

TOWN OF RICHWOOD, LOUISIANA

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2022**

Prepared by:

Fiscal Office with Assistance from
Contract Accountants

TOWN OF RICHWOOD, LOUISIANA
Annual Financial Report
for the Year Ended June 30, 2022

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INTRODUCTION SECTION



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 20, 2023

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 3,957. 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

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List of Elected, Appointed Officials and Personnel

Elected Officials

Mayor
Mayor Pro-Tem
Alderman
Alderman
Alderman
Alderman

Gerald Brown
Wilbert Reed
Wysinger Cleveland
Janice Fleming
Leola Keys
Simeon Profit

Appointed Officials

Attorney
Judge
Town Clerk
Chief of Police

Jay Nolen
Bobby Manning
Bettina Woods
Johnny Cleveland

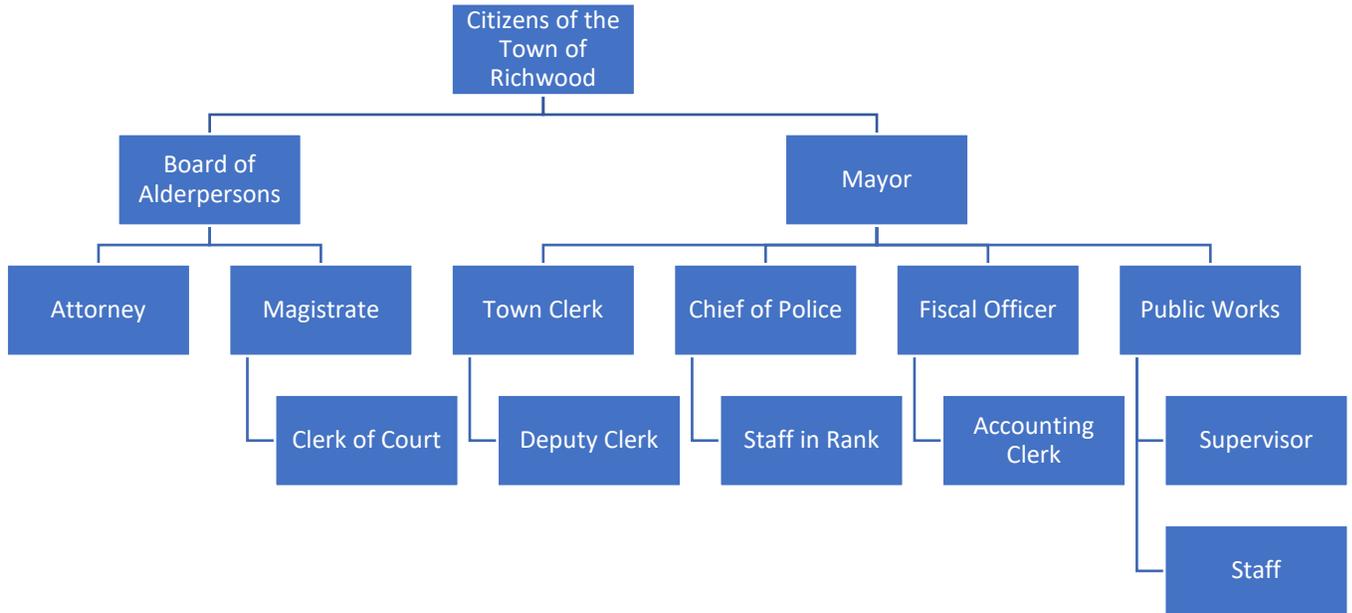
Personnel

Fiscal Officer
Deputy Clerk
Public Relations
Code Enforcement
Police Officer
Police Officer
Police Officer
Public Works Supervisor
Public Works
Public Works
Public Works
Public Works
Public Works

Tanisha Jolla (Decease)
Charlette Rainwater
Leo Kelly
Chillon Johnson
Anquez Henderson
Robyn James
Garrick Booker
James Collins
Ricki Willis
Ronnie Lawson
Henry Best
Lawrence Potter
Theodore Washington

TOWN OF RICHWOOD, LOUISIANA
Annual Financial Report
for the Year Ended June 30, 2022

Organizational Chart



INDEPENDENT AUDITORS' REPORT

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

Report on Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Town of Richwood, Louisiana, as of and for the year ended June 30, 2022, and the related notes to the financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2022, 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.

Basis for Opinions

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 the Government Auditing Standards issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Richwood, Louisiana, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit opinions.

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Richwood, Louisiana's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 the Town of Richwood, Louisiana's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of 's ability to continue as a going concern for a reasonable period of time. We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and budgetary comparison schedules be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 management's discussion and analysis and budgetary comparison schedules because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Richwood, Louisiana's basic financial statements. The schedule of compensation, benefits and other payment to Mayor, the schedule of compensation paid to the members of the board of Alderpersons, and the justice system funding schedules, and the proprietary funds' combining statement of net position and combining statement of revenues, expenditures, and changes in fund balances are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 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 schedule of compensation, benefits and other payment to Mayor, the schedule of compensation paid to the members of the board of Alderpersons, the justice system funding schedules, and the proprietary funds' combining statement of net position and combining statement of revenues, expenditures, and changes in fund balances are fairly stated, in all material respects, 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 August 11, 2023, on our consideration of the Town's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, and our grant agreement and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and to provide an opinion on the effectiveness of the Town internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards in considering the Town's internal control over financial reporting.

Bruno & Tewalim LLP

Jackson, Mississippi
August 11, 2023

TOWN OF RICHWOOD, LOUISIANA
Management's Discussion and Analysis
For the Year Ended June 30, 2022

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, 2022.

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, 2022. 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 \$668,826 increase in net position, and business-type activities reported a decrease of \$37,670.
- At the close of the current fiscal year, our governmental fund (the General Fund, Transportation Fund, and American Rescue Plan Fund), reported a fund balance of \$2,079,607. This represents an increase of \$637,761 as compared to the \$563,070 reported in the prior period.
- Total expenditures for our governmental funds were \$1,486,213 which is a 12.8 percent increase from the prior period.
- Government-wide total assets increased by \$1,108,784 which represents an increase of 38.5 percent from the prior period.

TOWN OF RICHWOOD, LOUISIANA
Management's Discussion and Analysis
For the Year Ended June 30, 2022

- Government-wide total liabilities increased by \$439,958 which is a 45 percent increase from the prior period.

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.

TOWN OF RICHWOOD, LOUISIANA
Management's Discussion and Analysis
For the Year Ended June 30, 2022

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.

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

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

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

TOWN OF RICHWOOD, LOUISIANA
Management's Discussion and Analysis
For the Year Ended June 30, 2022

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.

Government-wide Overall Financial Analysis

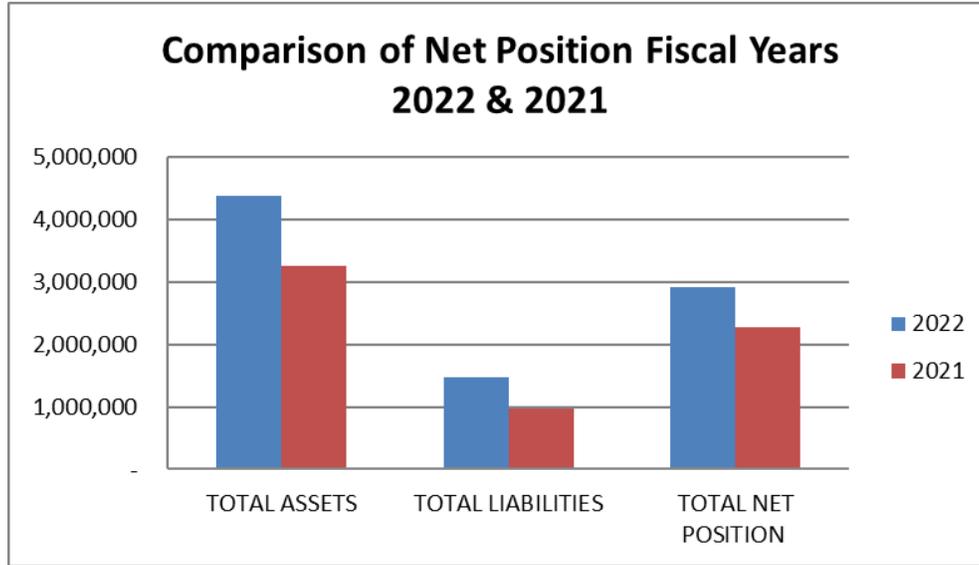
As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$2,573,952 at the close of the most recent fiscal year.

