capital and related financing activities	<u>(110,036)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of investments	(36,130)
Net cash used in investing activities	<u>(36,130)</u>

Net increase in cash and cash equivalents	19,379
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CASH AND CASH EQUIVALENTS - BEGINNING	<u>75,580</u>
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CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 94,959</u>
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Reconciliation of operating loss to net cash used in operating activities

Operating loss	\$ (84,167)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation/Amortization	64,536
(Increase) decrease in:	
Accounts receivable	2,610
Bond issuance costs	16,738
Increase (decrease) in:	
Accounts payable	6,718
Accrued interest payable	(10,625)
Net cash used in operating activities	<u>\$ (4,190)</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, 2019

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, 2019

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 or significance of the relationship.

As required by generally accepted accounting principles, these financial statements present the Town of Richwood (the primary government). The Town 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, 2019

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

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

1. Governmental Funds, (continued)

- Transportation fund - accounts for the parish transportation program.

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

1. Government-Wide Financial Statements (GWFS)

The Statement of Net Position and the Statement of Activities display information about the reporting government as a whole. Fiduciary funds are not included in the GWFS. Fiduciary funds are reported only in the Statement of Fiduciary Net Position at the fund financial statement level.

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, 2019

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

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

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

Program Revenues

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

Allocation of Indirect Expenses

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

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, 2019

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. Therefore, a motion to adopt the 2018-2019 annual budget was approved by the Board of Alderpersons on July 18, 2019.

TOWN OF RICHWOOD, LOUISIANA
Notes to the Financial Statements, Continued
For the Year Ended June 30, 2019

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

F. BUDGETARY INFORMATION, (continued)

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, 2019

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 activities 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, 2019

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, 2019

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 \$0 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, 2019

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, 2019

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 1st. 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, 2019

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

NOTE 2 – CASH AND CASH EQUIVALENTS

At June 30, 2019, the Town has cash and cash equivalents (book balances) totaling as follows:

Demand deposits	\$ <u>570,629</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.

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, 2019, the Town has \$570,629 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, 2019

NOTE 3 – INVESTMENTS

At June 30, 2019, the Town had its assets in money market instruments managed by a financial institution. The account had a fair value of \$68,033 in Governmental Funds and \$117,565 in Enterprise Funds as of June 30, 2019. 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 uncollectibles) 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, 2019:

<u>Accounts and Accrued Receivables</u>	<u>General</u>	<u>Enterprise</u>	<u>Total</u>
Sewer Fees	\$ -	\$ 3,778	\$ 3,778
Charitable Gaming	36,832	-	36,832
Grants Receivable	25,639	-	25,639
Garbage Collections	3,109	-	3,109
Property Taxes	10,395	-	10,395
Sales Tax	55,835	-	55,835
Franchise fees	17,095	-	17,095
Court Fines	35,167	-	35,167
RCC Fees	88,859	-	88,859
Allowance for Doubtful Accounts	(20,516)	-	(20,516)
Accounts Receivable, net	<u>\$ 252,415</u>	<u>\$ 3,778</u>	<u>\$ 256,193</u>

TOWN OF RICHWOOD, LOUISIANA
Notes to the Financial Statements, Continued
For the Year Ended June 30, 2019

NOTE 5 – CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2019, follows:

	Beginning Balance	Additions	Ending Balance
<u>Governmental activities:</u>			
Non-depreciable capital assets			
Land	\$ 99,500	\$ -	\$ 99,500
Construction-in-progress	-	196,099	196,099
Total non-depreciable capital Assets	<u>99,500</u>	<u>196,099</u>	<u>295,599</u>
Exhaustible capital assets:			
Other improvements	315,066	-	315,066
Buildings	943,700	-	943,700
Building improvements	20,680	-	20,680
Furniture and equipment	216,404	14,536	230,940
Vehicles	165,626	-	165,626
Infrastructure – roads	115,000	-	115,000
Total depreciable capital assets	<u>1,776,476</u>	<u>14,536</u>	<u>1,791,012</u>
Accumulated depreciation:			
Other improvements	133,631	13,185	146,816
Buildings	347,054	47,277	394,331
Building improvements	11,821	1,379	13,200
Furniture and equipment	172,735	13,274	186,009
Vehicles	153,187	3,047	156,234
Infrastructure – roads	32,200	4,600	36,800
Total accumulated depreciation	<u>850,628</u>	<u>82,762</u>	<u>933,390</u>
Total capital assets being depreciated, net	<u>925,848</u>	<u>(68,226)</u>	<u>857,622</u>
Capital assets, net	<u>\$ 1,025,348</u>	<u>\$ 127,873</u>	<u>\$ 1,153,221</u>

Depreciation expense was charged to governmental activities as follows:

General and administrative	\$ 71,057
Police department	3,207
Maintenance department	8,498
Total	<u>\$ 82,762</u>

	Beginning Balance	Additions	Ending Balance
<u>Business-type activities:</u>			
Furniture and equipment (Sewer System)	\$ 1,767,027	\$ 5,918	\$ 1,772,945
Accumulated depreciation – furniture and equipment (Sewer System)	<u>(1,357,447)</u>	<u>(64,536)</u>	<u>(1,421,983)</u>
Capital assets, net	<u>\$ 409,580</u>	<u>\$ (58,618)</u>	<u>\$ 350,962</u>

TOWN OF RICHWOOD, LOUISIANA
Notes to the Financial Statements, Continued
For the Year Ended June 30, 2019

NOTE 6 – LONG-TERM LIABILITIES

A schedule of long-term bonds payable for the year ended June 30, 2019, follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balances</u>	<u>Amounts Due Within One Year</u>
<u>Governmental Activities:</u>					
Long-term debt:					
Bonds Series 2008A	\$ 770,000	\$ -	\$ -	\$ 770,000	\$ 25,000
Less: deferred amount for issuance of discounts inflows	(9,924)	-	1,020	(8,904)	-
Total bonds series 2008A	<u>760,076</u>	<u>-</u>	<u>1,020</u>	<u>761,096</u>	<u>25,000</u>
Other Liabilities:					
Compensated absences payable	<u>3,672</u>	<u>27,127</u>	<u>(3,672)</u>	<u>27,127</u>	<u>-</u>
Total governmental activities	<u>763,748</u>	<u>27,127</u>	<u>(2,652)</u>	<u>788,223</u>	<u>25,000</u>
<u>Business-type Activities:</u>					
Bonds Series 2008 B	<u>225,000</u>	<u>-</u>	<u>(100,000)</u>	<u>125,000</u>	<u>125,000</u>
Total bond series 2008 B	<u>225,000</u>	<u>-</u>	<u>(100,000)</u>	<u>125,000</u>	<u>125,000</u>
Total long-term liabilities	<u>\$ 988,748</u>	<u>\$ 27,127</u>	<u>\$ (102,652)</u>	<u>\$ 913,223</u>	<u>\$ 150,000</u>

