

TOWN OF RICHWOOD, LOUISIANA

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016**

Prepared by:

Fiscal Office with Assistance from
Contract Accountants

TOWN OF RICHWOOD, LOUISIANA
Annual Financial Report
for the Year Ended June 30, 2016

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INTRODUCTION SECTION
(Unaudited)



TOWN OF RICHWOOD

"An Equal Opportunity Service Provider and Employer"

Gerald Brown, Mayor

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

February 17, 2017

The Honorable Mayor and Town Alderman
Town of Richwood, Louisiana

The Town of Richwood is located in the southern portion of Ouachita Parish in Northeast Louisiana. It currently occupies approximately 5 square miles and serves a population of 3,637. The Town was incorporated December 31, 1974, under the provisions of Louisiana Revised Statute 33:52. The Town's system of government is operated by the Lawson Act. The Act set 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 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 ordinance. 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, both 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 Alderperson 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 or Fiscal Officer through the allotment system.

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

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "B. Woods", written in black ink. The signature is fluid and somewhat stylized, with a large loop at the end.

Bettina Woods
Town Clerk

TOWN OF RICHWOOD, LOUISIANA
Annual Financial Report
for the Year Ended June 30, 2016

List of Elected, Appointed Officials and Personnel

Elected Officials

Mayor
Mayor Pro-Tem
Alderman (Mayor 2016/2017)
Alderman
Alderman
Alderman

Alvin Jackson (Deceased)
Margie Davis
Gerald Brown
Wysingler Cleveland
Leola Keys
Simeon Profit

Appointed Officials

Attorney
Judge
Town Clerk
Chief of Police

Jay Nolen
Robert Noel
Bettina Woods
Euckle Hunter

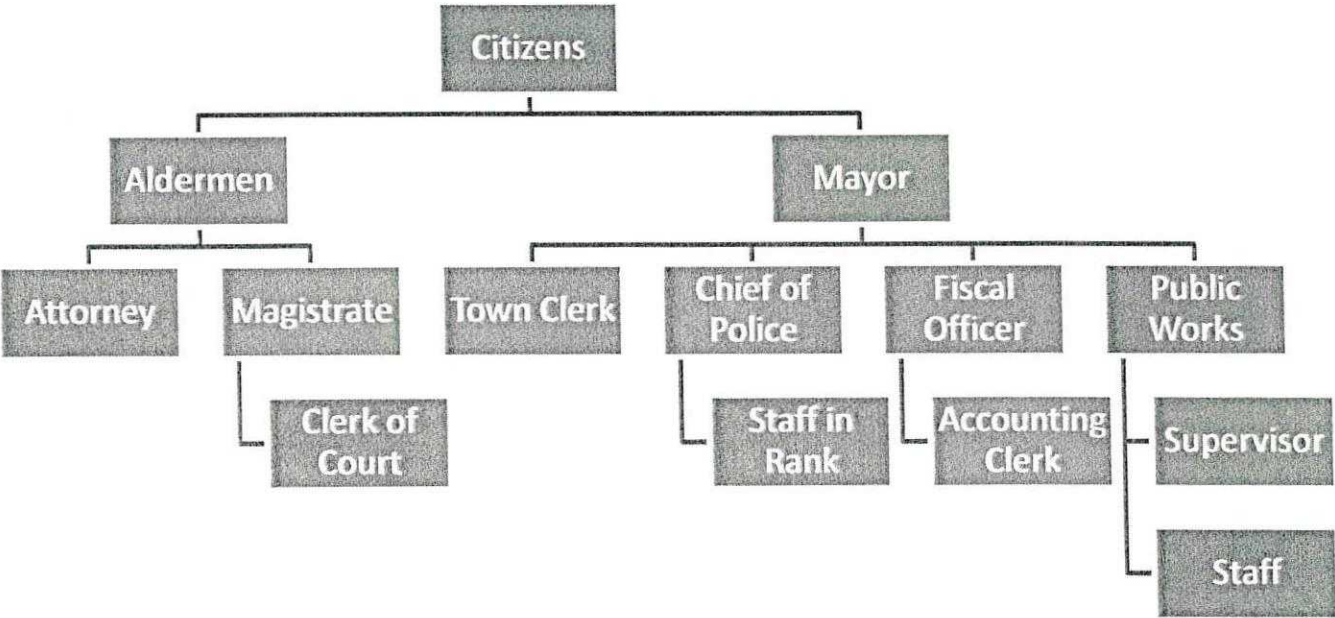
Personnel

Fiscal Officer
Police Officer
Public Work Supervisor
Public Work
Public Work
Public Work
Public Work
Public Work

Tanisha Jolla
Johnny Cleveland
James Collins
John Godfrey
Larry Rodgers
Ricki Willis
Ronnie Lawson
Henry Best

TOWN OF RICHWOOD, LOUISIANA
Annual Financial Report
for the Year Ended June 30, 2016

Organizational Chart



FINANCIAL SECTION



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

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

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

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, the major fund (general fund), and the remaining fund information of the Town of Richwood (the Town) as of and for the year then ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

INDEPENDENT AUDITORS' REPORT
(Continued)

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

Auditors' Responsibility, continued

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

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

Opinion

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the major fund (general fund) and the remaining fund information of the Town as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 8 through 14 and budgetary comparison information on pages 45 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining business-type activities financial

INDEPENDENT AUDITORS' REPORT
(Continued)

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

Other Matters, continued

Other Information, continued

statements, the schedule of compensation, benefits and other payments to the mayor and the schedule of compensation paid to board members are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2017, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

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

February 17, 2017

TOWN OF RICHWOOD, LOUISIANA
Management's Discussion and Analysis
for the Year Ended June 30, 2016

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, 2016.

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, 2016. 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 \$133,186 increase in net position, and business-type activities also reported an increase of \$3,638.
- At the close of the current fiscal year, our governmental fund (the General Fund), reported fund deficit of \$45,300. This represents a decrease of \$716, as compared to the \$46,016 deficit reported in the prior period.
- Total expenditures for our governmental funds were \$965,407, which is a 27 percent decrease from the prior period. This is due primarily to capital outlay expenditures of approximately \$234,595, which were expensed in the prior period. None in current year.
- Government-wide total assets increased by \$14,045, which represents an increase of 3 percent from the prior period. This is primarily due to an increase in capital assets.
- Government-wide total liabilities decreased by \$152,077, which is a 9 percent decrease from the prior period.

TOWN OF RICHWOOD, LOUISIANA
Management's Discussion and Analysis, Continued
for the Year Ended June 30, 2016

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. Overtime, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town of Richwood is improving or deteriorating.

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

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

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

Fund financial statements

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

TOWN OF RICHWOOD, LOUISIANA
Management's Discussion and Analysis, Continued
for the Year Ended June 30, 2016

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 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 and the transportation fund to demonstrate compliance with these budgets.

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

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

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

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

Notes to the financial statements

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

TOWN OF RICHWOOD, LOUISIANA
Management's Discussion and Analysis, Continued
for the Year Ended June 30, 2016

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. The Town adopts annual budgets for the general fund and the transportation fund. Budgetary comparison statements are provided for the general fund and the transportation fund to demonstrate budgetary compliance.

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 \$873,021, at the close of the most recent fiscal year.

Table 1
Town of Richwood's Net Position

	June 30,					
	2016		2015		2016	
	Governmental Activities		Business-type Activities		Total	
<u>ASSETS</u>						
Current and other assets	\$ 568,650	\$ 441,913	\$ 109,655	\$ 105,072	\$ 678,305	\$ 546,985
Capital assets	1,136,660	1,214,550	544,060	611,535	1,680,720	1,826,085
TOTAL ASSETS	1,705,310	1,656,463	653,715	716,607	2,359,025	2,373,070
<u>LIABILITIES</u>						
Current and other liabilities	366,590	451,949	31,378	29,111	397,968	481,060
Long-term liabilities	758,036	757,016	330,000	400,005	1,088,036	1,157,021
Total liabilities	1,124,626	1,208,965	361,378	429,116	1,486,004	1,638,081
<u>NET POSITION</u>						
Net investment in capital assets	378,618	364,427	182,682	182,419	561,300	546,846
Restricted	247,366	234,879	77,238	80,960	324,604	315,839
Unrestricted	(45,300)	(151,808)	32,417	24,112	(12,883)	(127,696)
Total net position	580,684	447,498	292,337	287,491	873,021	734,989
TOTAL LIABILITIES AND NET POSITION	\$ 1,705,310	\$ 1,656,463	\$ 653,715	\$ 716,607	\$ 2,359,025	\$ 2,373,070

The net position of the Town's governmental activities increased by \$133,186 during 2016. The unrestricted net deficit (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 \$45,300 at the end of this year.

TOWN OF RICHWOOD, LOUISIANA
Management's Discussion and Analysis, Continued
for the Year Ended June 30, 2016

The net position of our business-type activities increased by \$3,638 in 2016. The unrestricted net position in our business-type activities increased by \$8,305 at the end of this year.