Table 1
Town of Richwood's Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
<u>ASSETS</u>						
Current and other assets	\$ 2,889,627	\$ 1,726,272	\$ 179,497	\$ 158,915	\$ 3,069,124	\$ 1,885,187
Capital assets	1,102,531	1,157,102	221,927	220,029	1,324,458	1,377,131
TOTAL ASSETS	3,992,158	2,883,374	401,424	378,944	4,393,582	3,262,318
<u>LIABILITIES</u>						
Current and other liabilities	834,050	222,362	60,150	-	894,200	222,362
Long-term liabilities	584,156	755,886	-	-	584,156	755,886
TOTAL LIABILITIES	1,418,206	978,248	60,150	-	1,478,356	978,248
<u>NET POSITION</u>						
Net investment in capital assets	518,375	401,216	221,927	220,029	740,302	621,245
Restricted	-	-	-	-	-	-
Unrestricted	2,055,577	1,503,910	119,347	158,915	2,174,924	1,662,825
TOTAL NET POSITION	\$ 2,573,952	\$ 1,905,126	\$ 341,274	\$ 378,944	\$ 2,915,226	\$ 2,284,070

TOWN OF RICHWOOD, LOUISIANA
Management's Discussion and Analysis
For the Year Ended June 30, 2022

Graph 1
Town of Richwood's Net Position



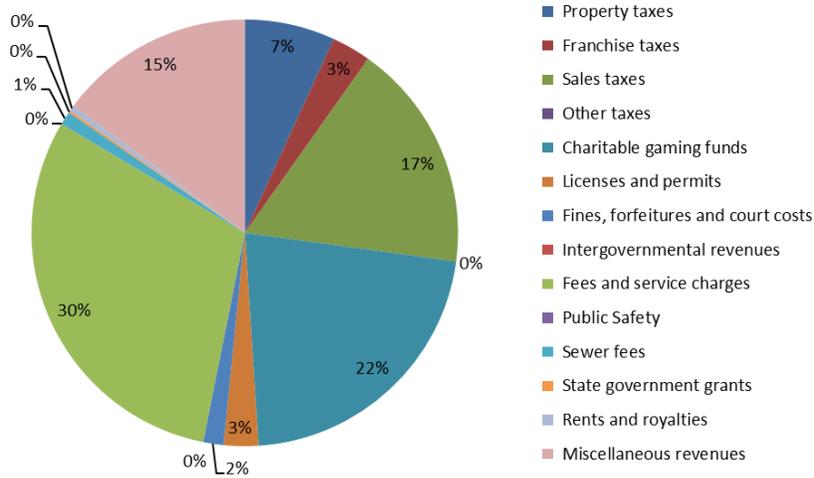
The net position of the Town's governmental activities increased by \$668,826 during 2022. The unrestricted net position (the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements) was \$2,055,577 at the end of this year.

The net position of our business-type activity decreased by \$37,670 in 2022. The unrestricted net position in our business-type activities decreased to \$119,347 at the end of this year.

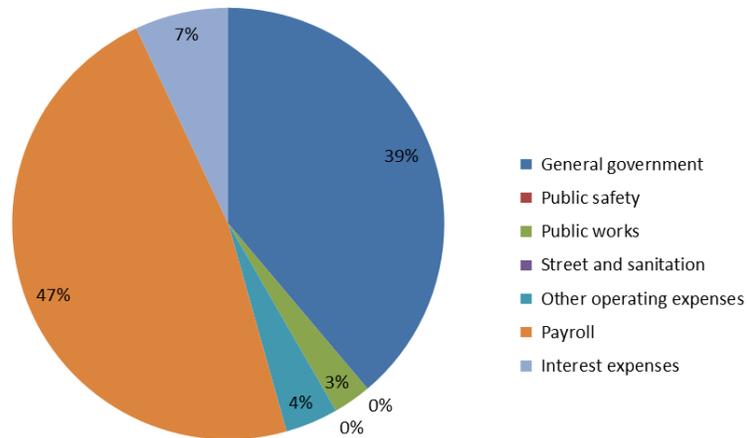
TOWN OF RICHWOOD, LOUISIANA
Management's Discussion and Analysis
For the Year Ended June 30, 2022

Graph 2
2022 Revenues & Expenses

2022 Revenues



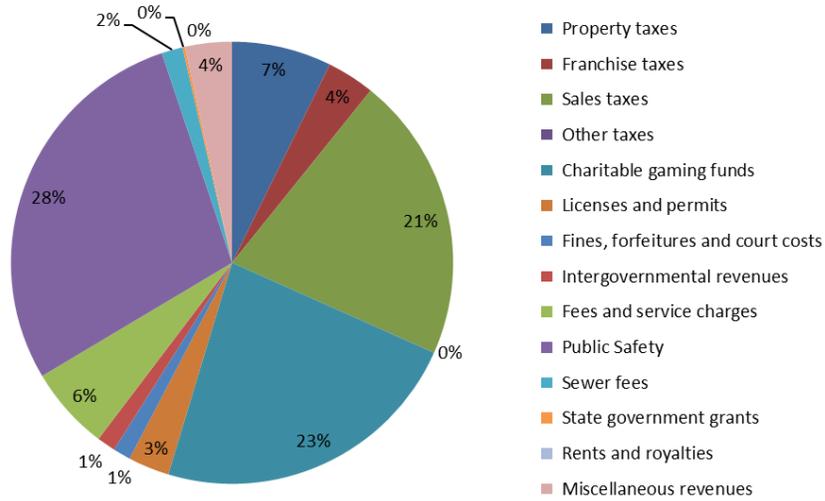
2022 Expenses



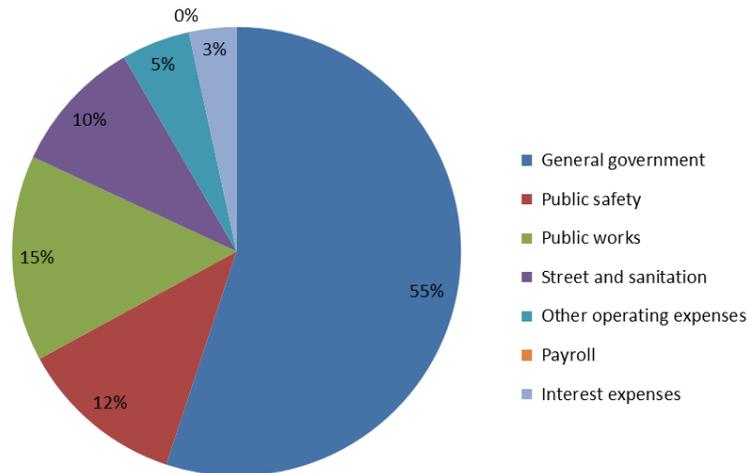
TOWN OF RICHWOOD, LOUISIANA
Management's Discussion and Analysis
For the Year Ended June 30, 2022

Graph 2
2021 Revenues & Expenses

2021 Revenues



2021 Expenses



TOWN OF RICHWOOD, LOUISIANA
Management's Discussion and Analysis
For the Year Ended June 30, 2022