	<u>General Fund</u>
	<u>Bonds, Series 2008A</u>
Original Issue	\$ 770,000
Issue Date	2/1/2008
Interest Rate	6 Percent
Final Payment Due	2/15/2028
Interest to Maturity	\$ 245,245
Principal Outstanding June 30, 2019	\$ 770,000

	<u>Business-Type Activities</u>
	<u>Sewer Fund</u>
	<u>Bonds, Series 2008B</u>
Original Issue	\$ 530,000
Issue Date	2/1/2008
Interest Rate	8.5 Percent
Final Payment Due	2/15/2020
Interest to Maturity	\$ 3,826
Principal Outstanding June 30, 2019	\$ 125,000

TOWN OF RICHWOOD, LOUISIANA
Notes to the Financial Statements, Continued
For the Year Ended June 30, 2019

NOTE 6 – LONG-TERM LIABILITIES, (continued)

	Totals		
	General Fund	Enterprise Fund	Revenue Bonds Issues Total
Original Issue	\$ 770,000	\$ 530,000	\$ 1,300,000
Interest to Maturity	\$ 245,245	\$ 3,826	\$ 249,071
Principal Outstanding June 30, 2019	\$ 770,000	\$ 125,000	\$ 895,000

The individual issues are as follows:

In February 2008, the Town issued revenue bonds in the amount of \$1,300,000. Series 2008A is dedicated to public improvements and is paid by the General Fund. Series 2008B is dedicated to extinguishing a debt to the City of Monroe for prior years' sewer services and is paid by the Enterprise Fund - Sewer. The annual requirements to amortize all bonds outstanding at June 30, 2019, are as follows:

Governmental Fund			
Year	Principal	Interest	Total
2020	\$ 25,000	\$ 47,238	\$ 72,238
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
2025-2028	415,000	54,752	469,752
Total	\$ 770,000	\$ 245,245	\$ 1,015,245

Enterprise Fund			
Year	Principal	Interest	Total
2020	\$ 125,000	\$ 3,826	\$ 128,826

The Town is delinquent on the principal payments on their Series 2008B bond indenture totaling approximately \$80,000.

TOWN OF RICHWOOD, LOUISIANA
Notes to the Financial Statements, Continued
For the Year Ended June 30, 2019

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, 2018
Levy date	January 1, 2018
Tax bills mailed	November, 2018
Due date	December 31, 2018
Lien date	January 1, 2019

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 2018 and January and February 2019. All property taxes are recorded in the general fund. The Town considers the date penalty and interest accrues (January 1, 2019) 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 2019 are budgeted in the 2019-2020 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, 2019

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 \$13,800. 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 indentures, the Town is required to hold in reserve \$122,800 for its 2008 Series Bonds to remain in compliance with its bond covenant. For the year ended June 30, 2019, the Town failed to meet this requirement by a total of \$8,710.

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 \$398,626. The revenues received from charitable gaming accounts for approximately 24 percent of the Town's current year revenues. The Town also received \$327,857 in sales tax, which accounts for approximately 20 percent of the Town's current year 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, 2019

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, 2019, the Town employed two (2) full-time officers. The Police Chief and the other officer were offered to enroll in the system, however, they chose to decline. The Town maintains signed affidavits on file as evidence of the officers opting-out of the program.

NOTE 14 – SUBSEQUENT EVENTS

Subsequent to the Town's year-end the State mandated that all police officers participate in the Municipal Police Employees Retirement System. As of September 20, 2019, all police officers were enrolled in the system. Also subsequent to year-end, the COVID-19 pandemic caused the State to go into lockdown for an extended period of time. This lockdown further delayed the issuance of this year's audit report. The Town evaluated subsequent events through June 18, 2020, the date the financial statements were available to be issued.

NOTE 15 – 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 focuses 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.

GASB has issued an implementation Guide 2019-2 to Statement No. 84.

TOWN OF RICHWOOD, LOUISIANA
Notes to the Financial Statements, Continued
For the Year Ended June 30, 2019

NOTE 15 – RECENT ACCOUNTING PRONOUNCEMENTS, (continued)

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. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgements, 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.

In June 2017, the GASB issued Statement No. 87 – *Leases* which address improving accounting and financial reporting for leases by governments. The Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under the Statement, a lessee is required to recognize a lease liability and an intangible right-to-lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The Statement is effective for periods beginning after December 15, 2019.

Subsequent to June 30, 2019, for all these recent accounting pronouncements, the GASB has decided to delay each effective date by one (1) year due to the effects of COVID-19 pandemic.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF RICHWOOD, LOUISIANA
Notes to the Budgetary Comparison Schedules
For the Year Ended June 30, 2019
(Unaudited)

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 official revisions adopted by the Town during the year. All budget revisions, as applicable, were approved by the Board of Aldermen.

Budget Basis of Accounting

The General Fund budget is prepared on the modified accrual basis of accounting, a basis consistent with accounting principles generally accepted in the United States of America (GAAP). Budgeted amounts are as 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, 2019

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Favorable
	Original	Final	(Budgetary Basis)	(Unfavorable)
Budgetary Fund Balances, Beginning	\$ 289,953	\$ 232,991	\$ 235,726	\$ 2,735
<u>Resources (inflows)</u>				
Local sources:				
Ad valorem	133,000	133,000	143,483	10,483
Beer tax	2,300	2,300	760	(1,540)
Charitable gaming funds	325,000	325,000	398,626	73,626
Fines and forfeitures	55,000	55,000	73,912	18,912
Franchise tax	51,500	51,500	59,900	8,400
Garbage collections	70,000	70,000	66,424	(3,576)
Licenses and permits	40,000	40,000	36,578	(3,422)
Miscellaneous	2,500	2,500	35,403	32,903
Multi-Purpose center rental	8,500	8,500	8,030	(470)
Municipal license taxes	15,000	15,000	15,897	897
Richwood correctional center fees	102,000	102,000	102,000	-
Sales taxes	280,000	280,000	327,857	47,857
Sewer fees	1,675	1,675	36,662	34,987
Intergovernmental revenues	-	-	8,490	8,490
State revenue	30,000	30,000	13,500	(16,500)
Public safety	-	-	80,358	80,358
Transfers from other funds	4,000	4,000	-	(4,000)
Amounts available for appropriations	1,410,428	1,353,466	1,643,606	290,140
<u>Charges to appropriations (outflows)</u>				
General government	678,992	678,992	779,675	(100,683)
Public safety	82,893	82,893	21,386	61,507
Public works	282,261	282,261	135,003	147,258
Capital outlay	-	-	14,536	(14,536)
Bad debt	-	-	20,516	(20,516)
Debt service - interest	47,234	47,234	61,062	(13,828)
Transfers to other funds	-	-	169,734	(169,734)
Total charges to appropriations	1,091,380	1,091,380	1,201,912	(110,532)
Budgetary Fund Balances, Ending	\$ 319,048	\$ 262,086	\$ 441,694	\$ 179,608