Table 2
Town of Richwood's Changes in Net Position

	June 30,											
	2016		2015		2016		2015					
	Governmental Activities		Business-type Activities		Total							
REVENUES												
Taxes:												
Property taxes	\$	131,242	\$	129,998	\$	-0-	\$	-0-	\$	131,242	\$	129,998
Franchise taxes		68,466		57,850		-0-		-0-		68,466		57,850
Sales taxes		303,377		293,665		-0-		-0-		303,377		293,665
Charitable gaming funds		352,888		280,048		-0-		-0-		352,888		280,048
Licenses and permits		55,605		30,943		-0-		-0-		55,605		30,943
Fines, forfeitures and court costs		44,868		59,014		-0-		-0-		44,868		59,014
Intergovernmental revenues		123,015		200,924		-0-		205,405		123,015		406,329
Garbage and other fees		168,458		170,636		-0-		-0-		168,458		170,636
Rents and royalties		6,890		4,050		-0-		-0-		6,890		4,050
Sewer fees		-0-		-0-		102,973		84,152		102,973		84,152
Other taxes		16,053		17,570		-0-		-0-		16,053		17,570
Miscellaneous revenues		12,137		66,488		1,566		-0-		13,703		66,488
Total Revenues		1,282,999		1,311,186		104,539		289,557		1,387,538		1,600,743
EXPENDITURES												
Current:												
General government		607,498		751,560		-0-		-0-		607,498		751,560
Public safety		71,052		51,614		-0-		-0-		71,052		51,614
Public works		232,644		191,363		-0-		-0-		232,644		191,363
Sewer project costs		-0-		-0-		-0-		39,866		-0-		39,866
Billing services		-0-		-0-		78,593		63,920		78,593		63,920
Depreciation		84,865		80,558		67,474		65,234		152,339		145,792
Amortization		3,787		3,787		4,438		4,438		-0-		8,225
Debt service:												
Interest and bank charges		47,238		104,012		53,125		60,323		100,363		164,335
Total Expenditures		1,047,084		1,182,894		203,630		233,781		1,250,714		1,416,675
Increase (Decrease) in Net Position												
Before Transfers		235,915		128,292		(99,091)		55,776		136,824		184,068
Transfers		(102,729)		66,962		102,729		(66,962)		-0-		-0-
Increase (Decrease) in Net Position		133,186		195,254		3,638		(11,186)		136,824		184,068
Net Position, Beginning, as restated		447,498		252,244		288,699		298,677		736,197		550,921
Net Position, Ending	\$	580,684	\$	447,498	\$	292,337	\$	287,491	\$	873,021	\$	734,989

TOWN OF RICHWOOD, LOUISIANA
Management's Discussion and Analysis, Continued
for the Year Ended June 30, 2016

Governmental Activities

During the current fiscal year, net position for governmental activities increased \$133,186 from the prior fiscal year for an ending balance of \$580,684. This represents an increase of approximately 30 percent from the prior period.

The cost of all governmental activities this year was \$1,047,084. These expenditures were primarily financed through the Town's taxes, charitable gaming revenues, garbage fee collections, and intergovernmental revenues. These revenue sources accounted for approximately 83 percent of the Town's total revenues.

Business-type Activities

Revenues of the Town's business-type activities decreased by 64 percent (\$104,539 in 2016 compared to \$289,577 in 2015). Expenses decreased by \$30,151 or 15% (\$203,630 in 2016 compared to \$233,781 in 2015). These variances are primarily due to a grant that was received in the prior period for the improvement of our sewer system.

Capital Assets

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$ 95,000	\$ 95,000	\$ -0-	\$ -0-	\$ 95,000	\$ 95,000
Other Improvements	215,153	235,683	-0-	-0-	215,153	235,683
Buildings	691,200	738,477	-0-	-0-	691,200	738,477
Building Improvements	11,615	12,994	-0-	-0-	11,615	12,994
Sewer System	-0-	-0-	544,060	611,535	544,060	611,535
Furniture and Equipment	28,091	30,395	-0-	-0-	28,091	30,395
Vehicles	3,601	5,401	-0-	-0-	3,601	5,401
Roads	92,000	96,600	-0-	-0-	92,000	96,600
Total	\$ <u>1,136,660</u>	\$ <u>1,214,550</u>	\$ <u>544,060</u>	\$ <u>611,535</u>	\$ <u>1,680,720</u>	\$ <u>1,826,085</u>

Government-wide capital assets, net of depreciation decreased by approximately six (6) percent to \$1,136,660 during the current year.

See Note 6 for more information on capital assets.

TOWN OF RICHWOOD, LOUISIANA
Management's Discussion and Analysis, Continued
for the Year Ended June 30, 2016

Debt Administration

At June 30, 2016, the Town had \$770,000, not including deferred amount for issuance of discounts, in outstanding principal remaining on the governmental activity's revenue bonds. The Enterprise-Sewer Fund had outstanding bonds payable of \$330,000.

See Note 7 for more information on long-term debt.

Economic Factors and Next Year's Budgets

Our elected officials and citizens consider many factors when setting the Town's budget and tax rates. Total budgeted revenues and other sources in the General Fund for 2017 are \$1,191,855, a one (1) percent increase from 2016 actual.

One of the most important factors affecting the budget is our charitable gaming (video bingo) collections which is 29 percent of budgeted revenues in the Governmental funds. The General Fund's budget for expenditures in 2017 is \$916,209, a 5 percent decrease from the 2016 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, Monroe, Louisiana 71202-7004, telephone number (318) 325-4328.

BASIC FINANCIAL STATEMENTS

TOWN OF RICHWOOD, LOUISIANA
Government-Wide
Statement of Net Position
June 30, 2016

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
<u>ASSETS</u>			
Cash and cash equivalents (NOTES 1.G.1 and 2)	\$ 373,290	\$ 15,837	\$ 389,127
Investments (NOTES 1.G.2. and 3)	36,785	59,480	96,265
Receivables, net (NOTE 4)	125,362	16,580	141,942
Bond issuance costs	33,213	17,758	50,971
Capital assets, net of accumulated depreciation (NOTE 6)	<u>1,136,660</u>	<u>544,060</u>	<u>1,680,720</u>
TOTAL ASSETS	<u>1,705,310</u>	<u>653,715</u>	<u>2,359,025</u>
<u>LIABILITIES</u>			
Accounts payable	156,156	12,253	168,409
Interest payable	47,238	19,125	66,363
Payroll and benefits liabilities	163,196	-0-	163,196
Long-term liabilities: (NOTE 7)			
Portion due within one year	-0-	160,000	160,000
Portion due after one year	<u>758,036</u>	<u>170,000</u>	<u>928,036</u>
TOTAL LIABILITIES	<u>1,124,626</u>	<u>361,378</u>	<u>1,486,004</u>
<u>NET POSITION (DEFICIT)</u>			
Net investments in capital assets	378,618	182,682	561,300
Restricted for:			
Debt service	69,998	77,238	147,236
Public safety and recreation	79,531	-0-	79,531
Road improvements	97,837	-0-	97,837
Unrestricted	<u>(45,300)</u>	<u>32,417</u>	<u>(12,883)</u>
TOTAL NET POSITION	<u>\$ 580,684</u>	<u>\$ 292,337</u>	<u>\$ 873,021</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, 2016

Functions/Programs	Program Revenues				Primary Government Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and	Capital Grants and	Governmental Activities	Business-Type Activities	Total
			Contributions	Contributions			
Primary government							
Government Activities:							
General government	\$ 678,400	\$ 6,890	\$ 5,660	\$ -0-	\$ (665,850)	\$ -0-	\$ (665,850)
Public safety	74,459	44,868	9,000	-0-	(20,591)	-0-	(20,591)
Public works	243,200	168,458	108,355	-0-	33,613	-0-	33,613
Interest and amortization	51,025	-0-	-0-	-0-	(51,025)	-0-	(51,025)
Total Government Activities	<u>1,047,084</u>	<u>220,216</u>	<u>123,015</u>	<u>-0-</u>	<u>(703,853)</u>	<u>-0-</u>	<u>(703,853)</u>
Business-Type Activities:							
Sewer	203,630	102,973	-0-	1,566	-0-	(99,091)	(99,091)
Total Business-Type Activities	<u>203,630</u>	<u>102,973</u>	<u>-0-</u>	<u>1,566</u>	<u>-0-</u>	<u>(99,091)</u>	<u>(99,091)</u>
Total	\$ 1,250,714	\$ 323,189	\$ 123,015	\$ 1,566	(703,853)	(99,091)	(802,944)
General revenues:							
Taxes:							
Property taxes					131,242	-0-	131,242
Franchise tax					68,466	-0-	68,466
Sales tax revenue					303,377	-0-	303,377
Other taxes					16,053	-0-	16,053
Charitable gaming funds					352,888	-0-	352,888
Licenses and permits					55,605	-0-	55,605
Miscellaneous					12,137	-0-	12,137
Transfers					(102,729)	102,729	-0-
Total general revenues and transfers					<u>837,039</u>	<u>102,729</u>	<u>939,768</u>
Changes in net position					133,186	3,638	136,824
Net position - June 30, 2015, as previously stated					447,498	287,491	734,989
Correction of prior year errors (NOTE 14)					-0-	1,208	1,208
Net position - June 30, 2015, as restated					<u>447,498</u>	<u>288,699</u>	<u>736,197</u>
Net position - June 30, 2016					<u>\$ 580,684</u>	<u>\$ 292,337</u>	<u>\$ 873,021</u>