Table 2
Town of Richwood's Changes in Net Position

	For the year ended June 30							
	2022		2021		2022		2021	
	Governmental Activities		Business-type Activities		Total			
<u>REVENUES</u>								
Taxes:								
Property taxes	\$ 146,433	\$ 141,793	\$ -	\$ -	\$ 146,433	\$ 141,793		
Franchise taxes	63,285	68,062	-	-	63,285	68,062		
Sales taxes	369,907	406,193	-	-	369,907	406,193		
Other taxes	-	290	-	-	-	290		
Charitable gaming funds	466,434	447,249	-	-	466,434	447,249		
Licenses and permits	56,049	58,643	-	-	56,049	58,643		
Fines, forfeitures and court costs	32,768	25,132	-	-	32,768	25,132		
Intergovernmental revenues	-	26,478	-	-	-	26,478		
Fees and service charges	649,056	119,030	-	-	649,056	119,030		
Public Safety	-	552,738	-	-	-	552,738		
Sewer fees	-	-	21,728	30,076	21,728	30,076		
State government grants	3,500	3,500	-	-	3,500	3,500		
Rents and royalties	9,205	-	-	-	9,205	-		
Miscellaneous revenues	317,464	63,644	-	2,942	317,464	66,586		
Total Revenues	<u>2,114,101</u>	<u>1,912,752</u>	<u>21,728</u>	<u>33,018</u>	<u>2,135,829</u>	<u>1,945,770</u>		
<u>EXPENDITURES</u>								
Current:								
General government	584,576	735,429	-	-	584,576	735,429		
Public safety	-	159,903	-	-	-	159,903		
Public works	42,809	198,331	-	-	42,809	198,331		
Street and sanitation	-	129,849	-	-	-	129,849		
Other operating expenses	-	-	59,398	65,947	59,398	65,947		
Payroll	712,556	-	-	-	712,556	-		
Interest expenses	105,334	45,738	-	-	105,334	45,738		
Total Expenditures	<u>1,445,275</u>	<u>1,269,250</u>	<u>59,398</u>	<u>65,947</u>	<u>1,504,673</u>	<u>1,335,197</u>		
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES								
	<u>668,826</u>	<u>643,502</u>	<u>(37,670)</u>	<u>(32,929)</u>	<u>631,156</u>	<u>610,573</u>		
TOTAL OTHER FINANCING SOURCES (USES)								
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		
NET CHANGE IN NET POSITIONS	668,826	643,502	(37,670)	(32,929)	631,156	610,573		
Net Position, Beginning	<u>1,905,126</u>	<u>1,261,624</u>	<u>378,944</u>	<u>411,873</u>	<u>2,284,070</u>	<u>1,673,497</u>		
Net Position, Ending	<u>\$ 2,573,952</u>	<u>\$ 1,905,126</u>	<u>\$ 341,274</u>	<u>\$ 378,944</u>	<u>\$ 2,915,226</u>	<u>\$ 2,284,070</u>		

TOWN OF RICHWOOD, LOUISIANA
Management's Discussion and Analysis
For the Year Ended June 30, 2022

Governmental Activities

During the current fiscal year, net position for governmental activities increased \$668,826 from the prior fiscal year for an ending balance of \$2,573,952. This represents an increase of approximately 35% percent from the prior period.

The cost of all governmental activities this year was \$1,445,275. These expenditures were primarily financed through the Town's, charitable gaming revenues, sales tax revenues, fees and service charges, and miscellaneous revenues. These revenue sources accounted for approximately 84% percent of the Town's total revenues.

Business-type Activities

Revenues of the Town's business-type activities decreased by 34.2% (\$21,728 in 2022 compared to \$33,018 in 2021). Expenses decreased by \$6,549 or 9.93% (59,398 in 2022 compared to \$65,947 in 2021).

Capital Assets

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

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 99,500	\$ 99,500	\$ -	\$ -	\$ 99,500	\$ 99,500
Construction-in-progress	218,238	218,238	-	-	218,238	218,238
Other Improvements	138,501	149,080	-	-	138,501	149,080
Buildings	407,540	454,815	-	-	407,540	454,815
Building Improvements	14,966	8,648	-	-	14,966	8,648
Sewer System	-	-	221,927	220,029	221,927	220,029
Furniture and Equipment	120,621	123,009	-	-	120,621	123,009
Vehicles	38,765	34,813	-	-	38,765	34,813
Infrastructure	64,400	68,999	-	-	64,400	68,999
Total	<u>\$ 1,102,531</u>	<u>\$ 1,157,102</u>	<u>\$ 221,927</u>	<u>\$ 220,029</u>	<u>\$ 1,324,458</u>	<u>\$ 1,377,131</u>

Government-wide capital assets, net of depreciation decreased by 3.82 percent to \$1,324,458 during the current year.

See Note 5 for more information on capital assets.

TOWN OF RICHWOOD, LOUISIANA
Management's Discussion and Analysis
For the Year Ended June 30, 2022

Economic Factors and Budgets

Our elected officials and citizens consider many factors when setting the Town's budget and tax rates. Total budgeted revenues and other sources in the General Fund for 2022 are \$1,566,000, a 36 percent decrease from 2022 actual.

One of the most important factors affecting the budget is our sales taxes collections which is approximately 24 percent of budgeted revenues in the Governmental funds. The General Fund's budget for expenditures in 2022 is \$1,583,849, a 7 percent decrease from the 2022 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.

TOWN OF RICHWOOD, LOUISIANA

**GOVERNMENT-WIDE
STATEMENT OF NET POSITION
June 30, 2022**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 2,409,026	\$ 177,922	\$ 2,586,948
Receivables, net	228,975	-	228,975
Investments	192,157	-	192,157
Bond issuance costs	61,044	-	61,044
Internal balance accounts	(1,575)	1,575	-
Capital assets, net of accumulated depreciation	<u>1,102,531</u>	<u>221,927</u>	<u>1,324,458</u>
TOTAL ASSETS	<u>3,992,158</u>	<u>401,424</u>	<u>4,393,582</u>
<u>LIABILITIES</u>			
Accounts payable	55,692	60,150	115,842
Compensated absences	85,074	-	85,074
Interest payable	15,246	-	15,246
Payroll liabilities	123,198	-	123,198
Other unearned revenue	554,840	-	554,840
Long-term liabilities:			
Portion due within one year	85,000	-	85,000
Portion due after one year	<u>499,156</u>	<u>-</u>	<u>499,156</u>
TOTAL LIABILITIES	<u>1,418,206</u>	<u>60,150</u>	<u>1,478,356</u>
<u>NET POSITION</u>			
Net investments in capital assets	518,375	221,926	740,302
Unrestricted	<u>2,055,577</u>	<u>119,348</u>	<u>2,174,924</u>
TOTAL NET POSITION	<u>2,573,952</u>	<u>341,274</u>	<u>2,915,226</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 3,992,158</u>	<u>\$ 401,424</u>	<u>\$ 4,393,582</u>

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, 2022**

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	\$ 584,576	\$ -	\$ -	\$ 3,500	\$ (581,076)	\$ -	\$ (581,076)
Payroll	712,556	-	-	-	(712,556)	-	(712,556)
Public works	42,809	-	-	-	(42,809)	-	(42,809)
Interest expenses	105,334	-	-	-	(105,334)	-	(105,334)
Total Government Activities	1,445,275	-	-	3,500	(1,441,775)	-	(1,441,775)
Business-Type Activities:							
Depreciation expense	59,398	21,728	-	-	-	(37,670)	(37,670)
Interest expenses	-	-	-	-	-	-	-
Total Business-Type Activities	59,398	21,728	-	-	-	(37,670)	(37,670)
Total	\$ 1,504,673	\$ 21,728	\$ -	\$ 3,500	(1,441,775)	(37,670)	(1,479,445)
General revenues:							
Taxes:							
					146,433	-	146,433
					63,285	-	63,285
					369,907	-	369,907
					9,205	-	9,205
					32,768	-	32,768
					466,434	-	466,434
					649,056	-	649,056
					56,049	-	56,049
					317,464	-	317,464
					2,110,601	-	2,110,601
					668,826	(37,670)	631,156
					1,905,126	378,944	2,284,070
					\$ 2,573,952	\$ 341,274	\$ 2,915,226

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

TOWN OF RICHWOOD, LOUISIANA

**GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2022**

	<u>GENERAL FUND</u>	<u>TRANSPORTATION FUND</u>	<u>AMERICAN RESCUE PLAN FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 1,631,334	\$ 222,852	\$ 554,840	\$ 2,409,026
Accounts receivable, net	228,975	-	-	228,975
Investments	<u>192,157</u>	<u>-</u>	<u>-</u>	<u>192,157</u>
Total assets	<u>\$ 2,052,466</u>	<u>\$ 222,852</u>	<u>\$ 554,840</u>	<u>\$ 2,830,158</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 55,692	\$ -	\$ -	\$ 55,692
Interest payable	15,246	-	-	15,246
Payroll liabilities	123,198	-	-	123,198
Other unearned revenue	-	-	554,840	554,840
Due to other funds	<u>1,575</u>	<u>-</u>	<u>-</u>	<u>1,575</u>
Total liabilities	<u>195,711</u>	<u>-</u>	<u>554,840</u>	<u>750,551</u>
<u>FUND BALANCES (DEFICITS)</u>				
Assigned	-	222,852	-	222,852
Unassigned	<u>1,856,755</u>	<u>-</u>	<u>-</u>	<u>1,856,755</u>
Total fund balance	<u>1,856,755</u>	<u>222,852</u>	<u>-</u>	<u>2,079,607</u>
Total liabilities and fund balances	<u>\$ 2,052,466</u>	<u>\$ 222,852</u>	<u>\$ 554,840</u>	<u>\$ 2,830,158</u>