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

TOWN OF RICHWOOD, LOUISIANA

Enterprise Fund - Sewer Fund Budgetary Comparison Schedule (Unaudited) For the Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Favorable
	Original	Final	(Budgetary Basis)	(Unfavorable)
Budgetary Fund Balances, Beginning	\$ 52,749	\$ 52,749	\$ 236,503	\$ 183,754
Resources (inflows)				
Sewer Fees	110,000	110,000	106,508	(3,492)
Transfers from other funds	-	-	217,430	217,430
Amounts available for appropriations	162,749	162,749	560,441	397,692
Charges to appropriations (outflows)				
Billing Services	72,000	72,000	83,352	(11,352)
Depreciation	-	-	64,536	(64,536)
General and Administrative	-	-	42,787	(42,787)
Debt Service	34,000	34,000	-	34,000
Transfers to other funds	4,000	4,000	47,696	(43,696)
Total charges to appropriations	110,000	110,000	238,371	(128,371)
Budgetary Fund Balances, Ending	\$ 52,749	\$ 52,749	\$ 322,070	\$ 269,321

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

TOWN OF RICHWOOD, LOUISIANA
Budget to GAAP Reconciliation (Unaudited)
For the Year Ended June 30, 2019

	<u>General</u>	<u>Enterprise</u>
Sources/Inflows of resources:		
Actual amounts (budgetary basis) "available for appropriation" from the Budgetary Comparison Schedule	\$ 1,643,606	\$ 560,441
Adjustments:		
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(235,726)	(236,503)
Transfers from other funds are inflows for budgetary purposes but are not revenue for financial reporting purposes	<u>-</u>	<u>(217,430)</u>
Total revenues as reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances	\$ <u>1,407,880</u>	\$ <u>106,508</u>
Uses/Outflows of resources:		
Actual amounts (budgetary basis) "Total charges to appropriations" from the Budgetary Comparison Schedule	\$ 1,201,912	\$ 238,371
Adjustments:		
Transfers to other funds are outflows for budgetary purposes but are not expenditures for financial reporting purposes	<u>(169,734)</u>	<u>(47,696)</u>
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances	\$ <u>1,032,178</u>	\$ <u>190,675</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, 2019

	Enterprise Funds		
	Sewer Fund	Sinking Fund	Total
<u>ASSETS</u>			
<u>Current Assets:</u>			
Cash and cash equivalents	\$ 92,449	\$ 2,510	\$ 94,959
Receivables, net	3,778	-	3,778
Investments	117,565	-	117,565
Due from General Fund	1,575	-	1,575
Total Current Assets	215,367	2,510	217,877
<u>Non-Current Assets:</u>			
Capital assets, net of depreciation	350,962	-	350,962
Total assets	566,329	2,510	568,839
<u>LIABILITIES</u>			
<u>Current Liabilities:</u>			
Accounts payable	6,718	-	6,718
Interest payable	3,825	-	3,825
Bonds payable	125,000	-	125,000
Total Current Liabilities	135,543	-	135,543
Total liabilities	135,543	-	135,543
<u>Net Position</u>			
Invested in capital assets, net of related debt	225,962	-	225,962
Restricted for:			
Debt service	80,660	-	80,660
Public safety and recreation	4,846	-	4,846
Unrestricted	119,318	2,510	121,828
Total Net Position	\$ 430,786	\$ 2,510	\$ 433,296

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, 2019

	Enterprise Funds		
	Sewer Fund	Sinking Fund	Total
<u>OPERATING REVENUES</u>			
<u>Charges for services:</u>			
Sewer fees	\$ 106,508	\$ -	\$ 106,508
Total operating revenues	106,508	-	106,508
<u>OPERATING EXPENSES</u>			
<u>Cost for services:</u>			
Billing services	83,352	-	83,352
Depreciation	64,536	-	64,536
Bad debt expense	42,787	-	42,787
Total operating expenses	190,675	-	190,675
Operating loss	(84,167)	-	(84,167)
<u>Non-Operating Income (Expenses)</u>			
Interest income	-	-	-
Interest expense	(4,117)	-	(4,117)
Total Non-Operating Income (Expenses)	(4,117)	-	(4,117)
<u>TRANSFERS</u>			
Transfers - In	217,430	30,124	247,554
Transfers - Out	(47,696)	(30,124)	(77,820)
Total transfers	169,734	-	169,734
Changes in net position	81,450	-	81,450
NET POSITION - July 1, 2018	349,336	2,510	351,846
NET POSITION - June 30, 2019	\$ 430,786	\$ 2,510	\$ 433,296

See accompanying independent auditors' report.

TOWN OF RICHWOOD, LOUISIANA
Supplementary Schedule – Compensation
Paid to the Alderpersons
For the Year Ended June 30, 2019

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, 2019:

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, 2019**

Gerald Brown, Mayor

July 1, 2018 - June 30, 2019

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 54,000
Special meals – meetings	<u>1,242</u>
Total	<u>\$ 55,242</u>

See accompanying independent auditors' report.

INDEPENDENT AUDITORS' REPORT
REQUIRED BY
GOVERNMENT AUDITING STANDARDS



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Society of Louisiana
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Joseph A. Akanji, CPA

(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, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated June 18, 2020.

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 #2019-002, #2019-003, and #2019-004.

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 #2019-001.

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

June 18, 2020

SUMMARY SCHEDULE OF FINDINGS

TOWN OF RICHWOOD, LOUISIANA
Summary Schedule of Findings
for the Year Ended June 30, 2019

SECTION I - SUMMARY OF INDEPENDENT AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: **Unmodified**

Internal Control Over Financial Reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiencies identified that are not considered to be material weakness(es)? ☒ yes ☐ none reported

Noncompliance material to financial statements noted? ☒ yes ☐ no

Internal Control Over Federal Programs:

- Material weakness(es) identified? ☐ yes ☐ no ☒ n/a
- Significant deficiencies identified that are not considered to be material weaknesses? ☐ yes ☐ none reported ☒ n/a

Other Conditions:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiencies identified that are not considered to be material weaknesses? ☐ yes ☒ no

Was a management letter issued ☒ yes ☐ no

FINANCIAL STATEMENT FINDINGS

TOWN OF RICHWOOD, LOUISIANA
Summary Schedule of Findings
for the Year Ended June 30, 2019

(CONTINUED)

SECTION II – FINANCIAL STATEMENT FINDINGS

Audit Finding Reference Number

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

Finding Classification

Instance of noncompliance

Finding Type

Late Filing of Report with LLA

Finding Title

Untimely Submission of Financial Audit Report by Due Date

Resolution (resolved, not resolved, partially resolved)

Not 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

Under Louisiana Audit Law, the Town is required to have an annual audit of its financial statements prepared in accordance with U.S. generally accepted accounting principles completed and filed with the Louisiana Legislative Auditor (LLA) of the State of Louisiana within six-month of the close of the calendar or fiscal year (June 30th).