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

TOWN OF RICHWOOD, LOUISIANA
Governmental Funds
Balance Sheet
June 30, 2016

	<u>GENERAL</u> <u>FUND</u>	<u>NON-MAJOR FUND</u> <u>TRANSPORTATION</u> <u>FUND</u>	<u>TOTAL</u> <u>GOVERNMENTAL</u> <u>FUNDS</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 159,143	\$ 214,147	\$ 373,290
Investments	36,785	-0-	36,785
Accounts receivable, net	<u>125,362</u>	<u>-0-</u>	<u>125,362</u>
Total assets	<u>\$ 321,290</u>	<u>\$ 214,147</u>	<u>\$ 535,437</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 156,156	\$ -0-	\$ 156,156
Payroll liabilities	163,196	-0-	163,196
Interest payable	<u>47,238</u>	<u>-0-</u>	<u>47,238</u>
Total liabilities	<u>366,590</u>	<u>-0-</u>	<u>366,590</u>
<u>FUND BALANCES (DEFICITS)</u>			
Restricted for road improvements	-0-	214,147	214,147
Unassigned	<u>(45,300)</u>	<u>-0-</u>	<u>(45,300)</u>
Total fund balance (deficits)	<u>(45,300)</u>	<u>214,147</u>	<u>168,847</u>
Total liabilities and fund balance/deficits	<u>\$ 321,290</u>	<u>\$ 214,147</u>	<u>\$ 535,437</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, 2016

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

Total Fund Balances - Governmental Funds \$ 168,847

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	1,817,710	
Accumulated depreciation	<u>(681,050)</u>	
		1,136,660

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, 2016 are:

Long-term liabilities:	
Bonds payable	(758,036)

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.

33,213

Net Position - Governmental Activities \$ 580,684

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, 2016

	GENERAL FUND	NON-MAJOR FUND TRANSPORTATION FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Taxes:			
Property taxes	\$ 131,242	\$ -0-	\$ 131,242
Franchise taxes	68,466	-0-	68,466
Sales taxes	303,377	-0-	303,377
Charitable gaming funds	352,888	-0-	352,888
Licenses and permits	55,605	-0-	55,605
Fines, forfeitures and court costs	44,868	-0-	44,868
Intergovernmental revenues	14,660	108,355	123,015
Garbage and other fees	168,458	-0-	168,458
Rents and royalties	6,890	-0-	6,890
Other taxes	16,053	-0-	16,053
Miscellaneous revenues	12,137	-0-	12,137
Total Revenues	1,174,644	108,355	1,282,999
EXPENDITURES			
Current:			
General government	602,707	-0-	602,707
Public safety	71,052	-0-	71,052
Public works	232,644	-0-	232,644
Compensated absences	4,061	-0-	4,061
Capital outlay	6,975	-0-	6,975
Bad debt	730	-0-	730
Debt service:			
Interest and bank charges	47,238	-0-	47,238
Total Expenditures	965,407	-0-	965,407
EXCESS OF REVENUES OVER EXPENDITURES	209,237	108,355	317,592
OTHER FINANCING USES			
Transfers out	(102,729)	-0-	(102,729)
TOTAL OTHER FINANCING USES	(102,729)	-0-	(102,729)
NET CHANGE IN FUND BALANCES	106,508	108,355	214,863
FUND BALANCES - July 1, 2015	(151,808)	105,792	(46,016)
FUND BALANCES (DEFICITS) - June 30, 2016	\$ (45,300)	\$ 214,147	\$ 168,847

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, 2016

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

Total Net Change in Fund Balances - Governmental Funds \$ 214,863

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	6,975	
Depreciation expense	<u>(84,865)</u>	(77,890)

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

Bond discount		(1,020)
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Governmental funds report the effects of debt issuance and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

(2,767)

Change in Net Position of Governmental Activities		\$ <u>133,186</u>
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The notes to the financial statement are an integral part of this statement.

TOWN OF RICHWOOD, LOUISIANA
Proprietary Fund
Sewer Utility Fund
Statement of Net Position
June 30, 2016

ASSETS

Current assets:

Cash and cash equivalents	\$ 15,837
Receivables, net (NOTE 4)	16,580
Investments	59,480
Bond issuance costs	<u>17,758</u>
Total current assets	<u>109,655</u>

Non-current assets:

Capital assets, net of depreciation	<u>544,060</u>
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TOTAL ASSETS 653,715

LIABILITIES

Current liabilities:

Accounts, salaries, and other payables	12,253
Interest payable	19,125
Bonds payable	<u>160,000</u>
Total current liabilities	<u>191,378</u>

Non-current liabilities

Bonds payable	<u>170,000</u>
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TOTAL LIABILITIES 361,378

NET POSITION

Invested in capital assets, net of related debt	182,682
Restricted for debt service	77,238
Unrestricted	<u>32,417</u>

TOTAL NET POSITION \$ 292,337

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

TOWN OF RICHWOOD, LOUISIANA
Proprietary Fund
Sewer Utility Fund
Statement of Revenues, Expenses, and Changes in Fund Net Position
for the Year Ended June 30, 2016

OPERATING REVENUES

Charges for services:

Sewer fees \$ 102,973

Total operating revenues 102,973

OPERATING EXPENSES

Cost of services:

Billing services 78,593

Amortization 4,438

Depreciation 67,474

Total operating expenses 150,505

Operating loss (47,532)

Non-Operating Income (Expenses)

Interest income 1,566

Interest expense (53,125)

Total non-operating income (expenses) (51,559)

TRANSFERS

Transfers - In 102,729

Total transfers 102,729

Changes in net position 3,638

NET POSITION - June 30, 2015, as restated (NOTE 14) 288,699

NET POSITION - June 30, 2016 \$ 292,337

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

TOWN OF RICHWOOD, LOUISIANA
Proprietary Fund
Sewer Utility Fund
Statement of Cash Flows
for the Year Ended June 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from customers	\$ 102,973
Payments to suppliers for goods and services	(83,317)
Net cash provided for operating activities	<u>19,656</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Transfers in	102,729
Net cash provided for noncapital financing activities	<u>102,729</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Interest paid on bonds	(53,125)
Principal paid on bonds	(70,000)
Net cash used by capital and related financing activities	<u>(123,125)</u>

Net decrease in cash and cash equivalents (740)

CASH AND CASH EQUIVALENTS - BEGINNING 16,577

CASH AND CASH EQUIVALENTS - ENDING \$ 15,837

Reconciliation of operating loss to net cash used in operating activities:

Operating loss	(47,532)
Adjustments to reconcile operating loss to net cash provided for operating activities:	
Depreciation and amortization	71,912
Increase in accounts receivable	(9,045)
Increase in investments	(716)
Increase in other accrued liabilities	5,037
Net cash provided for operating activities	<u>\$ 19,656</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

TOWN OF RICHWOOD, LOUISIANA
Notes to the Financial Statements

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 Lawson Act established in 1898.

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

B. REPORTING ENTITY

The Town is located in the southern portion of Ouachita Parish in Northeast Louisiana. The Town was incorporated on December 31, 1974, under the provisions of Louisiana Revised Statute 33:52. The Town operates under a form of government consisting of an elected mayor and a board of alderpersons, which has five (5) elected members. The Town provides garbage collection, street maintenance, drainage maintenance, and other health and welfare services, in addition to the administrative services provided to its residents.

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

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

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

2. Organization for which the Town does not appoint a voting majority but are fiscally dependent on the Town.

TOWN OF RICHWOOD, LOUISIANA
Notes to the Financial Statements, Continued

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

B. REPORTING ENTITY, Continued

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

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

C. BASIS OF PRESENTATION – GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

D. BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS

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

1. Governmental Funds

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

The Town reports the following governmental funds:

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

TOWN OF RICHWOOD, LOUISIANA
Notes to the Financial Statements, Continued

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

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

1. Governmental Funds, (continued)

- Transportation fund - accounts for the parish transportation program.

2. Proprietary Funds

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

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

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

E. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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 Statements, Continued

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

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

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

Program Revenues

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

Allocation of Indirect Expenses

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

II. Fund Financial Statements (FFS)

Governmental Funds

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

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

1. Revenues

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

TOWN OF RICHWOOD, LOUISIANA
Notes to the Financial Statements, Continued

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

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

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

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

2. Expenditures

Salaries are recorded as earned.

3. Other Financing Sources (Uses)

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

4. Operating Revenues and Expenses

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

F. BUDGETARY INFORMATION

Budgets

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

The Town Clerk is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures or expenses of any fund must be approved by the Board of Alderpersons. Appropriations lapse at the end of the year. Therefore, a motion to adopt the 2015-2016 annual budget was approved by the Board of Alderpersons on July 21, 2016.

TOWN OF RICHWOOD, LOUISIANA
Notes to the Financial Statements, Continued

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

F. BUDGETARY INFORMATION

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 an 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.

Definitions

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

TOWN OF RICHWOOD, LOUISIANA
Notes to the Financial Statements, Continued

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

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

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

3. Short-term Inter-fund Receivables/Payables

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

4. Eliminations and Reclassifications

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

5. Sales Tax

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

6. Capital Assets

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

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

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.