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, 2022**

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

Total Fund Balances - Governmental Funds \$ 2,079,607

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	2,298,969	
Accumulated depreciation	<u>(1,196,438)</u>	
		1,102,531

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, 2022 are:

Long-term liabilities:

Bonds payable	(584,156)	
Compensated absences	<u>(85,074)</u>	
		(669,230)

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		<u>61,044</u>
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Net Position - Governmental Activities \$ 2,573,952

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, 2022**

	GENERAL FUND	TRANSPORTATION FUND	AMERICAN RESCUE PLAN FUND	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>				
Taxes:				
Property taxes	\$ 146,433	\$ -	\$ -	\$ 146,433
Franchise taxes	63,285	-	-	63,285
Sales taxes	369,907	-	-	369,907
Charitable gaming funds	466,434	-	-	466,434
Licenses and permits	56,049	-	-	56,049
Fines, forfeitures and court costs	32,768	-	-	32,768
State government grants	3,500	-	-	3,500
Garbage and other fees	649,056	-	-	649,056
Rents and royalties	9,205	-	-	9,205
Miscellaneous revenues	326,964	-	-	326,964
Total Revenues	<u>2,123,601</u>	<u>-</u>	<u>-</u>	<u>2,123,601</u>
<u>EXPENDITURES</u>				
Current:				
General government	557,444	-	-	557,444
Payroll	712,556	-	-	712,556
Public works	38,209	-	-	38,209
Capital outlay	72,670	-	-	72,670
Debt service:				
Interest and bank charges	105,334	-	-	105,334
Total Expenditures	<u>1,486,213</u>	<u>-</u>	<u>-</u>	<u>1,486,213</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>637,388</u>	<u>-</u>	<u>-</u>	<u>637,388</u>
NET CHANGE IN FUND BALANCES	637,388	-	-	637,388
FUND BALANCES - July 1, 2021	<u>1,218,994</u>	<u>222,852</u>	<u>-</u>	<u>1,441,846</u>
FUND BALANCES - June 30, 2022	<u>\$ 1,856,755</u>	<u>\$ 222,852</u>	<u>\$ -</u>	<u>\$ 2,079,607</u>

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, 2022

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

Total Net Change in Fund Balances - Governmental Funds \$ 637,388

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	72,670	
Depreciation expense	<u>(92,776)</u>	(20,106)

Net change on bonds obligation 78,980

Change on bond issuance costs (1,020)

Prior Period Adjustment (18,740)

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 (7,676)

Change in Net Position of Governmental Activities \$ 668,826

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, 2022

ASSETS

Current Assets:

Cash and cash equivalents	\$ 177,922
Receivables, net	-
Due from general fund	<u>1,575</u>

Total Current Assets 179,497

Non-current Assets

Capital assets, net of depreciation	<u>221,927</u>
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TOTAL ASSETS 401,424

LIABILITIES

Current liabilities:

Accounts payable	<u>60,150</u>
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Total Current Liabilities 60,150

TOTAL LIABILITIES 60,150

NET POSITION

Invested in capital assets, net of related debt	221,927
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Unrestricted	<u>119,347</u>
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TOTAL NET POSITION 341,274

TOTAL LIABILITIES AND NET POSITION \$ 401,424

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, 2022

Charges for services:	
Sewer fees	\$ 21,728
Total operating revenues	<u>21,728</u>
<u>Operating Expenses</u>	
Depreciation	<u>59,398</u>
Total operating expenses	<u>59,398</u>
Operating loss	<u>(37,670)</u>
Non-Operating Income (Expenses)	
Other revenue	-
Interest expense	<u>-</u>
Total non-operating income (expenses)	<u>-</u>
Transfers	
Transfers - In	30,124
Transfers - Out	<u>(30,124)</u>
Total transfers	<u>-</u>
Changes in net position	(37,670)
Net Position - July 1, 2021	<u>378,944</u>
Net Position - June 30, 2022	<u>\$ 341,274</u>

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

TOWN OF RICHWOOD, LOUISIANA

PROPRIETARY FUND - SEWER FUND
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from customers	\$ 24,276
Net cash used in operating activities	<u>24,276</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Noncapital transfer from other funds	30,124
Noncapital transfer to other funds	<u>(30,124)</u>
Net cash used in noncapital and related financing activities	<u>-</u>

Net increase in cash and cash equivalents 24,276

CASH AND CASH EQUIVALENTS - BEGINNING 153,646

CASH AND CASH EQUIVALENTS - ENDING \$ 177,922

Reconciliation of operating loss to net cash used in operating activities

Operating loss \$ (37,670)

Adjustments to reconcile operating loss to net cash used in operating activities:

Depreciation of capital assets 59,398

Changes in assets and liabilities:

Accounts receivables, net 3,693

Other liabilities (1,145)

Net cash used in operating activities \$ 24,276

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

TOWN OF RICHWOOD, LOUISIANA

NOTES TO THE FINANCIAL STATEMENT

For the Year Ended June 30, 2022

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 STATEMENT (Continued)

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

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

C. BASIS OF PRESENTATION – GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

D. BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS

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

1. Governmental Funds

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

The Town reports the following governmental funds:

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

TOWN OF RICHWOOD, LOUISIANA

NOTES TO THE FINANCIAL STATEMENT (Continued)

D. BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS

1. Governmental Funds,

- Transportation fund - accounts for the parish transportation program.
- American Rescue Plan fund – special purpose grant fund used to account for the financial resources related to the American Rescue Plan Act.

2. Proprietary Funds

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

- Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including amortization and depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The proprietary fund of the Town is the sewer fund which accounts for the operations of the sewer system.

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

E. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

The Statement of Net Position and the Statement of Activities display information about the reporting government as a whole. 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 STATEMENT (Continued)

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

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

Allocation of Indirect Expenses

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

II. Fund Financial Statements (FFS)

Governmental Funds

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

With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The governmental funds use the following practices in recording revenues and expenditures:

1. Revenues

- Ad valorem taxes are recognized when all applicable eligibility requirements are met and the resources are available.
- Sales taxes are recognized when the underlying exchange transaction occurs, and the resources are available.

TOWN OF RICHWOOD, LOUISIANA

**NOTES TO THE FINANCIAL STATEMENT
(Continued)**

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

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

2. Expenditures

Salaries are recorded as earned.

3. Other Financing Sources (Uses)

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

4. Operating Revenues and Expenses

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

F. BUDGETARY INFORMATION

Budgets

The Town follows the following procedures in establishing the budgetary data reflected in the financial statements. During the June meeting, the Town Clerk submits to the Board of Alderpersons a proposed budget for the Town’s general fund, proprietary fund, and special revenue funds for the fiscal year commencing the following July 1. The budgets include proposed expenditures and the means of financing them. During the June Council meeting, the budget is legally enacted through the passage of an ordinance. The public is invited to attend all meetings.

The Town Clerk is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures or expenses of any fund must be approved by the Board of Alderpersons. Appropriations lapse at the end of the year.

TOWN OF RICHWOOD, LOUISIANA

NOTES TO THE FINANCIAL STATEMENT (Continued)

Therefore, a motion to adopt the 2021-2022 annual budget was not approved by the Board of Alderpersons before the beginning of the fiscal period for the year ended June 30, 2022.

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 STATEMENT
(Continued)**

Definitions

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

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

3. Short-term Inter-fund Receivables/Payables

During operations, numerous transactions occur between individual funds for services rendered. These receivables and payables are classified as due from other funds or due to other funds on the fund financial statements balance sheet. Short-term inter-fund loans are classified as inter-fund receivables/payables.