TOWN OF RICHWOOD, LOUISIANA
Summary Schedule of Findings
for the Year Ended June 30, 2019

(CONTINUED)

SECTION II – FINANCIAL STATEMENT FINDINGS, Continued

Audit Finding Reference Number

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

Condition

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

Cause

Owing to lack of adequate year-end planning, the Town required additional time to complete its account analysis, reconciliation process and recordation of all the necessary adjustments to their accounting records.

Effect

The Town was not in compliance with Louisiana statute for completion of the annual audit. As a result, the Town was placed on the noncompliance list on the LLA's website causing interruption of funding to the Town until the condition is resolved.

Recommendation

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

Management's Response

The Town is developing controls to strengthen our financial closing procedures. These procedures will seek to ensure that financial records are reviewed monthly and necessary journal entries are recorded on a timelier basis instead of at year-end. These procedures will also seek to ensure that all documentation is properly maintained and readily available upon the auditor's request. The Town will hold an initial audit responsibility meeting for all parties involved in processing the audit at least three (3) months prior to the due date to define specific responsibilities. Due dates for deliverables will be outlined, and a bi-weekly review of the progress will be conducted by the Mayor until completion. Furthermore, we will request more scheduled communication between the external CPA firm, the fiscal officer, and the Town clerk regarding the particulars of the audit process.

TOWN OF RICHWOOD, LOUISIANA
Summary Schedule of Findings
for the Year Ended June 30, 2019

(CONTINUED)

SECTION II – FINANCIAL STATEMENT FINDINGS, Continued

Audit Finding Reference Number

2019-002 - 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

Four (4)

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, 2019

(CONTINUED)

SECTION II – FINANCIAL STATEMENT FINDINGS, Continued

Audit Finding Reference Number

2019-002 - Strengthening Control Over Recordkeeping, Continued

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.

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.

Effect

Complete and accurate financial statements are not readily available for yearend 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. 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, 2019

(CONTINUED)

SECTION II – FINANCIAL STATEMENT FINDINGS, Continued

Audit Finding Reference Number

2019-003 –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

Three (3)

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, 2019

(CONTINUED)

SECTION II – FINANCIAL STATEMENT FINDINGS, Continued

Audit Finding Reference Number

2019-003 –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 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 yearend 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 yearend financial statements.

TOWN OF RICHWOOD, LOUISIANA
Summary Schedule of Findings
for the Year Ended June 30, 2019

(CONTINUED)

SECTION II – FINANCIAL STATEMENT FINDINGS, Continued

Audit Finding Reference Number

2019-004 – Recording Traffic Citations

Finding Classification

Significant Deficiency

Finding Type

Accounting Records/ Documentation

Finding Title

Strengthening Control Over Recordkeeping

Resolution (resolved, not resolved, partially resolved)

Not Resolved

Number of years finding reported

One (1)

Financial impact

Amount less than \$150,000

Resolution is with or without course

The resolution of this finding is without cause

Criteria

Adequate monitoring controls should be in place for collection of traffic citations to ensure proper accountability and timely recordation in accordance with the state issued Lemis system.

TOWN OF RICHWOOD, LOUISIANA
Summary Schedule of Findings
for the Year Ended June 30, 2019

(CONTINUED)

SECTION II – FINANCIAL STATEMENT FINDINGS, Continued

Audit Finding Reference Number

2019-004 – Recording Traffic Citations, Continued

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.

Cause

Lack of supervisory oversight is a contributing factor.

Effect

Misstatements in traffic citation revenue could occur and not be detected on a timely basis.

Recommendation

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

Management's Response

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.

TOWN OF RICHWOOD, LOUISIANA
Summary Schedule of Findings
for the Year Ended June 30, 2019

(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, 2019

FINANCIAL STATEMENT FINDINGS

Audit Finding Reference Number

2018-001 - Untimely Submission of Financial Audit Report by Due Date

Condition

The Town did not meet the December 31, 2018, 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 unresolved. Corrective action was not fully implemented. See repeated Finding #2019-001.

TOWN OF RICHWOOD, LOUISIANA
Status of Prior Year's Findings
for the Year Ended June 30, 2019

(CONTINUED)

FINANCIAL STATEMENT FINDINGS, Continued

Audit Finding Reference Number

2018-002 - 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 #2019-002.

TOWN OF RICHWOOD, LOUISIANA
Status of Prior Year's Findings
for the Year Ended June 30, 2019

(CONTINUED)

FINANCIAL STATEMENT FINDINGS, Continued

Audit Finding Reference Number

2018-003 – Debt Service Reserve Requirements

Condition

At June 30, 2018, we noted payments on Series B. The 2008 Series A and B Bonds remain outstanding with a debt service reserve requirement of \$122,800. The Town held a balance of \$81,321 in a reserve account leaving an outstanding balance of \$41,479 unmet as required.

Recommendation

The Town should continue in its efforts to ensure the required balance in the reserve account is maintained at all times.

Corrective Action Implemented

The Town will continue to meet and maintain required debt balance in reserve account and continue to communicate with debt servicer regarding efforts to do so.

Current Status

This condition is considered resolved.

TOWN OF RICHWOOD, LOUISIANA
Status of Prior Year's Findings
for the Year Ended June 30, 2019

(CONTINUED)

FINANCIAL STATEMENT FINDINGS, Continued

Audit Finding Reference Number

2018-004 – Bank Reconciliations

Condition

During our testwork on cash accounts for the year ended June 30, 2018, we noted the following situations:

- All bank reconciliations were not reviewed by a member of management (with no involvement in the transaction associated with the bank accounts);
General Fund cash account reconciliation has outstanding stale checks and adjustments greater than two (2) years;
- The general fund and sewer cash accounts balances were not in agreement with general ledger with insignificant amounts; and
- Sewer Fund cash account reconciliation has outstanding stale checks greater than one (1) year.

Recommendation

We recommend the Town continues to strengthen the implementation of policies and procedures as related to cash to ensure that the Town's cash and cash equivalents are complete and accurate, and properly reflected in the Town's financial statements. All bank reconciliations should be performed accurately on a timely basis.

Corrective Action Implemented

The Town established procedures to ensure all bank reconciliations are reviewed by the Mayor including review for possible stale checks and ledger balance review.

Current Status

This condition is considered resolved.

TOWN OF RICHWOOD, LOUISIANA
Status of Prior Year's Findings
for the Year Ended June 30, 2019

(CONTINUED)

FINANCIAL STATEMENT FINDINGS, Continued

Audit Finding Reference Number

2018-005 – 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.

Current Status

This condition is considered partially resolved. See repeated Finding #2019-003.

TOWN OF RICHWOOD, LOUISIANA
Status of Prior Year's Findings
for the Year Ended June 30, 2019

(CONTINUED)

FINANCIAL STATEMENT FINDINGS, Continued

Audit Finding Reference Number

2018-006 – Budget Adoption and Amendment

Condition

Actual expenditures for the year ended June 30, 2018 exceeded total budgeted expenditures by approximately fourteen (14) percent. We also noted the budget for the year was not adopted prior to the beginning of the year until July 21, 2017 thereby violating the state budget law.