TOWN OF RICHWOOD, LOUISIANA
Notes to the Financial Statements, Continued

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

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

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 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 on 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 actually 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:

- A. The employee’s right to receive compensation is attributable to services already rendered, and

TOWN OF RICHWOOD, LOUISIANA
Notes to the Financial Statements, Continued

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

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

- B. It is probable that the employees will be compensated for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

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

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

The Town uses the alternative approach to accrue the liability for sick leave which includes salary-related payments. The Town reported compensated absences in the amount of \$10,237 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.

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.

TOWN OF RICHWOOD, LOUISIANA
Notes to the Financial Statements, Continued

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

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

- *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.

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.

TOWN OF RICHWOOD, LOUISIANA
Notes to the Financial Statements, Continued

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

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.

3. Proprietary funds operating and nonoperating revenues and expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 water and sewer funds are charges to customers for sales and 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 nonoperating revenues and expenses.

TOWN OF RICHWOOD, LOUISIANA
Notes to the Financial Statements, Continued

NOTE 2 – CASH AND CASH EQUIVALENTS

At June 30, 2016, the Town has cash and cash equivalents (book balances) totaling as follows:

Demand deposits	\$ <u>389,127</u>
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These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit.

with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Custodial credit risk is the risk that, in event of a failure of financial institution or counterparty, the Town would not be able to recover its deposits, investments, or collateral securities that are in the possession of an outside party. At June 30, 2016, the Town has \$389,127 in deposits (collected bank balances). These deposits are secured from risk by \$174,699 of pledged security and \$500,000 of federal deposit insurance.

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.

NOTE 3 – INVESTMENTS

At June 30, 2016, the Town had its assets in money market instruments managed by a financial institution. The account had a fair value of \$36,785 in Governmental Funds and \$59,480 in Enterprise Funds as of June 30, 2016. 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. As of June 30, 2016, the Town had \$96,265 in money market instruments which are held by the financial institution in the Town's name.

TOWN OF RICHWOOD, LOUISIANA
Notes to the Financial Statements, Continued

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, 2016:

<u>Accounts and Accrued Receivables</u>	<u>General</u>	<u>Enterprise</u>	<u>Total</u>
Sales Tax	\$ 52,786	\$ -0-	\$ 52,786
Franchise Fees	12,034	-0-	12,034
Garbage Collections	5,774	-0-	5,774
Property Tax	5,290	-0-	5,290
Court Fines	16,864	-0-	16,864
Charitable Gaming Funds	29,348	-0-	29,348
Other Receivables	8,500	-0-	8,500
Licenses and Permits	1,223	-0-	1,223
User Fees	-0-	16,580	16,580
Gross Receivables	131,819	16,580	148,399
Less allowance for uncollectibles	<u>(6,457)</u>	<u>-0-</u>	<u>(6,457)</u>
Total Receivables	<u>\$ 125,362</u>	<u>\$ 16,580</u>	<u>\$ 141,942</u>

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund transfers are normally transfers from the sewer fund to the general fund to cover operations of the general fund.

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Enterprise Fund - Sewer	General Fund	\$ <u>102,729</u>

TOWN OF RICHWOOD, LOUISIANA
Notes to the Financial Statements, Continued

NOTE 6 – CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2016, follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Ending Balance</u>
<u>Governmental activities:</u>			
Non-depreciable capital assets			
Land	\$ 95,000	\$ -0-	\$ 95,000
Total non-depreciable capital Assets	<u>95,000</u>	<u>-0-</u>	<u>95,000</u>
Exhaustible capital assets:			
Other improvements	315,066	-0-	315,066
Buildings	943,700	-0-	943,700
Building improvements	20,680	-0-	20,680
Furniture and equipment	170,893	6,975	177,868
Vehicles	150,396	-0-	150,396
Infrastructure – roads	115,000	-0-	115,000
Total depreciable capital assets	<u>1,715,735</u>	<u>6,975</u>	<u>1,722,710</u>
Accumulated depreciation:			
Other improvements	79,383	20,530	99,913
Buildings	205,223	47,277	252,500
Building improvements	7,686	1,379	9,065
Furniture and equipment	140,498	9,279	149,777
Vehicles	144,995	1,800	146,795
Infrastructure – roads	18,400	4,600	23,000
Total accumulated depreciation	<u>596,185</u>	<u>84,865</u>	<u>681,050</u>
Total capital assets being depreciated, net	<u>1,119,550</u>	<u>(77,890)</u>	<u>1,041,660</u>
Capital assets, net	<u>\$ 1,214,550</u>	<u>\$ (77,890)</u>	<u>\$ 1,136,660</u>

Depreciation expense was charged to governmental activities as follows:

General and administrative	\$ 70,902
Police department	3,407
Maintenance department	<u>10,556</u>
Total	<u>\$ 84,865</u>

TOWN OF RICHWOOD, LOUISIANA
Notes to the Financial Statements, Continued

NOTE 6 – CAPITAL ASSETS, (continued)

<u>Business-type activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Ending Balance</u>
Furniture and equipment (Sewer System)	\$ 1,767,027	\$ -0-	\$ 1,767,027
Accumulated depreciation – furniture and equipment (Sewer System)	<u>1,155,492</u>	<u>(67,474)</u>	<u>1,222,967</u>
Capital assets, net	<u>\$ 611,535</u>	<u>\$ (67,474)</u>	<u>\$ 544,060</u>

NOTE 7 – LONG-TERM LIABILITIES

A schedule of long-term bonds payable for the year ended June 30, 2016, follows:

	<u>Beginning Balance</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Governmental Activities:</u>				
Bonds Series 2008A	\$ 770,000	\$ -0-	\$ 770,000	\$ -0-
Less: deferred amount for issuance of discounts inflows	<u>(12,984)</u>	<u>1,020</u>	<u>(11,964)</u>	<u>-0-</u>
Total bonds series 2008A	<u>757,016</u>	<u>1,020</u>	<u>758,036</u>	<u>-0-</u>
Total governmental activities	<u>757,016</u>	<u>1,020</u>	<u>758,036</u>	<u>-0-</u>
<u>Business-type Activities:</u>				
Bonds Series 2008 B	<u>400,000</u>	<u>(70,000)</u>	<u>330,000</u>	<u>160,000</u>
Total bond series 2008 B	<u>400,000</u>	<u>(70,000)</u>	<u>330,000</u>	<u>160,000</u>
Total long-term liabilities	<u>\$ 1,157,016</u>	<u>\$ (68,980)</u>	<u>\$ 1,088,036</u>	<u>\$ 160,000</u>

TOWN OF RICHWOOD, LOUISIANA
Notes to the Financial Statements, Continued

NOTE 7 – LONG-TERM LIABILITIES, (continued)

	General Fund		
	Bonds, Series 2008A		
Original Issue	\$	<u>770,000</u>	
Issue Date		2/1/2008	
Interest Rate		6 percent	
Final Payment Due		2/15/2028	
Interest to Maturity	\$	<u>410,578</u>	
Principal Outstanding June 30, 2016	\$	<u>770,000</u>	
	Enterprise Fund		
	Bonds, Series 2008B		
Original Issue	\$	<u>530,000</u>	
Issue Date		2/1/2008	
Interest Rate		8.50 percent	
Final Payment Due		2/15/2020	
Interest to Maturity	\$	<u>46,751</u>	
Principal Outstanding June 30, 2016	\$	<u>330,000</u>	
	Totals		
	General Fund	Enterprise Fund	Revenue Bonds Issues Total
Original Issue	\$ <u>770,000</u>	\$ <u>530,000</u>	\$ <u>1,300,000</u>
Interest to Maturity	\$ <u>410,578</u>	\$ <u>46,751</u>	\$ <u>457,329</u>
Principal Outstanding June 30, 2016	\$ <u>770,000</u>	\$ <u>330,000</u>	\$ <u>1,100,000</u>

TOWN OF RICHWOOD, LOUISIANA
Notes to the Financial Statements, Continued

NOTE 7 – 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. Series 2008B is dedicated to extinguishing a debt to the City of Monroe for prior years' sewer services and is paid by the Enterprise Fund - Sewer. The annual requirements to amortize all bonds outstanding at June 30, 2016, are as follows:

Governmental Funds			
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ -0-	\$ 47,238	\$ 47,238
2018	-0-	47,238	47,238
2019	-0-	47,238	47,238
2020	25,000	46,488	71,788
2021	75,000	43,488	118,488
2022-2026	450,000	141,206	591,206
2027-2028	220,000	14,063	234,063
Total	\$ <u>770,000</u>	\$ <u>386,959</u>	\$ <u>1,156,959</u>

Enterprise Fund			
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 55,000	\$ 19,125	\$ 74,125
2018	60,000	14,450	74,450
2019	65,000	9,350	74,350
2020	45,000	3,826	48,826
2021	-0-	-0-	-0-
2022-2026	-0-	-0-	-0-
2027-2028	-0-	-0-	-0-
Total	\$ <u>225,000</u>	\$ <u>46,751</u>	\$ <u>271,751</u>

The Town is delinquent on the principal payments on their Series 2008B bond indenture totaling approximately \$105,000.