4. Eliminations and Reclassifications

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

5. Sales Tax

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

6. Capital Assets

Capital assets are recorded at either historical cost or estimated historical cost and depreciated over their estimated useful lives (excluding salvage value). Donated capital assets are recorded at their estimated fair value at the date of donation. The capitalization threshold for equipment is \$1,000. Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used based on the following estimated useful lives:

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

TOWN OF RICHWOOD, LOUISIANA

NOTES TO THE FINANCIAL STATEMENT (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.

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:

TOWN OF RICHWOOD, LOUISIANA

NOTES TO THE FINANCIAL STATEMENT (Continued)

- 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.

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 \$85,074 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 STATEMENT (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 STATEMENT (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 STATEMENT
(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, 2022, the Town has cash and cash equivalents (book balances) totaling as follows:

Demand deposits \$ 2,586,948

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, 2022, the Town has \$2,586,948 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 STATEMENT (Continued)

NOTE 3 – INVESTMENTS

At June 30, 2022, the Town had its assets in money market instruments managed by a financial institution. The account had a fair value of \$192,157 in Governmental Funds as of June 30, 2022. 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, 2022.

<u>Accounts and Accrued Receivables</u>	<u>General</u>	<u>Enterprise</u>	<u>Total</u>
Accounts Receivable	\$ 112,499	\$ -	\$ 112,499
Property Taxes	1,135	-	1,135
Sales Tax	497	-	497
Misc Income	(1)	-	(1)
Charitable Gaming	31,663	-	31,663
Garbage Collections	32,663	-	32,663
Franchise Fees	10,992	-	10,992
Court Fines	33,387	-	33,387
RCC Fees	9,167	-	9,167
RCC I.C.E Contract	30,465	-	30,465
Municipal License Tax	123	-	123
Allowance for Doubtful Accounts	(33,615)	-	(33,615)
Accounts Receivable, net	\$ <u>228,975</u>	\$ <u>-</u>	\$ <u>228,975</u>

TOWN OF RICHWOOD, LOUISIANA

**NOTES TO THE FINANCIAL STATEMENT
(Continued)**

NOTE 5 – CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2022, follows:

<u>Governmental activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Non-depreciable capital assets:				
Land	\$ 99,500	\$ -	\$ -	\$ 99,500
Construction-in-progress	218,238	-	-	218,238
Total non-depreciable capital assets	<u>317,738</u>	-	-	<u>317,738</u>
Depreciable capital assets:				
Buildings	943,700	-	-	943,700
Buildings improvements	24,776	8,422	-	33,198
Furniture and equipment	340,753	19,184	-	359,937
Infrastructure	149,465	-	(34,465)	115,000
Other improvements	318,706	-	-	318,706
Vehicles	165,626	45,064	-	210,690
Total depreciable capital assets	<u>1,943,026</u>	<u>72,670</u>	<u>(34,465)</u>	<u>1,981,231</u>
Accumulated depreciation:				
Buildings	(488,885)	(47,275)	-	(536,160)
Buildings improvements	(16,128)	(2,104)	-	(18,232)
Furniture and equipment	(217,743)	(21,573)	-	(239,316)
Infrastructure	(46,000)	(4,600)	-	(50,600)
Other improvements	(169,626)	(10,579)	-	(180,205)
Vehicles	(165,280)	(6,645)	-	(171,925)
Total accumulated depreciation	<u>(1,103,662)</u>	<u>(92,776)</u>	<u>-</u>	<u>(1,196,438)</u>
Total capital assets being depreciated, net	<u>839,364</u>	<u>(20,106)</u>	<u>(34,465)</u>	<u>784,793</u>
Capital assets, net	<u>\$ 1,157,102</u>	<u>\$ (20,106)</u>	<u>\$ (34,465)</u>	<u>\$ 1,102,531</u>

Depreciation expense was charged to governmental activities as follows:

Depreciation Expense by Governmental Department

General and community development	\$ 81,531
Public safety and police	6,645
Public works	4,600
Total	<u>\$ 92,776</u>

TOWN OF RICHWOOD, LOUISIANA

NOTES TO THE FINANCIAL STATEMENT
(Continued)

NOTE 5 – CAPITAL ASSETS, continued

<u>Business-type activities:</u>	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u>
Depreciable capital assets:				
(Sewer system)	\$ 1,772,946	\$ 61,298	\$ -	\$ 1,834,244
Accumulated depreciation:	<u>(1,552,918)</u>	<u>(59,398)</u>	<u>-</u>	<u>(1,612,316)</u>
Capital assets, net	<u>\$ 220,029</u>	<u>\$ 1,900</u>	<u>\$ -</u>	<u>\$ 221,927</u>

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TOWN OF RICHWOOD, LOUISIANA

**NOTES TO THE FINANCIAL STATEMENT
(Continued)**

NOTE 6 – LONG-TERM LIABILITIES

A schedule of long-term bonds payable for the year ended June 30, 2022, 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	\$ 670,000	\$ -	\$ (80,000)	\$ 590,000	\$ 85,000
Less: deferred amount for issuance of discounts inflows	<u>(6,864)</u>	<u>-</u>	<u>1,020</u>	<u>(5,844)</u>	<u>-</u>
Total bonds series 2008A	<u>663,136</u>	<u>-</u>	<u>(78,980)</u>	<u>584,156</u>	<u>85,000</u>
Other Liabilities:					
Compensated absences payable	<u>92,750</u>	<u>10,262</u>	<u>(17,938)</u>	<u>85,074</u>	<u>-</u>
Total governmental activities	<u>\$ 755,886</u>	<u>\$ 10,262</u>	<u>\$ (96,918)</u>	<u>\$ 669,230</u>	<u>\$ 85,000</u>
Total long-term liabilities	<u>\$ 755,886</u>	<u>10,262</u>	<u>(96,918)</u>	<u>669,230</u>	<u>85,000</u>

	<u>General Fund Bonds, Series 2008A</u>
Original Issue	\$ <u>770,000</u>
Issue Date	2/1/2008
Interest Rate	6 Percent
Final Payment Due	2/15/2028
Interest to Maturity	<u>121,410</u>
Principal Outstanding June 30, 2022	<u>\$ 590,000</u>

TOWN OF RICHWOOD, LOUISIANA

**NOTES TO THE FINANCIAL STATEMENT
(Continued)**

NOTE 6 – LONG-TERM LIABILITIES, (continued)

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. The annual requirements to amortize all bonds outstanding at June 30, 2022, are as follows:

Governmental Fund			
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 85,000	36,438	\$ 121,438
2024	90,000	31,338	121,338
2025	95,000	22,696	117,696
2026	100,000	20,000	120,000
2027	105,000	3,750	108,750
2028	<u>115,000</u>	<u>7,188</u>	<u>\$122,188</u>
Total	\$ <u>590,000</u>	\$ <u>121,410</u>	\$ <u>711,410</u>

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TOWN OF RICHWOOD, LOUISIANA

**NOTES TO THE FINANCIAL STATEMENT
(Continued)**

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, 2021
Levy date	January 1, 2021
Tax bills mailed	November, 2021
Due date	December 31, 2021
Lien date	January 1, 2022

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 2021 and January and February 2022. All property taxes are recorded in the general fund. The Town considers the date penalty and interest accrues (January 1, 2021) 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 2022 are budgeted in the 2022-2023 fiscal year of the Town.

TOWN OF RICHWOOD, LOUISIANA

NOTES TO THE FINANCIAL STATEMENT (Continued)

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.

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 \$4,000. 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, 2022, the Town met this requirement.

NOTE 11 – ECONOMIC DEPENDENCY

Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 280-10-50-42 requires disclosure in financial statements of a situation where one entity provides more than 10 percent of the audited entity's revenues. Fees and services revenue was \$649,056 for the current year, which accounts for approximately 30 percent of the Town's current year Governmental Funds revenues. Charitable gaming revenue for the current year was \$466,434. The revenues received from charitable gaming accounts for approximately 22 percent of the Town's current year Governmental Fund revenues. The Town also received \$369,907 in sales tax, which accounts for approximately 17 percent of the Town's current year Governmental Fund revenues. Miscellaneous revenues were \$326,964, which accounts for approximately 15 percent of the Town's current year Governmental Fund revenues.