Recommendation

We recommend that the Town complete the budget, submit it to the governing authority and make it available for public inspection no later than fifteen (15) days prior to the beginning of the fiscal year.

We also recommend that the Town monitor its budget on a regular basis to ensure that actual revenues, expenditures and beginning fund balance budget variances are always within legal limits for budgeting controls.

Corrective Action Implemented

The staff and the Mayor held monthly budget meetings with fiscal officer and clerk to determine state of the budget and if five (5) percent plus or minus variance has been reached. If it has, he will call for a special meeting to address in the form of a budget amendment.

Mayor will work with fiscal officer and CPA to have a draft of the budget completed prior to May's regular meeting to allow time to be introduced to, reviewed by and approved by the board of alderpersons before June 30. Mayor will also impress upon the board the importance of meeting this deadline.

Current Status

This condition is considered resolved.



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(Retired)
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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures enumerated below, which were agreed to by the Town of Richwood, Louisiana (the Town), on the accompanying Schedule of Net Position and Schedule of Revenues, Expenses and Changes in Net Position of the Town of Richwood LCDBG Street Improvements Public Facilities Project as of June 30, 2019 and for the year then ended. The Town is responsible for the presentation of the Schedule of Net Position and the Schedule of Revenues, Expenses and Changes in Net Position for the Town of Richwood LCDBG Street Improvements Public Facilities Project. The sufficiency of these procedures is solely the responsibility of the Town. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

- 1) We traced balances per the Schedule of Net Position and the Schedule of Revenues, Expenses, and Changes in Net Position for the Town of Richwood LCDBG Street Improvements Public Facilities Project as of and for the year ended June 30, 2019 to the underlying records used in the audit of the financial statements of the Town of Richwood, Louisiana as of and for the year ended June 30, 2019.

No exceptions were noted.

- 2) We verified the mathematical accuracy of the Schedule of Net Position and the Schedule of Revenues, Expense, and Changes in Net Position of the Town of Richwood LCDBG Street Improvements Public Facilities Project as of and for the year ended June 30, 2019.

No exceptions were noted.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
CONTINUED

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion on the Schedule of Net Position and the Schedule of Revenues, Expenses and Changes in Net Position for the LCDBG Street Improvements Public Facilities Project as of and for the year ended June 30, 2019. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Town of Richwood, Louisiana and is not intended to be and should not be used by anyone other than those specified parties.

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

June 18, 2020

TOWN OF RICHWOOD, LOUISIANA

**LCDBG Street Improvements Public Facilities Project
Schedule of Net Position
June 30, 2019**

ASSETS

Grant receivable - LCDBG \$ 25,639

TOTAL ASSETS \$ 25,639

LIABILITIES

Accounts payable \$ 25,639

TOTAL LIABILITIES \$ 25,639

UNAUDITED

TOWN OF RICHWOOD, LOUISIANA

LCDBG Street Improvements Public Facilities Project
Schedule of Revenue, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2019

Revenue

LCDBG Program \$ 221,738

Total revenue 221,738

Expenses

Administration 36,397

Engineering 25,645

Construction 159,696

Total expenses 221,738

Change in Fund Net Position \$ -

THE TOWN OF RICHWOOD
INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
FOR THE YEAR ENDED JUNE 30, 2019



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**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES**

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

We have performed the procedures enumerated below, which were agreed to by **the Town of Richwood (the Town)** and the Louisiana Legislative Auditor (LLA), on the control and compliance areas identified in the LLA's Statewide Agreed-upon Procedures (SAUPs), and certain additional procedures requested by the Mayor or Council Member of **the Town**, for the year ended June 30, 2019 ("fiscal period"). **The Town's** management is responsible for those control and compliance areas identified in the SAUPs.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of Government Auditing Standards. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

PROCEDURES AND FINDINGS

Our procedures and findings related to the statewide agreed-upon procedures are as follows:

Written Policies and Procedures

1. We obtained the Town's written policies and procedures to determine whether the policies and procedures address each of the following financial/business functions, as applicable:

- a) Budgeting, including preparing, adopting, monitoring, and amending the budget.

The following sections of the Agreed Upon Procedures were tested last year for period June 30, 2018, resulting in no exceptions being noted. Per the Statewide Agreed-Up Upon Procedure prescribed by The Louisiana Legislative Auditor, "Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 2 may exclude those categories from testing in Year 3."

- b) Purchasing, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

The following sections of the Agreed Upon Procedures were tested last year for period June 30, 2018, resulting in no exceptions being noted. Per the Statewide Agreed-Up Upon Procedure prescribed by The Louisiana Legislative Auditor, "Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 2 may exclude those categories from testing in Year 3."

- c) Disbursements, including processing, reviewing, and approving.

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- d) Receipts, including receiving, recording, and preparing deposits.

The following sections of the Agreed Upon Procedures were tested last year for period June 30, 2018, resulting in no exceptions being noted. Per the Statewide Agreed-Up Upon Procedure prescribed by The Louisiana Legislative Auditor, "Entities

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

that did not have exceptions in one or more of the twelve AUP categories tested during Year 2 may exclude those categories from testing in Year 3.”

- e) Payroll/Personnel, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

The following sections of the Agreed Upon Procedures were tested last year for period June 30, 2018, resulting in no exceptions being noted. Per the Statewide Agreed-Upon Procedure prescribed by The Louisiana Legislative Auditor, “Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 2 may exclude those categories from testing in Year 3.”

- f) Contracting, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

Exception

We noted that the Town has no indication about types of services requiring written contracts within the written Policies and Procedures.

Management’s Response

The Town is in the process of revising our written policies and procedures to include controls over contracting for services.

- g) Credit Cards, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage.

The Town does not use credit cards.

- h) Travel and expense reimbursement, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

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**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

- i) Ethics, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

No exceptions were noted.

- j) Debt Service, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Exception

The Town did not provide us a copy of the policies and procedures for debt service.

Management's Response

The Town is working aggressively to become current with the principal payments for 2008B bond. By making additional monthly payments towards outstanding principal as well as monthly payments to debt reserve to bring this account current.

- k) Disaster Recovery/Business Continuity, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Exception

The Town did not provide us a copy of policies and procedures for disaster recovery/business continuity.

Management's Response

The Town is in the process of updating our policies and procedures manual to include a policy for disaster recovery/business continuity.

Board (or Finance Committee, if applicable)

- 2. We obtained and reviewed the Board/Finance Committee minutes for the fiscal period to determine whether:

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

- a) the Board met (with a quorum) at least monthly, or on a frequency in accordance with the Board's enabling legislation, charter, or other equivalent document.