TOWN OF RICHWOOD, LOUISIANA
Notes to the Financial Statements, Continued

NOTE 8 – 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 9 – 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, 2015
Levy date	January 1, 2015
Tax bills mailed	November, 2015
Due date	December 31, 2015
Lien date	January 1, 2016

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 2015 and January and February 2016. All property taxes are recorded in the general fund. The Town considers the date penalty and interest accrues (January 1, 2016) 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 2016 are budgeted in the 2015-2016 fiscal year of the Town.

Estimated uncollectible taxes are those taxes based on past experience which will not be collected in the subsequent year and are primarily due to subsequent adjustments to the tax roll.

TOWN OF RICHWOOD, LOUISIANA
Notes to the Financial Statements, Continued

NOTE 10 – 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 \$9,000. This amount was recognized as state revenue with a corresponding expenditure in the applicable fund from which the salary was paid.

NOTE 11 – 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, 2016, the Town failed to meet this requirement by a total of \$63,508.

NOTE 12 – ECONOMIC DEPENDENCY

Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 280-10-50-42 requires disclosure in financial statements of a situation where one entity provides more than 10 percent of the audited entity's revenues. Charitable gaming revenue for the current year was \$352,888. The revenues received from charitable gaming accounts for approximately 28 percent of the Town's current year revenues. The Town also received \$303,377 in sales tax, which accounts for approximately 24 percent of the Town's current year revenues.

NOTE 13 – SIGNIFICANT FINANCIAL CHALLENGES

The Town's near-term financial challenges are due to an unassigned fund deficit of \$45,300 in the General Fund. The Town plans to fund this deficit with future revenues.

NOTE 14 – RESTATEMENT OF NET POSITION

The Town also made adjustments to the proprietary funds' beginning net position for the year ended June 30, 2016. These adjustments were primarily for the removal of prior accruals which remained in the Town's accounting records, as well as the addition of a capital project which was completed during the prior fiscal year.

TOWN OF RICHWOOD, LOUISIANA
Notes to the Financial Statements, Continued

NOTE 15 – SUBSEQUENT EVENTS

FASB 165, which is codified in ASC Topic 855-10, requires the disclosure of the date through which the Town has evaluated subsequent events and the reason for selecting that date. The Town evaluated subsequent events through February 17, 2017, the date the financial statements were available to be issued.

On March 5, 2016, the Town elected Alderperson Gerald Brown, Sr. as the new Mayor of the Town. Mr. Brown took office on July 1, 2016, when the 2017 fiscal year begins. However, the current Mayor, Honorable Alvin J. Jackson, who was elected as an Alderperson, officially changed position at the beginning of the 2017 fiscal year and later deceased on September 17, 2016. Ms. Leora Key was appointed in his replacement.

NOTE 16 – CONTINGENCIES

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

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

NOTE 17 – IMPLEMENTATION OF NEW GASB PENSION STANDARDS

The GASB issued Statement No.68, *Accounting and Financial Reporting for Pensions* in June 2012. This Statement replaces the requirements of Statement No. 27, *Accounting Pension by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, Pension Disclosures. Statement No 67, *Financial Reporting for Pension Plans*, revises existing standards of financial reporting for most pension plans. This Statement and Statement 67 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement—determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. This Statement is effective for fiscal years beginning after June 15, 2014.

The GASB issued Statement No. 70, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, in November 2013. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68.

TOWN OF RICHWOOD, LOUISIANA
Notes to the Financial Statements, Continued

NOTE 17 – IMPLEMENTATION OF NEW GASB PENSION STANDARDS, (continued)

The GASB issued Statement No. 72, *Fair Value Measurement and Application*, in February 2015. This Statement addresses accounting and financial reporting issues related to fair value measurements. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. This Statement is effective for fiscal years beginning after June 15, 2015.

Management is currently assessing the impact of these pronouncements.

NOTE 18 – 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, 2016, the Town employed two full-time officers. The Police Chief is enrolled in the Municipal Police Employees' Retirement System. The other officer was offered to enroll in the system, however, he chose to decline. The Town maintains a signed affidavit on file as evidence of the officer opting-out of the program.

The Town will need the services of an actuary to estimate exactly how much is owed to the police chief in order to be in complete compliance with the MPERS and implementation of GASB pension standards. Therefore, no liability is currently being reflected in the Town's financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF RICHWOOD, LOUISIANA
Notes to the Budgetary Comparison Schedules
for the Year Ended June 30, 2016
(Unaudited)

Budgets Data

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 States of America (GAAP). Budgeted amounts are as amended by the Board. Legally, the Board must adopt a balance budget; that is, total budgeted revenues and other financing sources including fund balance must equal or exceed total budgeted expenditures and other financing uses. State statutes require the Board to amend its budgets when revenues plus projected revenues within a fund are expected to be less than budgeted revenues by five (5) percent or more and/or expenditures within a fund are expected to exceed budgeted expenditures by five (5) percent or more. The Board approves budgets at the function level for the general fund and at the fund level for special revenue fund. Management can transfer amounts between line items within a function.

TOWN OF RICHWOOD, LOUISIANA
General Fund
Budgetary Comparison Schedules (Unaudited)
for the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balances, Beginning	\$ (254,803)	\$ (254,803)	\$ (151,808)	\$ 102,995
<u>Resources (inflows)</u>				
Local sources:				
Taxes:				
Ad valorem	128,000	128,000	131,242	3,242
Charitable gaming funds	240,000	240,000	352,888	112,888
Franchise tax	50,000	50,000	68,466	18,466
Sales and use	285,000	285,000	303,377	18,377
Other taxes	17,500	17,500	16,053	(1,447)
Licenses and permits	30,000	30,000	55,605	25,605
Fines, forfeitures and court costs	60,000	60,000	44,868	(15,132)
Intergovernmental revenues:				
State funds:				
Federal revenue	-0-	-0-	-0-	-0-
State revenue	-0-	-0-	14,660	14,660
Fees, charges and commissions for services	218,000	218,000	168,458	(49,542)
Rents and royalties	4,000	4,000	6,890	2,890
Miscellaneous revenues	24,000	24,000	12,137	(11,863)
Transfers from other funds	113,660	113,660	-0-	(113,660)
Amounts available for appropriations	<u>915,357</u>	<u>915,357</u>	<u>1,022,836</u>	<u>107,479</u>
<u>Charges to appropriations (outflows)</u>				
General government	724,608	724,608	602,707	121,901
Capital outlay	-0-	-0-	6,975	(6,975)
Public safety	77,252	77,252	71,052	6,200
Public works	147,252	147,252	232,644	(85,392)
Debt service	47,238	47,238	47,238	-0-
Elections	4,000	4,000	-0-	4,000
Compensated absences	-0-	-0-	4,061	(4,061)
Bad debt	-0-	-0-	730	(730)
Transfers to other funds	-0-	-0-	102,729	(102,729)
Total charges to appropriations	<u>1,000,350</u>	<u>1,000,350</u>	<u>1,068,136</u>	<u>(67,786)</u>
Budgetary Fund Balances, Ending	<u>\$ (84,993)</u>	<u>\$ (84,993)</u>	<u>\$ (45,300)</u>	<u>\$ (39,693)</u>

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

TOWN OF RICHWOOD, LOUISIANA
Transportation Fund
Budgetary Comparison Schedules (Unaudited)
for the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balances, Beginning	\$ 163,842	\$ 163,842	\$ 105,792	\$ (58,050)
Resources (inflows)				
Intergovernmental Revenues	113,660	113,660	108,355	(5,305)
Transfers from other funds	-0-	-0-	-0-	-0-
Amounts available for appropriations	<u>277,502</u>	<u>277,502</u>	<u>214,147</u>	<u>(63,355)</u>
Charges to appropriations (outflows)				
Equipment	-0-	-0-	-0-	-0-
Repairs and Maintenance	-0-	-0-	-0-	-0-
Transfers to other funds	113,660	113,660	-0-	(113,660)
Total charges to appropriations	<u>113,660</u>	<u>113,660</u>	<u>-0-</u>	<u>(113,660)</u>
Budgetary Fund Balances, Ending	\$ <u>163,842</u>	\$ <u>163,842</u>	\$ <u>214,147</u>	\$ <u>50,305</u>

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

TOWN OF RICHWOOD, LOUISIANA
Budget to GAAP Reconciliation
for the Year Ended June 30, 2016

	General	Transportation
Sources/Inflows of resources:		
Actual amounts (budgetary basis) "available for appropriation" from the Budgetary Comparison Schedule	\$ 1,022,836	\$ 214,147
Adjustments:		
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	151,808	(105,792)
Transfers from other funds are inflows for budgetary purposes but are not revenue for financial reporting purposes	-0-	-0-
Total revenues as reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 1,174,644	\$ 108,355
Uses/Outflows of resources:		
Actual amounts (budgetary basis) "Total charges to appropriations" from the Budgetary Comparison Schedule	\$ 1,068,136	\$ -0-
Adjustments:		
Transfers to other funds are outflows for budgetary purposes but are not expenditures for financial reporting purposes	(102,729)	-0-
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 965,407	\$ -0-

See accompanying independent auditors' report.