NOTE 12 – 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, 2022, the Town employed three (3) full-time officers. The Police Chief and the other officer were offered to enroll in the system; however, they

TOWN OF RICHWOOD, LOUISIANA

NOTES TO THE FINANCIAL STATEMENT (Continued)

chose to decline. The Town maintains signed affidavits on file as evidence of the officers opting out of the program.

NOTE 13 – COVID-19 PANDEMIC

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

NOTE 14 – 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, 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.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF RICHWOOD, LOUISIANA

**General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2022**

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts (GAAP Basis)	Final Budget Favorable (Unfavorable)
<u>REVENUES</u>				
Ad valorem	\$ 145,000	\$ 145,000	\$ 146,433	\$ 1,433
Beer tax	1,500	1,500	906	(594)
Charitable gaming funds	330,000	330,000	466,434	136,434
Fines and forfeitures	55,000	55,000	32,768	(22,232)
Franchise tax	50,000	50,000	63,285	13,285
Garbage collections	70,000	70,000	80,844	10,844
Licenses and permits	40,000	40,000	36,780	(3,220)
Miscellaneous	5,000	5,000	326,964	321,964
Rents and royalties	8,500	8,500	9,205	705
Municipal license taxes	15,000	15,000	18,363	3,363
Richwood Correctional Center fees	102,000	102,000	110,000	8,000
Richwood Correctional Center I.C.E sponsorship	450,000	450,000	458,211	8,211
Sales taxes	290,000	290,000	369,907	79,907
Sewer fees	4,000	4,000	-	(4,000)
State governmental grants	-	-	3,500	3,500
Public safety	-	-	-	-
Total Revenues	<u>1,566,000</u>	<u>1,566,000</u>	<u>2,123,601</u>	<u>557,601</u>
<u>EXPENDITURES</u>				
General government	845,514	845,514	557,444	288,070
Payroll	175,221	175,221	712,556	(537,335)
Public works	563,114	563,114	38,209	524,905
Capital outlay	-	-	72,670	(72,670)
Debt service - interest	-	-	105,334	(105,334)
Total expenditures	<u>1,583,849</u>	<u>1,583,849</u>	<u>1,486,213</u>	<u>97,636</u>
Net Changes in Fund Balance	<u>\$ (17,849)</u>	<u>\$ (17,849)</u>	637,388	<u>\$ 459,965</u>
Fund Balances, Beginning			<u>1,218,994</u>	
Fund Balances, Ending			<u><u>\$ 1,856,755</u></u>	

See notes to budgetary comparison schedule.

TOWN OF RICHWOOD, LOUISIANA

NOTES TO THE BUDGETARY COMPARISON SCHEDULES

For The Year Ended June 30, 2022

(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 no official revisions adopted by the Town. All budget revisions, if applicable, are approved by the Board of Aldermen.

Budget Basis of Accounting

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

SUPPLEMENTARY INFORMATION

TOWN OF RICHWOOD, LOUISIANA

**SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO THE MAYOR
For the Year Ended June 30, 2022**

Gerald Brown, Mayor
July 1, 2021 - June 30, 2022

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 63,000
Special meals – meetings	-
Total	<u>\$ 63,000</u>

See accompanying independent auditors' report.

TOWN OF RICHWOOD, LOUISIANA

**SCHEDULE OF COMPENSATION PAID TO THE ALDERPERSONS
For the Year Ended June 30, 2022**

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 \$850.00 per month. The following schedule shows total amounts paid in the fiscal year ended June 30, 2022:

Wilbert Reed, Mayor Pro-Tempore	\$ 10,200
Wysinger Cleveland, Alderman	10,200
Janice Fleming, Alderman	10,200
Leola Keys, Alderwoman	10,200
Simeon Profit, Alderman	<u>10,200</u>
Total	<u>\$ 51,000</u>

See accompanying independent auditors' report.

TOWN OF RICHWOOD, LOUISIANA

**JUSTICE SYSTEM FUNDING SCHEDULE - COLLECTING/DISBURSING ENTITY
For the Year Ended June 30, 2022**

Cash Basis Presentation	First Six Month Period Ended 12/31/2021	Second Six Month Period Ended 06/30/2022
Beginning Balance of Amounts Collected (i.e. cash on hand)	\$ 77,425	\$ 82,825
Add: Collections		
Criminal Fines - Other	6,468	6,418
Subtotal Collections	6,468	6,418
Less: Disbursements to Individuals/3rd Party Collection or Processing Agencies	-	-
Restitution Payments to Individuals (additional detail is not required)	1,068	759
Subtotal Disbursements/Retainage	1,068	759
Total: Ending Balance of Amounts Collected but not Disbursed/Retained (i.e. cash on hand)	\$ 82,825	\$ 88,484

Other Information:

Ending Balance of Total Amounts Assessed but not yet Collected (*i.e. receivable balance*)

Total Waivers During the Fiscal Period (*i.e. non-cash reduction of receivable balances, such as time served or community service*)

TOWN OF RICHWOOD, LOUISIANA

JUSTICE SYSTEM FUNDING SCHEDULE - RECEIVING ENTITY

For the Year Ended June 30, 2022

Cash Basis Presentation	First Six Month Period Ended 12/31/2021	Second Six Month Period Ended 06/30/2022
<i>Louisiana Department of Public Safety:</i>		
<i>Payments on Behalf</i>	\$ 225	\$ 163
<i>Town of Richwood: Civil Fees</i>	<u>-</u>	<u>-</u>
Total Receipts	<u>\$ 225</u>	<u>\$ 163</u>
Other Information:		
<i>Ending Balance of Total Amounts Assesed but not yet Collected (Civil Fines)</i>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditors' report.

TOWN OF RICHWOOD, LOUISIANA
PROPRIETARY FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2022

	Enterprise Funds		
	<u>Sewer Fund</u>	<u>Sinking Fund</u>	<u>Total</u>
<u>ASSETS</u>			
<u>Current Assets:</u>			
Cash and cash equivalents	\$ 105,123	\$ 72,799	\$ 177,922
Due from General Fund	<u>1,575</u>	<u>-</u>	<u>1,575</u>
Total Current Assets	<u>106,698</u>	<u>72,799</u>	<u>179,497</u>
<u>Non-Current Assets:</u>			
Capital assets, net of depreciation	<u>221,927</u>	<u>-</u>	<u>221,927</u>
Total Assets	<u>328,625</u>	<u>72,799</u>	<u>401,424</u>
<u>LIABILITIES</u>			
<u>Current Liabilities:</u>			
Accounts payable	60,150	-	60,150
Total Current Liabilities	<u>60,150</u>	<u>-</u>	<u>60,150</u>
Total Liabilities	<u>60,150</u>	<u>-</u>	<u>60,150</u>
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	221,927	-	221,927
Restricted			
Unrestricted	<u>46,548</u>	<u>72,799</u>	<u>119,347</u>
Total Net Position	<u>268,475</u>	<u>72,799</u>	<u>341,274</u>
Total Liabilities and Net Position	<u>\$ 328,625</u>	<u>\$ 72,799</u>	<u>\$ 401,424</u>

The accompanying notes 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, 2022**

	Enterprise Funds		
	Sewer Fund	Sinking Fund	Total
<u>OPERATING REVENUES</u>			
<u>Charges for services:</u>			
Sewer fees	\$ 21,728	\$ -	\$ 21,728
Total operating revenues	21,728	-	21,728
<u>OPERATING EXPENSES</u>			
<u>Cost of services</u>			
Depreciation	59,398	-	59,398
Total operating expenses	59,398	-	59,398
Operating loss	(37,670)	-	(37,670)
<u>Non-Operating Income (Expenses)</u>			
Other revenues	-	-	-
Other expense	-	-	-
Total Non-Operating Income (Expenses)	-	-	-
<u>TRANSFERS</u>			
Transfers - In	-	30,124	30,124
Transfers - Out	(30,124)	-	(30,124)
Total transfers	(30,124)	30,124	-
Changes in net position	(67,794)	30,124	(37,670)
NET POSITION - July 1, 2021	<u>336,269</u>	<u>42,675</u>	<u>378,944</u>
NET POSITION - June 30, 2022	<u>\$ 268,475</u>	<u>\$ 72,799</u>	<u>\$ 341,274</u>

The accompanying notes are an integral part of this statement.