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- b) the Board minutes referenced or included monthly budget-to-actual comparisons on the Town's General fund and any additional funds, and if the budget-to-actual comparisons showed that management was deficit spending during the fiscal period, there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

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- c) The minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

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Bank Reconciliations

3. We obtained a listing of client bank accounts from management and management's representation that the listing is complete.

The following sections of the Agreed Upon Procedures were tested last year for period June 30, 2018, resulting in no exceptions being noted. Per the Statewide Agreed-Up-On Procedure prescribed by The Louisiana Legislative Auditor, "Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 2 may exclude those categories from testing in Year 3."

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

4. From the listing provided by management, we selected three of the Town's bank accounts and obtained bank statements and reconciliations for all months in the fiscal period to determine whether:

- a) Bank reconciliations have been prepared;

Exception

We noted that one (1) out of five (5) bank reconciliations were prepared after four (4) months of the related statement closing date.

Management's Response

The Town will establish procedures to ensure all bank reconciliations are reviewed by the Mayor including review for possible stale checks and ledger balance review.

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) have reviewed each bank reconciliation; and

Exception

We noted that all bank reconciliations were not reviewed by a member of management during our test work performed.

Management's Response

The Town will establish procedures to ensure all bank reconciliations are reviewed by the Mayor including review for possible stale checks and ledger balance review.

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than twelve (12) months as of the end of the fiscal period.

Exception

We noted that management has no documentation reflecting that management has researched reconciling items that have been outstanding for more than twelve (12) months as of the end of the fiscal period.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

Management's Response

The Town will establish procedures to ensure all bank reconciliations are reviewed by the Mayor including review for possible stale checks and ledger balance review.

Cash Collections

5. We obtained a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

The following sections of the Agreed Upon Procedures were tested last year for period June 30, 2018, resulting in no exceptions being noted. Per the Statewide Agreed-Up-on Procedure prescribed by The Louisiana Legislative Auditor, "Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 2 may exclude those categories from testing in Year 3."

6. From the listing provided by management, we selected all of **the Town's** six (6) cash collection locations and:
- a) Obtained existing written documentation (e.g. insurance policy, policy manual, job description) to determine whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

The following sections of the Agreed Upon Procedures were tested last year for period June 30, 2018, resulting in no exceptions being noted. Per the Statewide Agreed-Up-on Procedure prescribed by The Louisiana Legislative Auditor, "Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 2 may exclude those categories from testing in Year 3."

- b) Obtained existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, and policy manual) to determine whether **the Town** has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

The following sections of the Agreed Upon Procedures were tested last year for period June 30, 2018, resulting in no exceptions being noted. Per the Statewide

INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)

Agreed-Upon Procedure prescribed by The Louisiana Legislative Auditor, "Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 2 may exclude those categories from testing in Year 3."

- c) Selected the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
- 1) Using entity collection documentation, deposit slips, and bank statements, traced daily collections to the deposit date on the corresponding bank statement to determine whether the deposits were made within one day of collection.

The following sections of the Agreed Upon Procedures were tested last year for period June 30, 2018, resulting in no exceptions being noted. Per the Statewide Agreed-Upon Procedure prescribed by The Louisiana Legislative Auditor, "Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 2 may exclude those categories from testing in Year 3."

- 2) Using sequentially numbered receipts, system reports, or other related collection documentation, verified that daily cash collections are completely supported by documentation.

The following sections of the Agreed Upon Procedures were tested last year for period June 30, 2018, resulting in no exceptions being noted. Per the Statewide Agreed-Upon Procedure prescribed by The Louisiana Legislative Auditor, "Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 2 may exclude those categories from testing in Year 3."

7. We obtained existing written documentation (e.g. policy manual, written procedure) to determine whether **the Town** has a process specifically defined (identified as such by **the Town**) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

The following sections of the Agreed Upon Procedures were tested last year for period June 30, 2018, resulting in no exceptions being noted. Per the Statewide Agreed-Upon Procedure prescribed by The Louisiana Legislative Auditor, "Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 2 may exclude those categories from testing in Year 3."

INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)

Disbursements – General (excluding credit card purchases or payments)

8. We obtained the Town's general ledger for the fiscal year ended June 30, 2018 and filtered for disbursements. We obtained management's representation that the general ledger population was complete.

The following sections of the Agreed Upon Procedures were tested last year for period June 30, 2018, resulting in no exceptions being noted. Per the Statewide Agreed-Upon Procedure prescribed by The Louisiana Legislative Auditor, "Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 2 may exclude those categories from testing in Year 3."

9. Using the disbursement population from #08 above, we randomly selected 25 disbursements, excluding credit card/debit card/fuel card/P-card purchases or payments. We obtained supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction to determine whether:
- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

No exceptions were noted.

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

No exceptions were noted.

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; (2) a receiving report showing receipt of goods purchased, or electronic equivalent; and (3) an approved invoice.

No exceptions were noted.

10. We reviewed the Town's documentation (e.g. electronic system control documentation, policy manual, written procedure) to determine whether the person responsible for processing payments is prohibited from adding vendors to the Town's purchasing/disbursement system.

No exceptions were noted.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

11. We reviewed **the Town's** documentation (e.g. electronic system control documentation, policy manual, written procedure) to determine whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

The following sections of the Agreed Upon Procedures were tested last year for period June 30, 2018, resulting in no exceptions being noted. Per the Statewide Agreed-Up On Procedure prescribed by The Louisiana Legislative Auditor, "Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 2 may exclude those categories from testing in Year 3."

12. We inquired of management and observed the supply of unused checks to determine whether unused checks are maintained in a locked location, with access restricted to those persons that do not have signatory authority.

The following sections of the Agreed Upon Procedures were tested last year for period June 30, 2018, resulting in no exceptions being noted. Per the Statewide Agreed-Up On Procedure prescribed by The Louisiana Legislative Auditor, "Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 2 may exclude those categories from testing in Year 3."

13. We inquired **the Town** if a signature stamp is used for payments, and of the individual with a signature stamp whether his signature is maintained under his control or is used only with his knowledge and consent. We also inquired whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. We noted that the Mayor is the only check signer who uses a signature stamp which is under his control.

The following sections of the Agreed Upon Procedures were tested last year for period June 30, 2018, resulting in no exceptions being noted. Per the Statewide Agreed-Up On Procedure prescribed by The Louisiana Legislative Auditor, "Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 2 may exclude those categories from testing in Year 3."

Credit Cards

14. There were no active credit cards for the period ending 6/30/2019. We obtained management's representation that this information is accurate.

No credit cards are in use. Not applicable.

INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)

15. There was no available listing to randomly select cards that were used during the fiscal year and obtained the monthly statements. We selected the monthly statement with the largest dollar activity for each card to determine whether:

- a) There is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.

No credit cards are in use. Not applicable.

- b) Finance charges and/or late fees were assessed on the selected statements.

No credit cards are in use. Not applicable.

16. Using the monthly statements selected, we obtained supporting documentation for all transactions for each of the card selected.