SUPPLEMENTARY INFORMATION

TOWN OF RICHWOOD, LOUISIANA
Combining Statement of Net Position – Proprietary Funds
June 30, 2016

	<u>Sewer Fund</u>	<u>Sinking Fund</u>	<u>Total Proprietary Funds</u>
<u>ASSETS</u>			
<u>Current Assets:</u>			
Cash and cash equivalents	\$ 13,327	\$ 2,510	\$ 15,837
Investments	59,480	-0-	59,480
Accounts receivable, net	16,580	-0-	16,580
Bond issuance costs	17,758	-0-	17,758
Total Current Assets	<u>107,145</u>	<u>2,510</u>	<u>109,655</u>
 <u>Non-Current Assets:</u>			
Capital assets, net of depreciation	<u>544,060</u>	<u>-0-</u>	<u>544,060</u>
TOTAL ASSETS	<u>651,205</u>	<u>2,510</u>	<u>653,715</u>
 <u>LIABILITIES</u>			
<u>Current Liabilities:</u>			
Accounts payable	12,253	-0-	12,253
Interest payable	19,125	-0-	19,125
Bonds payable	160,000	-0-	160,000
Total current liabilities	<u>191,378</u>	<u>-0-</u>	<u>191,378</u>
 <u>Non-Current Liabilities:</u>			
Bonds payable	<u>170,000</u>	<u>-0-</u>	<u>170,000</u>
TOTAL LIABILITIES	<u>361,378</u>	<u>-0-</u>	<u>361,378</u>
 <u>Net Position</u>			
Invested in capital assets, net of related debt	182,682	-0-	182,682
Restricted for debt service	77,238	-0-	77,238
Unrestricted	<u>29,907</u>	<u>2,510</u>	<u>32,417</u>
TOTAL NET POSITION	<u>\$ 289,827</u>	<u>\$ 2,510</u>	<u>\$ 292,337</u>

See accompanying independent auditors' report.

TOWN OF RICHWOOD, LOUISIANA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –
Proprietary Funds
for the Year Ended June 30, 2016

	<u>Sewer Fund</u>	<u>Sinking Fund</u>	<u>Total Proprietary Funds</u>
<u>OPERATING REVENUES</u>			
<u>Charges for services:</u>			
Sewer fees	\$ 102,973	\$ -0-	\$ 102,973
Total operating revenues	<u>102,973</u>	<u>-0-</u>	<u>102,973</u>
 <u>OPERATING EXPENSES</u>			
<u>Cost of services</u>			
Billing services	78,593	-0-	78,593
Amortization	4,438	-0-	4,438
Depreciation	<u>67,474</u>	<u>-0-</u>	<u>67,474</u>
Total operating expenses	<u>150,505</u>	<u>-0-</u>	<u>150,505</u>
Operating loss	<u>(47,532)</u>	<u>-0-</u>	<u>(47,532)</u>
 <u>Non-Operating Income (Expenses)</u>			
Interest income	1,566	-0-	1,566
Interest expense	<u>(53,125)</u>	<u>-0-</u>	<u>(53,125)</u>
Total non-operating income (Expenses)	<u>(51,559)</u>	<u>-0-</u>	<u>(51,559)</u>
 <u>TRANSFERS</u>			
Transfers - In	102,729	-0-	102,729
Total transfers	<u>102,729</u>	<u>-0-</u>	<u>102,729</u>
Changes in net position	3,638	-0-	3,638
NET POSITION - July 1, 2015, as restated	<u>286,189</u>	<u>2,510</u>	<u>288,699</u>
NET POSITION - June 30, 2016	<u>\$ 289,827</u>	<u>\$ 2,510</u>	<u>\$ 292,337</u>

See accompanying independent auditors' report.

TOWN OF RICHWOOD, LOUISIANA
Schedule of Compensation Paid to the Board of Alderpersons
for the Year Ended June 30, 2016

The schedule of compensation paid to the Board of Alderpersons was prepared in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. As authorized by the Town's Ordinance Number 2015-06 dated July 16, 2015, the Alderperson's salaries were changed to \$750 per month. The following schedule shows total amounts paid in the fiscal year ended June 30, 2016:

Leola Keys, Alderperson/Street Commissioner	\$ 9,000
Wysinger Cleveland, Alderperson/Mayor Pro-Tempore	9,000
Gerald Brown, Alderperson	9,000
Margie Davis, Alderperson	9,000
Simeon Profit, Alderperson	<u>9,000</u>
Total	<u>\$ 45,000</u>

See accompanying independent auditors' report.

TOWN OF RICHWOOD, LOUISIANA
Schedule of Compensation, Benefits, and other Payments to the Mayor
for the Year Ended June 30, 2016

Mayor Alvin Jackson (Deceased)

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 56,250
Benefits-Social Security, Medicare, Worker's Compensation	5,328
Final check for sick and vacation pay	13,390
Conference, travel and seminars	656
Total	<u>\$ 75,623</u>

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



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

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

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

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business activities, and the major fund (general fund) and the remaining fund information of the Town of Richwood (the Town), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated February 17, 2017.

Internal Control Over Financial Reporting

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

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(CONTINUED)

Internal Control Over Financial Reporting, Continued

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings as item #2016-004 to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings as items #2016-001 through 2016-003 and # 2016-006 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 as items #2016-001, #2016-002, # 2016-004, #2016-006 and #2016-008.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(CONTINUED)

The Town's Response to Findings

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

Purpose of this Report

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

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

February 17, 2017

SUMMARY SCHEDULE OF FINDINGS

TOWN OF RICHWOOD, LOUISIANA
Summary Schedule of Findings
for the Year Ended June 30, 2016

SECTION I - SUMMARY OF INDEPENDENT AUDITORS' RESULTS

Financial Statements

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

FINANCIAL STATEMENT FINDINGS

TOWN OF RICHWOOD, LOUISIANA
Summary Schedule of Findings
for the Year Ended June 30, 2016

(CONTINUED)

SECTION II – FINANCIAL STATEMENT FINDINGS

Audit Finding Reference Number

2016-001

Finding Classification

Instance of noncompliance

Finding Type

Late Filing of Report with LLA

Finding Title

Untimely Submission of Financial Audit Report by Due Date

Resolution (resolved, not resolved, partially resolved)

Not resolved

Number of years finding reported

Two (2) – 2015 and 2016

Financial impact of finding

Amount less than \$150,000

Resolutions is with or without course

The resolution of this finding is without cause

Criteria

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

TOWN OF RICHWOOD, LOUISIANA
Summary Schedule of Findings
for the Year Ended June 30, 2016

(CONTINUED)

SECTION II – FINANCIAL STATEMENT FINDINGS, Continued

Audit Finding Reference Number

2016-001 - Untimely Submission of Financial Audit Report by Due Date, Continued

Condition

The Town did not meet the June 30, 2016 statutory deadline for reporting the required annual audit to the State of Louisiana. The Town requested and received an extension of time from the LLA to file its financial statements till January 20, 2017. However, the deadline was not met.

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

Management's Response

The Town was late getting started on this audit due to flooding as well as death of the previous mayor. We look to have our audit complete on time going forward.

TOWN OF RICHWOOD, LOUISIANA
Summary Schedule of Findings
for the Year Ended June 30, 2016

(CONTINUED)

SECTION II – FINANCIAL STATEMENT FINDINGS, Continued

Audit Finding Reference Number

2016-002

Finding Classification

Instance of noncompliance

Finding Type

Grant Administration

Finding Title

Delay in Implementing Parish Transportation Act

Resolution (resolved, not resolved, partially resolved)

Not resolved

Number of years finding reported

Two (2) – 2015 and 2016

Financial impact

Amount less than \$150,000

Resolutions is with or without course

The resolution of this finding is without cause

Criteria

The Parish Transportation Act (PTA) is a set of State Laws [Louisiana Revised Statute (R.S.) 48:751-762] which provides for state funding to the Town for the maintenance, construction, and repairs of the Town's roads. The PTA requires the funds to be used for the benefit of the Town as a whole and in accordance with priority ranking by the Board of Alderpersons. R.S. 48:755.B(2) requires the most critical needs based on the priority to be met first.

TOWN OF RICHWOOD, LOUISIANA
Summary Schedule of Findings
for the Year Ended June 30, 2016

(CONTINUED)

SECTION II – FINANCIAL STATEMENT FINDINGS, Continued

Audit Finding Reference Number

2016-002 - Delay in Implementing Parish Transportation Act, Continued

Condition

The Town did not have a three-year Town-wide capital improvement program for roads.

Cause

Management is in the process of hiring qualified personnel for the implementation of the PTA.

Effect

Failure to comply with the requirements of the PTA may cause suspension and possible forfeiture of the state's parish transportation funds, criminal sanctions for malfeasance, and potential personal liability for civil damages to restore improperly expended funds.

Recommendation

The Mayor and Board of Alderpersons should continue their efforts to comply with the requirements of the PTA by preparing and adopting a municipal-wide unit system of road administration that includes the following:

- A capital improvement program that uses a three-year priority schedule. The priority schedule should include a list of all projects to be constructed in the current fiscal year by order of priority, as well as the two following fiscal years. All road construction projects, including overly projects, must be based upon engineering plans and inspection. This priority schedule must be approved each year by a majority vote in an open board meeting, and the schedule may be amended as additional funding is secured and roadways are included or removed from the municipal-wide system.
- A selective maintenance program under the authority of the road superintendent. The road superintendent should prepare a weekly work schedule for the maintenance jobs and ensure that the work orders include the dates and locations of the work and the labor, materials, and equipment used to perform the work.