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 GOVERNMENT AUDITING STANDARDS**

To the Honorable Gerald Brown, Mayor and Members of the Board of Alderpersons 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 of America, 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, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated August 11, 2023.

Report on 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) as a basis for designing 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 over Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over.

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 Town of Richwood's financial statements will not be prevented, or detected and corrected, by the Town 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 first paragraph and was not designed to identify all deficiencies in internal control that might be material weakness or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items [2022-003]

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses costs as items [2022-001 and 2022-002.] that we consider to be a significant deficiency.

The Town's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on 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 the responses.

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 over 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 over financial reporting and compliance. Accordingly, this communication 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
Jackson, Mississippi

August 11, 2023

SUMMARY SCHEDULE OF FINDINGS AND RESPONSES

TOWN OF RICHWOOD, LOUISIANA

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2022

I. Summary of Auditors' Results

a. Financial Statements

1. The independent auditors' report expresses an unmodified opinion on the financial statements of the Town of Richwood, Louisiana.
2. There were one control deficiencies disclosed during the audit of the financial statements and reported in the *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*.
3. There were two instances of noncompliance that is reported in the *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*.

b. Federal Awards

N/A

c. Management Letter

No management letter was issued in connection with the audit for the year ended June 30, 2022

FINANCIAL STATEMENT FINDINGS

TOWN OF RICHWOOD, LOUISIANA

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended June 30, 2022

II. Findings – Financial Statement Audit

INTERNAL CONTROL AND COMPLIANCE FINDINGS

Response:

See management's response letter.

2022-001 Untimely Submission of Financial Audit Report by Due Date

Condition:

The Town did not meet the December 31, 2022, statutory deadline for reporting the required annual audit to the State of Louisiana.

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 months of the close of the calendar or fiscal year (June 30th).

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 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.

Response:

Management will work with auditor, CPA and fiscal officer to establish timelines and duties for all parties and create regular meeting schedule amongst all parties involved with particulars of the

TOWN OF RICHWOOD, LOUISIANA

SCHEDULE OF FINDINGS AND RESPONSES (Continued)
Year Ended June 30, 2022

audit process. Management will work with Board of Alderman to select an auditor in a timely fashion.

2022-002 Local Government Budget Act

Condition:

The Town did not adopt a budget before the beginning of the fiscal year for the year ended June 30, 2023 as required by State law.

Criteria:

The State of Louisiana requires that the Town must adopt the budget, including the adoption of any amendments to the proposed budget, in an open meeting before the end of the prior fiscal year.

Cause:

The Town failed to adopt a proposed budget, in an open meeting before the end of the prior fiscal year.

Effect:

The town may not be in compliance with State law's requirement of adopting a budget in an open meeting before the end of the prior fiscal year.

Recommendation:

Management should strictly comply with all provisions required by State law.

Response:

Town will establish controls to ensure that an annual budget will be implemented and adopted before the end of the fiscal year. In Order to remain in compliance with State laws and with the Local Government Budget Act.

TOWN OF RICHWOOD, LOUISIANA

SCHEDULE OF FINDINGS AND RESPONSES (Continued)
Year Ended June 30, 2022

2022-003 Bank Reconciliations

Condition:

During our test work on cash accounts for the year ended June 30, 2022, we noted the following situations:

General Fund bank reconciliations were not reviewed monthly by a member of management as per financial policies and procedures;

General Fund bank reconciliation has uncleared checks starting date July 6, 2021, totaling \$10,620.16.

Criteria:

All cash transactions should be properly administered, reconciled, and supporting documentation maintained in accordance with the Town's policies and procedures.

Cause:

We believe the issue is a result of staffing changes.

Effect:

Adjustments and write offs of uncleared transactions will be made to cash accounts in order to properly reflect year end balances.

Recommendation:

We recommend the Town 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 monthly basis.

Response:

Management will work with in office staff and CPA to ensure bank reconciliations are performed on a monthly basis while also using best practices from upcoming training seminars to be attended by the mayor, town clerk, and fiscal officer to strengthen policies and procedures relating to cash and cash equivalents.

STATUS OF PRIOR YEAR'S AUDIT FINDINGS

TOWN OF RICHWOOD, LOUISIANA

SUMMARY OF THE PRIOR YEAR FINDINGS Year Ended June 30, 2022

III. Summary of Prior Year Findings

2021-001 Untimely Submission of Financial Audit Report by Due Date

Condition:

The Town did not meet the December 31, 2021, statutory deadline for reporting the required annual audit to the State of Louisiana.

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 months of the close of the calendar or fiscal year (June 30th).

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.

Status:

Unresolved. See current finding 2022-001.

TOWN OF RICHWOOD, LOUISIANA

SUMMARY OF THE PRIOR YEAR FINDINGS (CONTINUED)
Year Ended June 30, 2022

2021-002 Strengthening Control Over record keeping

Condition:

During our audit, the following situation were noted:

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

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 year-end financial statements.

Cause:

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

Effect:

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

Recommendation:

Management should continue to strengthen internal controls relating to recordkeeping to ensure that financial reports are prepared more accurately and timely and they are reviewed by the appropriate staff.

Status:

Resolved.

TOWN OF RICHWOOD, LOUISIANA

SUMMARY OF THE PRIOR YEAR FINDINGS
Year Ended June 30, 2022

2021-003 Financial Statement Preparation and Closeout Procedures

Condition:

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

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.

Cause:

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

Effect:

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

Status:

Resolved.

TOWN OF RICHWOOD, LOUISIANA

SUMMARY OF THE PRIOR YEAR FINDINGS Year Ended June 30, 2022

2021-004 Bank Reconciliations

Condition:

During our test work on cash accounts for the year ended June 30, 2021, we noted the following situations:

General Fund bank reconciliations were not reviewed monthly by a member of management as per financial policies and procedures;

General Fund bank reconciliation has uncleared checks starting date January 6, 2020, totaling \$147,890.04.

Criteria:

All cash transactions should be properly administered, reconciled, and supporting documentation maintained in accordance with the Town's policies and procedures.

Cause:

We believe the issue is a result of staffing changes.

Effect:

Adjustments and write offs of uncleared transactions will be made to cash accounts in order to properly reflect year end balances.

Recommendation:

We recommend the Town 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 monthly basis.

Status:

Partly resolved. See current finding 2022-003.



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) 325-0584

Management's Responses

INTERNAL CONTROL AND COMPLIANCE FINDINGS

2022-001 Untimely Submission of Financial Audit Report by Due Date

Response:

Management will work with auditor, CPA and fiscal officer to establish timelines and duties for all parties and create regular meeting schedule amongst all parties involved with particulars of the audit process. Management will introduce resolution to select an auditor no later than regular meeting in August to provide selected auditor adequate time to complete the audit. Management will attempt to work with Board of Alderman to select an auditor in a timely fashion.

2022-002 Local Government Budget Act

Response:

Town will attempt to establish controls to ensure that an annual budget will be implemented and adopted before the end of the fiscal year. Mayor will continue to submit proposed budget to board of aldermen no later than the May regular meeting to provide adequate time for them to review and will ask for recommendations from them no later than the regular meeting in April. In Order to remain in compliance with State laws and with the Local Government Budget Act.

2022-003 Bank Reconciliations

Response:

Management will work with in office staff and CPA to ensure bank reconciliations are performed on a monthly basis while also using best practices from upcoming training seminars to be attended by the mayor, town clerk and fiscal officer to strengthen policies and procedures relating to cash and cash equivalents.

Respectfully,

Gerald Brown, Mayor
Town of Richwood, LA

INDEPENDENT ACCOUNTANTS’
REPORT ON APPLYING AGREED-
UPON PROCEDURES

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

We have performed the procedures enumerated below, which were agreed to by the Town of Richwood and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA’s Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2021 through June 30, 2022. The Town’s management is responsible for those C/C areas identified in the SAUPs. This agreed-upon procedures engagement was conducted 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 this 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.

The procedures and associated findings are as follows:

Written Policies and Procedures

- 1.) Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
 - a. ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.

We performed the procedures above and noted no exceptions.