- a) We reviewed each transaction to determine whether the transaction is supported by:

- 1) An original itemized receipt (i.e., identifies precisely what was purchased)

No credit cards are in use. Not applicable.

- 2) Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

No credit cards are in use. Not applicable.

- 3) Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

No credit cards are in use. Not applicable.

- b) For each transaction, we reviewed the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) for compliance with **the Town's** written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes).

No credit cards are in use. Not applicable.

INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)

- c) For each transaction, we compared the Town's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed).

No credit cards are in use. Not applicable.

Travel and Expense Reimbursement

17. We obtained the general ledger for the year ended June 30, 2019 and filtered for travel reimbursements. We obtained management's representation that the general ledger population is complete.

The following sections of the Agreed Upon Procedures were tested last year for period June 30, 2018, resulting in no exceptions being noted. Per the Statewide Agreed-Upon Procedure prescribed by The Louisiana Legislative Auditor, "Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 2 may exclude those categories from testing in Year 3."

18. We obtained the Town's written policies related to travel and expense reimbursements and compared the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) to determine whether there are any amounts that exceed GSA rates.

The following sections of the Agreed Upon Procedures were tested last year for period June 30, 2018, resulting in no exceptions being noted. Per the Statewide Agreed-Upon Procedure prescribed by The Louisiana Legislative Auditor, "Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 2 may exclude those categories from testing in Year 3."

19. Using the transactions from #17 above, we selected the three (3) persons who incurred the most travel costs during the fiscal period. We obtained the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and chose the largest travel expense for each person to review in detail. For each of the three (3) travel expenses selected:
- a) We compared expense documentation to written policies to determine whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates
 - b) established for meals, mileage, lodging).

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

The following sections of the Agreed Upon Procedures were tested last year for period June 30, 2018, resulting in no exceptions being noted. Per the Statewide Agreed-Up Upon Procedure prescribed by The Louisiana Legislative Auditor, "Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 2 may exclude those categories from testing in Year 3."

c) We determined whether each expense is supported by:

- 1) An original itemized receipt that identifies precisely what was purchased.

The following sections of the Agreed Upon Procedures were tested last year for period June 30, 2018, resulting in no exceptions being noted. Per the Statewide Agreed-Up Upon Procedure prescribed by The Louisiana Legislative Auditor, "Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 2 may exclude those categories from testing in Year 3."

- 2) Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

The following sections of the Agreed Upon Procedures were tested last year for period June 30, 2018, resulting in no exceptions being noted. Per the Statewide Agreed-Up Upon Procedure prescribed by The Louisiana Legislative Auditor, "Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 2 may exclude those categories from testing in Year 3."

- 3) Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

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- d) We compared the Town's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value.

INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)

The following sections of the Agreed Upon Procedures were tested last year for period June 30, 2018, resulting in no exceptions being noted. Per the Statewide Agreed-Upon Procedure prescribed by The Louisiana Legislative Auditor, "Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 2 may exclude those categories from testing in Year 3."

- e) We determined whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

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Contracts

- 20. We obtained a listing of all contracts in effect during the fiscal period and obtained the general ledger for the year ended June 30, 2018 and filtered for contract payments. We obtained management's representation that the general ledger population is complete.

The following sections of the Agreed Upon Procedures were tested last year for period June 30, 2018, resulting in no exceptions being noted. Per the Statewide Agreed-Upon Procedure prescribed by The Louisiana Legislative Auditor, "Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 2 may exclude those categories from testing in Year 3."

- 21. Using the listing above, there was only one contracted vendor that was paid during the fiscal year, including the transportation contract and excluding purchases on state contract and payments to the practitioner. We obtained the related contract and highest paid invoice and:
 - a) We determined whether there is a formal/written contract that supports the services arrangement and the amount paid.

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**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

- b) We compared each contract's detail to the Louisiana Public Bid Law or Procurement Code to determine whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

- 1) If yes, we obtained and compared supporting contract documentation to legal requirements to determine whether **the Town** complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

The following sections of the Agreed Upon Procedures were tested last year for period June 30, 2018, resulting in no exceptions being noted. Per the Statewide Agreed-Up-On Procedure prescribed by The Louisiana Legislative Auditor, "Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 2 may exclude those categories from testing in Year 3."

- 2) If no, we obtained supporting contract documentation to determine whether **the Town** solicited quotes as a best practice.

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- c) We determined the contract was not amended.

The following sections of the Agreed Upon Procedures were tested last year for period June 30, 2018, resulting in no exceptions being noted. Per the Statewide Agreed-Up-On Procedure prescribed by The Louisiana Legislative Auditor, "Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 2 may exclude those categories from testing in Year 3."

- d) We selected the largest payment from the contract, obtained the supporting invoice, and compared the invoice to the contract terms, to determine whether the invoice and related payment complied with the terms and conditions of the contract.

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INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)

- e) We obtained and reviewed contract documentation and board minutes to determine whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

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Payroll and Personnel

22. We obtained a listing of employees (and elected officials, if applicable) with their related salaries. We selected the five (5) highest paid employees, obtained their personnel files, and:

- a) Reviewed compensation paid to each employee during the fiscal period to determine whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

The following sections of the Agreed Upon Procedures were tested last year for period June 30, 2018, resulting in no exceptions being noted. Per the Statewide Agreed-Upon Procedure prescribed by The Louisiana Legislative Auditor, "Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 2 may exclude those categories from testing in Year 3."

- b) Reviewed changes made to hourly pay rates/salaries during the fiscal period to determine whether those changes were approved in writing and in accordance with written policy.

The following sections of the Agreed Upon Procedures were tested last year for period June 30, 2018, resulting in no exceptions being noted. Per the Statewide Agreed-Upon Procedure prescribed by The Louisiana Legislative Auditor, "Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 2 may exclude those categories from testing in Year 3."

23. We obtained attendance and leave records and randomly selected one pay period in which leave was taken by at least one employee (June 1-16, 2017). Within that pay period, we randomly selected 8 employees to determine whether:

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INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)

- a) All selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).

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- b) There is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees.

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- c) There is written documentation that the Town maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees that earn leave.

The following sections of the Agreed Upon Procedures were tested last year for period June 30, 2018, resulting in no exceptions being noted. Per the Statewide Agreed-Upon Procedure prescribed by The Louisiana Legislative Auditor, "Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 2 may exclude those categories from testing in Year 3."

24. We obtained from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. There was only one termination payment (e.g., vacation, sick, compensatory time) made during the fiscal period and we obtained the personnel files for that employee. We reviewed the termination payments to determine whether they were made in strict accordance with policy and/or contract and approved by management.

The following sections of the Agreed Upon Procedures were tested last year for period June 30, 2018, resulting in no exceptions being noted. Per the Statewide Agreed-Upon Procedure prescribed by The Louisiana Legislative Auditor, "Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 2 may exclude those categories from testing in Year 3."

INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)

25. We obtained supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period to determine whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

The following sections of the Agreed Upon Procedures were tested last year for period June 30, 2018, resulting in no exceptions being noted. Per the Statewide Agreed-Upon Procedure prescribed by The Louisiana Legislative Auditor, "Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 2 may exclude those categories from testing in Year 3."

Ethics

26. Using the eight (8) randomly selected employees from procedure #23 under "Payroll and Personnel" above, we obtained ethics compliance documentation from management to determine whether **the Town** maintained documentation to demonstrate that required ethics training was completed. We also reviewed the employee files for the employees selected to determine whether there was a signed verification of having read the ethics policy included in the file.

No exceptions were noted.

27. We inquired of management whether any alleged ethics violations were reported to **the Town** during the fiscal period and, if applicable, reviewed documentation demonstrating that management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with **the Town's** ethics policy.

The following sections of the Agreed Upon Procedures were tested last year for period June 30, 2018, resulting in no exceptions being noted. Per the Statewide Agreed-Upon Procedure prescribed by The Louisiana Legislative Auditor, "Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 2 may exclude those categories from testing in Year 3."

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)**

Debt Service

28. If debt was issued during the fiscal period, we obtained supporting documentation from **the Town** to determine whether State Bond Commission approval was obtained.

The following sections of the Agreed Upon Procedures were tested last year for period June 30, 2018, resulting in no exceptions being noted. Per the Statewide Agreed-Upon Procedure prescribed by The Louisiana Legislative Auditor, "Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 2 may exclude those categories from testing in Year 3."

29. If **the Town** had outstanding debt during the fiscal period, we obtained supporting documentation from **the Town** and report whether **the Town** made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

The following sections of the Agreed Upon Procedures were tested last year for period June 30, 2018, resulting in no exceptions being noted. Per the Statewide Agreed-Upon Procedure prescribed by The Louisiana Legislative Auditor, "Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 2 may exclude those categories from testing in Year 3."

30. If **the Town** had tax mileages relating to debt service, we obtained supporting documentation to determine whether millage collections exceeded debt service payments by more than 10% during the fiscal period.

The following sections of the Agreed Upon Procedures were tested last year for period June 30, 2018, resulting in no exceptions being noted. Per the Statewide Agreed-Upon Procedure prescribed by The Louisiana Legislative Auditor, "Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 2 may exclude those categories from testing in Year 3."

Other

31. We inquired of management whether **the Town** had any misappropriations of public funds or assets. If so, we obtained and reviewed supporting documentation to determine whether **the Town** reported the misappropriation to the Louisiana Legislative Auditor and the District Attorney of Orleans Parish.

The following sections of the Agreed Upon Procedures were tested last year for period June 30, 2018, resulting in no exceptions being noted. Per the Statewide Agreed-Upon Procedure prescribed by The Louisiana Legislative Auditor, "Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 2 may exclude those categories from testing in Year 3."

INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING STATEWIDE AGREED-UPON PROCEDURES
(CONTINUED)

32. We observed the Town's premises and website to determine whether the Town posted the notice required by R.S. 24:523.1.

The following sections of the Agreed Upon Procedures were tested last year for period June 30, 2018, resulting in no exceptions being noted. Per the Statewide Agreed-Upon Procedure prescribed by The Louisiana Legislative Auditor, "Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 2 may exclude those categories from testing in Year 3."

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

The following sections of the Agreed Upon Procedures were tested last year for period June 30, 2018, resulting in no exceptions being noted. Per the Statewide Agreed-Upon Procedure prescribed by The Louisiana Legislative Auditor, "Entities that did not have exceptions in one or more of the twelve AUP categories tested during Year 2 may exclude those categories from testing in Year 3."

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion or conclusion on management's assertions, respectively, on that control and compliance areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures; other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those control and compliance areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. 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

June 18, 2020



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Alcide J. Tervalon, Jr., CPA
Waldo J. Moret, Jr., CPA
Paul K. Andoh, Sr., CPA
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, 2019, 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 June 18, 2020. This letter does not affect our report dated June 18, 2020 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 2019-001 - 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)

Unresolved

Number of years finding reported

Four (4)

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.

CURRENT YEAR COMMENTS, CONTINUED

ML 2019-001 - 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 2019-002 - Errors in Accounting for Compensated Absences

Finding Classification

Management Letter Comment

Finding Type

Accounting Records/ Documentation

Finding Title

Strengthening Control Over Recordkeeping

Resolution (resolved, not resolved, partially resolved)

Not Resolved

Number of years finding reported

One (1)

ML 2019-002 - Errors in Accounting for Compensated Absences, Continued

Financial impact

Amount less than \$150,000

Resolution is with or without course

The resolution of this finding is without cause

Criteria

Controls should be in place to ensure balances of compensated absences for all employees are accurately calculated and recorded in the books of the Town.

Condition

We noted that compensated absences recorded on the Town's books did not agree with the supporting documents provided to us during our testing of accrued payroll liabilities. Adjustments were proposed by us to correct the differences noted.

Cause

We noted a lack of supervisory review of work performed by the preparer and timely correction of errors and differences identified during the preparation of accounting records.

Effect

The potential effect of this control deficiency is that intentional or unintentional misstatement or omission in the financial statements would not be prevented, detected or corrected on a timely basis.

Recommendation

We recommend that the Town ensure the records of compensated absences are reviewed by someone independent of the preparer and all errors and omissions noted should be addressed on a timely basis.

Management's Response

The Town is developing procedures to strengthen our internal controls over recordkeeping. Monitoring controls are being implemented to review additions and uses to vacation and sick time on a monthly basis to ensure accurate reporting.

ML 2019-003 – Louisiana Municipal Police Employees' Retirement Enrollment

Finding Classification

Management Letter Comment

Finding Type

Compliance

Finding Title

State compliance

Resolution (resolved, not resolved, partially resolved)

Resolved

Number of years finding reported

One (1)

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, 2019, the Town employed two (2) full-time officers. The Police Chief and an officer were offered to enroll in the system, however, they chose to decline. The Town maintained signed affidavits on file as evidence of the officers' opting-out of the program. This condition is in direct violation of MPERS mandated requirements.

Cause

The Town was unaware the officers could no longer decline to participate in MPERS.

Honorable Mayor Gerald Brown and
Members of the Town Board of Alderpersons
Town of Richwood, Louisiana
June 18, 2020 – Page 6

Effect

Noncompliance with State statutes may warrant heavy penalties if not timely resolved. Subsequent to yearend the Town enrolled the officers and was in compliance with the State MPERS requirements.

Recommendation

We recommend management should continue to implement policies and procedures to ensure enrollment requirements in MPERS are maintained on an ongoing basis 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.

STATUS OF PRIOR YEAR COMMENTS

	<u>Resolved</u>	<u>Unresolved</u>
ML 2018-001 Ineffective Collection Efforts Over Sanitation Fees		X – Repeat ML 2019-001

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

June 18, 2020