TOWN OF RICHWOOD, LOUISIANA
Summary Schedule of Findings
for the Year Ended June 30, 2016

(CONTINUED)

SECTION II – FINANCIAL STATEMENT FINDINGS, Continued

Audit Finding Reference Number

2016-002 - Delay in Implementing Parish Transportation Act, Continued

Recommendation, continued

- Intensifying their recruiting effort to ensure compliance with the PTA requirements.

Management's Response

The Town is currently in the process of hiring an engineer to assist with the planning and preparation for maintenance, construction and repair of the Town roads. We will also ask our street commissioner to work with the engineer to create a selective maintenance program.

TOWN OF RICHWOOD, LOUISIANA
Summary Schedule of Findings
for the Year Ended June 30, 2016

(CONTINUED)

SECTION II – FINANCIAL STATEMENT FINDINGS, Continued

Audit Finding Reference Number

2016-003

Finding Classification

Significant Deficiency

Finding Type

Accounting Records/ Documentation

Finding Title

Strengthening Control Over Recordkeeping

Resolution (resolved, not resolved, partially resolved)

Not resolved

Number of years finding reported

One (1) – 2016

Financial Impact of Finding

Amount less than \$150,000

Resolutions is with or without course

The resolution of this finding is without cause

Criteria

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

TOWN OF RICHWOOD, LOUISIANA
Summary Schedule of Findings
for the Year Ended June 30, 2016

(CONTINUED)

SECTION II – FINANCIAL STATEMENT FINDINGS, Continued

Audit Finding Reference Number

2016-003 - Strengthening Control Over Recordkeeping, Continued

Condition

During our audit, the following situations were noted:

- Errors in selected account receivables and related revenue;
- Addition to fixed assets was not timely recorded;
- Misclassification in grant fund received from the State; and
- Some accruals and correcting journals entries were not made on a timely basis. On a few occasions, these entries were made during our audit.

Cause

Performance of necessary procedures and devotion of required time by the Town's staff are lacking due to their sole reliance on the contract accountant.

Effect

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

Recommendation

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

Management's Response

The Town has engaged an outside CPA firm, Walker and Associates, to complete a monthly reconciliation to assist fiscal officer with timely entries, any errors or misclassifications and an overall strengthening of the recordkeeping process.

TOWN OF RICHWOOD, LOUISIANA
Summary Schedule of Findings
for the Year Ended June 30, 2016

(CONTINUED)

SECTION II – FINANCIAL STATEMENT FINDINGS, Continued

Audit Finding Reference Number

2016-004

Finding Classification

Material Weakness

Finding Type

Payroll Taxes not Remitted Timely

Finding Title

Monitoring and Payments of Unemployment Taxes

Resolution (resolved, not resolved, partially resolved)

Partially resolved

Number of years finding reported

One (1) – 2016

Financial impact of finding

Amount less than \$150,000

Resolutions is with or without course

The resolution of this finding is without cause

Criteria

Records should be maintained in a manner that permits the verification of balances with amounts reported by external parties.

Condition

We noted that the amount recorded on the Town's general ledger is different from the amount confirmed by the Louisiana Workforce Commission by a significant amount. The Town's procedures for the payment of overdue amounts do not provide for appropriate oversight and monitoring of its payables. As a result, the interest and penalties incurred on nonpayment of unemployment taxes continued to increase, yet not recorded on the book on a timely basis. Arrangement to liquidate this debt is yet to be finalized.

TOWN OF RICHWOOD, LOUISIANA
Summary Schedule of Findings
for the Year Ended June 30, 2016

(CONTINUED)

SECTION II – FINANCIAL STATEMENT FINDINGS, Continued

Audit Finding Reference Number

2016-004 - Monitoring and Payments of Unemployment Taxes, continued

Cause

The accounts or subsidiary records are not maintained in a manner that permits appropriate follow-up.

Effect

Penalties and fees continue to mount without proper recordation in the books.

Recommendation

Management should develop procedures to ensure that all debts are monitored and recorded in a manner that permits the amounts to be in agreement with outside information. Furthermore, a better description should be used when entering the transaction into the general ledger.

Management's Response

The Town is in communication with Louisiana Workforce Commission to create a documented payment plan as well as an attempt to abate some; if not all, of the penalties and interest.

TOWN OF RICHWOOD, LOUISIANA
Summary Schedule of Findings
for the Year Ended June 30, 2016

(CONTINUED)

SECTION II – FINANCIAL STATEMENT FINDINGS, Continued

Audit Finding Reference Number

2016-005

Finding Classification

Management Letter Comments

Finding Type

Accounting Records/Documentation

Finding Title

Ineffective Collection Efforts over Sanitation Fees

Resolution (resolved, not resolved, partially resolved)

Unresolved

Number of years finding reported

One (1) – 2016

Financial impact of finding

Amount less than \$150,000

Resolutions is with or without course

The resolution of this finding is without cause

Criteria

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

Condition

We determined there are no documentation and follow-ups on sanitation fees that are past due on a timely basis. The input into the accounting system does not provide for appropriate and adequate oversight.

TOWN OF RICHWOOD, LOUISIANA
Summary Schedule of Findings
for the Year Ended June 30, 2016

(CONTINUED)

SECTION II – FINANCIAL STATEMENT FINDINGS, Continued

Audit Finding Reference Number

2016-005 - Ineffective Collection Efforts Over Sanitation Fees, continued

Cause

Lack of procedures for proper accounting for sanitation fees.

Effect

Uncollected fees may occur without timely detection.

Recommendation

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

Management's Response

The Town will work to improve controls like the collection of sanitation fees. We will adjust our billing system to reflect past due amounts and current due amounts.

TOWN OF RICHWOOD, LOUISIANA
Summary Schedule of Findings
for the Year Ended June 30, 2016

(CONTINUED)

SECTION II – FINANCIAL STATEMENT FINDINGS, Continued

Audit Finding Reference Number

2016-006

Finding Classification

Instance of noncompliance

Finding Type

Accounting Records/Documentation

Finding Title

Incomplete Implementation of New GASB Pension Standards

Resolution (resolved, not resolved, partially resolved)

Unresolved

Number of years finding reported

One (1) – 2016

Financial impact of finding

Amount less than \$150,000

Resolutions is with or without course

The resolution of this finding is without cause

Criteria

Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pension" addresses the underlying accounting and reporting requirements and becomes effective for implementation by the Town in conjunction with other related pension standards.

Condition

We noted that the Town has not fully implemented the provisions of the new GASB pension standards as of June 30, 2016. The required changes in the calculation and reporting of pension obligations and expenses are yet to be implemented.

TOWN OF RICHWOOD, LOUISIANA
Summary Schedule of Findings
for the Year Ended June 30, 2016

(CONTINUED)

SECTION II – FINANCIAL STATEMENT FINDINGS, Continued

Audit Finding Reference Number

2016-006 - Incomplete Implementation of New GASB Pension Standards, continued

Cause

The services of an actuary needed for the necessary calculations are not yet obtained.

Effect

Failure to implement necessary accounting provisions may lead to getting modified or adverse opinion on the Town's financial statements.

Recommendation

The Town should take necessary action to ensure timely implementation of the provisions of accounting and auditing standards as applicable.

Management's Response

This is a new requirement so we will work with our CPA to record the net pension liability and related accounts.

TOWN OF RICHWOOD, LOUISIANA
Summary Schedule of Findings
for the Year Ended June 30, 2016

(CONTINUED)

SECTION II – FINANCIAL STATEMENT FINDINGS, Continued

Audit Finding Reference Number

2016-007

Finding Classification

Management Letter Comment

Finding Type

Segregation of Duties

Finding Title

Data Filing and Maintenance

Resolution (resolved, not resolved, partially resolved)

Unresolved

Number of years finding reported

One (1) – 2016

Financial impact of finding

Amount less than \$150,000

Resolutions is with or without course

The resolution of this finding is without cause

Criteria

Appropriate separation of duties should be in place to ensure that one person cannot control a single transaction.

Condition

We noted during our audit that the fiscal officer has capabilities to calculate each employee's payroll expense, enter it into the accounting system, and keep the respective employee's file in her office. The personnel files are not kept in a fire proof safe and not under dual control.

TOWN OF RICHWOOD, LOUISIANA
Summary Schedule of Findings
for the Year Ended June 30, 2016

(CONTINUED)

SECTION II – FINANCIAL STATEMENT FINDINGS, Continued

Audit Finding Reference Number

2016-007 - Data Filing and Maintenance, continued

Cause

Duties are not adequately segregated for a proper system of checks and balances.

Effect

Errors and misfiling could be accidentally or intentionally occurred and not detected.

Recommendation

Management should consider necessary policies and procedures to provide for the proper data filing and maintenance.

Management's Response

The Town will consider obtaining a fireproof safe to house personnel records separate from what the Fiscal Officer maintains.