- a. **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.

We performed the above procedures and noted no exceptions.

- b. **Disbursements**, including processing, reviewing, and approving.

We performed the above procedures and noted no exceptions.

- c. **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or 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.)

We performed the above procedures and noted no exceptions.

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

We performed the above procedures and noted no exceptions.

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

We performed the above procedures and noted no exceptions.

- f. **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage. (e.g., determining the reasonableness of fuel card purchases).

We performed the above procedures and noted the following exceptions.

The town did not have a policy that addressed how cards are controlled, allowable business uses, documentation requirements, required approvers, and monitors of card usage.

Response: See Management Response Letter.

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

We performed the above procedures and noted no exceptions.

- h. **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) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.

We performed the procedures above and noted no exceptions

- i. **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

We performed the above procedures and noted the following exceptions:

The town had no policies on debt services that addressed debt issuance approval, continuing disclosure/EMMA reporting requirements, debt reserve requirements, and debt service requirements.

Response: See Management Response Letter.

- j. **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage 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 systems and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

We performed the above procedures and noted the following exceptions.

The town had no policies on information technology recovery that addressed identification of critical data backups, storage of backups, and antivirus usage.

Response: See Management Response Letter.

- k. **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

We performed the above procedures and noted no exceptions.

Board or Finance Committee

- 2) Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a. Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

We performed the above procedures and noted no exceptions.

- b. For those entities reporting on the governmental accounting model, observe whether the minutes reference or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. Alternately, for those entities reporting on the nonprofit accounting model, observe that the minutes or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.

We performed the above procedures and noted no exceptions.

- c. For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

We performed the above procedures and noted no exceptions.

Bank Reconciliations

- 3) Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
 - a. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);

We performed the above procedures and noted no exceptions.

Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged):

We performed the above procedures and noted the following exceptions.

There was no evidence that a member of who does not handle cash, post ledgers, or issue check reviewed each bank reconciliation.

Response: See Management Response Letter.

- b. Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

We performed the above procedures and noted the following exceptions.

General Fund bank has uncleared checks dated July 6, 2021.

Response: See Management Response Letter

Collections

- 4) Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
- 5) For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are segregated at each collection location such that:

- a. Employees that are responsible for cash collections do not share cash drawers/registers.

We performed the above procedures and noted no exceptions.

- b. Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.

We performed the above procedures and noted the following no exceptions.

- c. Each employee responsible for collecting cash is not responsible for posting collection entries to general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposits.

We performed the above procedures and noted the following no exceptions.

- d. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee/official verifies the reconciliation.

We performed the above procedures and noted no exceptions.

- 6) Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.

We performed the above procedures and noted no exceptions.

- 7) Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternatively, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
- e. Observe that receipts are sequentially pre-numbered.

We performed the procedures above and noted no exceptions.

- f. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

We performed the procedures above and noted the no exceptions.

- g. Trace the deposit slip total to the actual deposit per the bank statement.

We performed the procedures above and noted no exceptions.

- h. Observe the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).

We performed the procedures above and noted no exceptions.

- i. Trace the actual deposit per the bank statement to the general ledger.

We performed the procedures above and noted no exceptions.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and Petty cash purchases)

- 8) Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
- 9) For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
- j. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

We performed the procedures above and noted no exceptions.

- k. At least two employees are involved in processing and approving payments to vendors.

We performed the procedures above and noted no exceptions.

- l. The employee responsible for processing payments is prohibited from adding/ modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

We performed the procedures above and noted no exceptions.

- m. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

We performed the procedures above and noted no exceptions.

- 10) For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- n. Observe whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.

We performed the procedures above and noted no exceptions.

- o. Observe whether the disbursement documentation included evidence (e.g., initial/ date, electronic logging) of segregation of duties tested under #9, as applicable.

We performed the procedures above and noted no exceptions.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

-
- 11) Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (card) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

- 12) Using the listing prepared by management randomly select 5 cards (or all cards if less than 5 that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- p. Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases exception reports for excessive fuel card usage) was reviewed and approved, in writing by someone other than the authorized card holder. (Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.

We could not perform the procedures above due to the Town stating that they had no credit cards.

- q. Observe that finance charges and late fees were not assessed on the selected statements.

We could not perform the procedures above due to the Town stating that they did not have any credit cards.

- 13) Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing). For each transaction, observe it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

We could not perform the procedures above due to the Town stating that they did not have any credit cards.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

- 14) Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

- r. If reimbursed using a per diem, observe the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration.

We performed the procedures above and noted no exceptions.

- s. If reimbursed using actual costs, observe the reimbursement is supported by an original itemized receipt that identified precisely what was purchased.

We performed the procedures above and noted no exceptions.

- t. Observe each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the name of those individuals participating and other documentation required by written policy (procedure #1h).

We performed the procedures above and noted no exceptions.

- u. Observe each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

We performed the procedures above and noted no exceptions.

Contracts

- 15) Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
- v. Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

We performed the procedures above and noted no exceptions.

- w. Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

We performed the procedure above and noted no exceptions.

- x. If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, was approval documented).

We performed the procedure above and noted no exceptions.

- y. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

We performed the procedure above and noted no exceptions.

Payroll and Personnel

- 16) Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

- 17) Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

- z. Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

We performed the procedures above and noted no exceptions.

- aa. Observe whether supervisors approved the attendance and leave of the selected employees/officials.

We performed the procedures above and noted no exceptions.

- bb. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

We performed the procedures above and noted no exceptions.

- 18) Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee or officials' cumulative leave records, agree the pay rates to the employee or officials authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.

No employees were terminated during the period.

- 19) Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

We performed the procedure above and noted no exceptions.

Ethics

- 20) Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:

- cc. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

We performed the procedures above and noted no exceptions.

- dd. Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

We performed the procedures above and noted no exceptions.

Debt Service

- 21) Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

We performed the procedures above and noted no exceptions.

- 22) Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

We performed the procedures above and noted no exceptions.

Fraud Notice

- 23) Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

We performed the procedures above and noted no exceptions.

- 24) Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

We performed the procedures above and noted no exceptions.

Information Technology Disaster Recovery/Business Continuity

- 25) Perform the following procedures, verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."

- ee. Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.

We performed the procedures above and noted no exceptions.

- ff. Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

We performed the procedures above and noted no exceptions.

- gg. Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

We performed the procedure above and noted no exceptions.

Sexual Harassment

- 26) Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.

We performed the above procedures and noted no exceptions.

- 27) Observe the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).

We performed the above procedures and noted no exceptions.

- 28) Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:

- a. Number and percentage of public servants in the agency who have completed the training requirements;

None

- b. Number of sexual harassment complaints received by the agency;

None

- c. Number of complaints which resulted in a finding that sexual harassment occurred;

None

- d. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and

None

- e. Amount of time it took to resolve each complaint.

None

We were engaged by Town of Richwood to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C 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.

We are required to be independent of Town of Richwood, Louisiana and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely to describe the scope of testing performed on those C/C 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 LLA as a public document.

Bruno & Tervalon, LLP

Jackson, MS
June 20, 2023



Gerald Brown, Mayor

TOWN OF RICHWOOD

An Equal Opportunity Service Provider and Employer

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

Management's Responses to the SAUP

SAUP Exceptions

1)G. Management will work with in office staff and CPA to add a policy to the policy and procedures manual to address how cards are controlled, allowable business uses, documentation requirements, required approvers and monitoring of card usage.

1)J. Management will work with in office staff and CPA to add a policy to the policy and procedure manual to address how debt issuance approval, continuing disclosure/EMMA reporting requirements, debt reserve requirement and debt service requirements.

3)K. Management will work with in office staff and CPA to add a policy to the policy and procedure manual to address Information Technology Disaster Recovery.

3)B. Management will work with in office staff and CPA to ensure bank reconciliations are performed on a monthly basis while also using best practices from upcoming training seminars to be attended by the mayor, town clerk and fiscal officer to strengthen policies and procedures relating to cash and cash equivalents.

3)C. Management will work with in office staff and CPA to ensure bank reconciliations are performed on a monthly basis while also using best practices from upcoming training seminars to be attended by the mayor, town clerk and fiscal officer to strengthen policies and procedures relating to cash and cash equivalents.

Respectfully,

Gerald Brown, Mayor

Town of Richwood, LA