TOWN OF RICHWOOD, LOUISIANA
Summary Schedule of Findings
for the Year Ended June 30, 2016

(CONTINUED)

SECTION II – FINANCIAL STATEMENT FINDINGS, Continued

Audit Finding Reference Number

2016-008

Finding Classification

Instance of noncompliance

Finding Type

Bond Covenant Non-Compliance

Finding Title

Debt Service Reserve Requirements

Resolution (resolved, not resolved, partially resolved)

Partially resolved

Number of years finding reported

Two (2) – 2015 and 2016

Financial impact of finding

Amount less than \$150,000

Resolutions is with or without course

The resolution of this finding is without cause

Criteria

The Town's bonded debt indenture requires the Town to hold in reserve \$122,800 for the 2008 Series Bonds and \$28,000 for the 2000 Sewer Revenue Bonds.

Condition

At June 30, 2016, the 2000 Sewer Revenue Bonds was paid off. However the 2008 Series Bonds remain outstanding with a debt service reserve requirement of \$122,800. The Town held a balance of \$59,292 in a reserve account leaving an outstanding balance of \$63,508 unmet as required.

TOWN OF RICHWOOD, LOUISIANA
Summary Schedule of Findings
for the Year Ended June 30, 2016

(CONTINUED)

SECTION II – FINANCIAL STATEMENT FINDINGS, Continued

Audit Finding Reference Number

2016-008 - Debt Service Reserve Requirements, continued

Cause

Management is in the process of catching up with long overdue debts.

Effect

By failing to meet the reserve requirement, the Town is not in compliance with its bond covenants.

Recommendation

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

Management's Response

We are aware that there is a debt reserve requirement of \$122,800 for our 2008 Series Bond and currently have a balance of \$59,292. We have been in contact with the bond officials and will be making regular payments toward the balance remaining.

TOWN OF RICHWOOD, LOUISIANA
Summary Schedule of Findings
for the Year Ended June 30, 2016

(CONTINUED)

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Not applicable

STATUS OF PRIOR YEAR'S AUDIT FINDINGS

TOWN OF RICHWOOD, LOUISIANA
Status of Prior Year's Audit Findings
for the Year Ended June 30, 2016

FINANCIAL STATEMENT FINDINGS

Audit Finding Reference Number

2015-01 Untimely Submission of Financial Audit Report by Due Date

Condition

The Town did not meet the June 30, 2015 statutory deadline for reporting the required annual audit to the State of Louisiana. The Town however did request and receive extensions of time from the Legislative Auditor to file its financial statements.

Recommendation

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

Corrective Action Implemented

In current year, the Town hired the services of an external accounting firm to assist with accounting records and financial statement preparations.

Current Status

We noted significant improvement regarding efforts made by the Town. The lateness in submission of financial audit report by the due date in current year was attributable to the disaster suffered coupled with the tragic death of the Town's mayor. An extension of time was given in accordance with the provisions of LRS 29:724(B)(1). However, the condition was not totally resolved and was repeated as Finding #2016-001.

TOWN OF RICHWOOD, LOUISIANA
Status of Prior Year's Audit Findings
for the Year Ended June 30, 2016

(CONTINUED)

FINANCIAL STATEMENT FINDINGS, Continued

Audit Finding Reference Number

2015-02 Weakness Over Review of Information Used for Preparing Financial Statements

Condition

During the audit, we noted that the Town's process for preparation of its financial statements needs to be improved to ensure timely completion of the reporting process. The deficiencies in the finance department have resulted in completed and accurate funds financial statements not being available to meet the statutory deadlines. The statements provided to us at the beginning of our audit engagement contained numerous inconsistencies and required further corrections. As discussed in other areas, there appears to be a general lack of appropriate supervision and review of completed items prior to providing them to the auditors and representing the information as being complete.

The financial reporting process needs to be put under the direction of a person with the appropriate time and authority to manage the reporting process from beginning to end. We see no reason why a complete and correct draft of the financial statements should not be required to be available within three (3) months after the end of the fiscal year.

Recommendation

Management should look into ways to improve on these conditions and implement necessary procedures to ensure controls are effectively maintained in the finance department. These controls should include appropriately staffed employees. We believe these issues should be addressed immediately to allow for timely completion and availability of the reporting package for the 2016 fiscal year. To assist in this process, the services of an outside accountant, preferably certified public accountant, should be considered.

Corrective Action Implemented

In current year, the Town hired the services of an external accounting firm to assist with accounting records and financial statement preparations.

Current Status

We noted significant improvements implemented by the Town in current year. To ensure consistency in future, the Town needs to continue the current safeguards and disallow falling back to reoccurrence of past mistakes and practices. The condition is considered resolved.

TOWN OF RICHWOOD, LOUISIANA
Status of Prior Year's Audit Findings
for the Year Ended June 30, 2016

(CONTINUED)

FINANCIAL STATEMENT FINDINGS, Continued

Audit Finding Reference Number

2015-03 Material Misstatement

Condition

Restatements of the beginning funds balances for the general, transportation and sewer utility funds were made by the Town to reflect corrections of material misstatements due to error.

Recommendation

We recommend that the Town take the necessary steps to update their current financial reporting control procedures to ensure that the Town's financial statements prepared monthly and annually are reliable and accurate.

Corrective Action Implemented

The Town identified and corrected areas needing improvement by implementing and documenting necessary controls to obviate the condition in the current year. An outside accounting firm assisted and will continue to assist the Town in order to eliminate the reoccurrence of this condition.

Current Status

The condition is considered resolved in current year.

TOWN OF RICHWOOD, LOUISIANA
Status of Prior Year's Audit Findings
for the Year Ended June 30, 2016

(CONTINUED)

FINANCIAL STATEMENT FINDINGS, Continued

Audit Finding Reference Number

2015-04 Debt Service Reserve Requirements

Condition

The Town failed to meet the reserve requirements by \$28,567 for the 2008 Series Bonds as required.

Recommendation

The Town should endeavor to ensure the required balance in the reserve account for each bond issue is maintained at all times in accordance with the bond indentures.

Corrective Action Implemented

The Town continues to pay on all arranged payments.

Current Status

This condition is considered partially resolved. See repeated Finding #2016-008.

TOWN OF RICHWOOD, LOUISIANA
Status of Prior Year's Audit Findings
for the Year Ended June 30, 2016

(CONTINUED)

FINANCIAL STATEMENT FINDINGS, Continued

Audit Finding Reference Number

2015-05 Participation in Louisiana Municipal Police Retirement System

Condition

The police chief and police officers did not participate in the MPERS as required by R.S. 11:2214, and no documentation is on file indicating that individual police officers chose to opt out of the system as allowed by R.S. 11:157 prior to year end. Subsequent to year end, the police officer has become a member of Municipal Police Employees' Retirement System (MPERS).

Recommendation

In accordance with R.S. 11:2214 and R.S. 11:157, all police officers should be given the opportunity to participate in MPERS or should be given the option to opt out of participation. Documentation should be maintained for each police officer evidencing either participation in the retirement system or the employee's decision to opt out of the system

Corrective Action Implemented

As of September 1, 2015, policies and procedures have been implemented to ensure that any future full-time officers of the Town will be offered enrollment to MPERS.

Current Status

The condition is considered resolved in current year.

TOWN OF RICHWOOD, LOUISIANA
Status of Prior Year's Audit Findings
for the Year Ended June 30, 2016

(CONTINUED)

FINANCIAL STATEMENT FINDINGS, Continued

Audit Finding Reference Number

2015-06 The Parish Transportation Act

Condition

The Town did not have a three-year Town-wide capital improvement program for roads.

Recommendation

The Mayor and Board of Alderpersons should immediately begin complying with the requirements of the PTA by preparing and adopting a municipal-wide unit system of road administration that includes the following two programs:

- A capital improvement program that uses a three-year priority schedule. The priority schedule should include a list of all projects to be constructed in the current fiscal year by order of priority, as well as the two following fiscal years. All road construction projects, including overly projects, must be based upon engineering plans and inspection. This priority schedule must be approved each year by a majority vote in an open board meeting, and the schedule may be amended as additional funding is secured and roadways are included or removed from the municipal-wide system.
- A selective maintenance program under the authority of the road superintendent. The road superintendent should prepare a weekly work schedule for the maintenance jobs and ensure that the work orders include the dates and locations of the work and the labor, materials, and equipment used to perform the work.

Corrective Action Implemented

The Town is currently working on policies and procedures to implement in order to be in compliance.

Current Status

The condition is considered unresolved and repeated in current year as Finding #2016-02.

EXIT CONFERENCE

**TOWN OF RICHWOOD, LOUISIANA
EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2016**

The audit report was discussed during the course of the audit and at an exit conference held with **the Town**. The individuals who participated in those discussions were as follows:

TOWN OF RICHWOOD, LOUISIANA

Mayor Gerald Brown	Mayor
Alderman Wysingler Cleveland	Member, Board of Alderpersons
Alderwoman Leola Keys	Member, Board of Alderpersons
Ms. Bettina Woods	Town Clerk
Ms. Tanisha Jolla	Fiscal Officer

BRUNO & TERVALON LLP, CERTIFIED PUBLIC ACCOUNTANTS

Mr. Joseph A. Akanji, CPA	Engagement Partner
Mr. Tyrone James, CFE	Engagement Manager
Ms. Sheconya Tarvin	Staff Auditor