

TOWN OF RICHWOOD, LOUISIANA

FINANCIAL STATEMENTS

June 30, 2013

Melvin L. Davis
Certified Public Accountant

(A Limited Liability Company)

TOWN OF RICHWOOD, LOUISIANA

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INDEPENDENT AUDITOR'S REPORT

Honorable Alvin Jackson, Mayor and
Members of the Board of Alderpersons

Town of Richwood
Richwood, Louisiana

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the governmental activities, the business type activities, and each major fund, of the Town of Richwood, Louisiana, (**the Town**) as of and for the year ended June 30, 2013, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on conducting the 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. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

The Town could not provide sufficient competent evidence to determine the accuracy and completeness of **the Town's** financial statements for the year ended June 30, 2013. **The Town's** management could not provide the following:

- Evidence to determine the size of the liability to the Municipal Police Employee's Retirement System. **The Town's** police employees do not participate in the retirement system as required by LRS 11:2214. **The Town's** failure to participate in the system may have resulted in **the Town** incurring a potentially significant liability

TOWN OF RICHWOOD
Independent Auditor's Report
For the Year Ended June 30, 2013

to the retirement system. As of June 30, 2013, the amount of the liability to the system has not been evaluated, estimated or recorded in **the Town's** financial statements.

- Evidence to support the amounts reported in the financial statements of **the Town's** sewer enterprise fund (a major fund). At June 30, 2013, the sewer fund's financial statements reported assets, liabilities, operating revenue, operating expenses and net assets totaling \$791,090, \$478,357, \$118,335, \$186,476 and \$312,733, respectively. The sewer fund's accounting records were maintained solely by an external service organization that provided the sewer fund's financial statement information to **the Town** at June 30, 2013. **The Town** could not provide sufficient information about the internal controls over the service organization services or sufficient evidence to determine the accuracy and completeness of the financial statement information provided by the service organization.
- Evidence to support the accuracy and completeness of the amount of capital assets reported in the financial statements. At June 30, 2013, **the Town's** governmental activities and business type activities reported capital assets totaling \$1,124,980 and \$660,928, respectively.
- Evidence to support the accuracy and completeness of revenue totaling \$1,046,601 and expenditures totaling \$1,228,435 reported in **the Town's** governmental fund financial statements at June 30, 2013.
- Evidence to support the disclosures related to the items listed in the bullets above.

Further, the condition of **the Town's** accounting records and management's failure to establish internal controls over the accounting records and financial reporting did not allow for the preparation of accurate and complete financial statements.

The accompanying financial statements have been prepared assuming that **the Town** will continue as a going concern. At June 30, 2013, **the Town** faces certain significant financial challenges as disclosed in Note 14 to the financial statements. In addition, **the Town** faces the following conditions:

- The revenue generated by **the Town** has not been sufficient to fund **the Town's** operating expenses and debt service requirements.
- **The Town** has an unassigned fund balance deficit in the general fund

The Town's ongoing revenue shortfalls and inability to meet its financial obligations raise substantial doubt about **the Town's** ability to continue as a going concern. On November 22, 2013, the Louisiana 4th Judicial District Court appointed a fiscal administrator to oversee and manage **the Town's** operations and financial affairs. The fiscal administrator's plans regarding

TOWN OF RICHWOOD
Independent Auditor's Report
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the **Town's** financial condition are discussed in Appendix A "Management's Corrective Action Plan and Response to the Findings and Recommendations." The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

Subsequent to the date of the financial statements, June 30, 2013, **the Town:**

- Defaulted on their 2008 Series A & B Bonds on February 15, 2013 and August 15, 2013 in the amounts of \$47,237 and \$74,000, respectively and had a shortfall in the Reserve Funds in the amount of \$54,822;
- Defaulted on their 2008 Series A & B Bonds on February 15, 2014 in the amounts of \$23,618 and \$17,000, respectively;
- Received a judgment in **the Town's** favor of \$236,000 plus interest of \$44,000 on January 6, 2014, in their lawsuit against Big Bucks Video Bingo; **the Town** settled for \$265,000;
- Failed to pay certain payroll taxes owed to the Internal Revenue Service (IRS) relating to periods subsequent to the balance sheet date. The IRS has placed a lien upon **the Town** in the amount of \$79,706;
- Retained an attorney due to multiple annexation lawsuits filed against **the Town** in which property owners are claiming their property was improperly annexed; and
- Filed suit against Crescent City Bingo Distributors LLC, claiming they failed to pay the required 25% net win between February and November 2008; **the Town** settled for \$40,000.

Disclaimer of Opinion

Because of the inadequacies in **the Town's** accounting records, and the other matters described in the Basis for Disclaimer of Opinion paragraphs, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be

TOWN OF RICHWOOD
Independent Auditor's Report
For the Year Ended June 30, 2013

an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2015, 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* and should be considered in conjunction with this report in assessing the results of our audit.

Paul L. Davis, CPA, LLC

Baton Rouge, Louisiana
March 25, 2015

TOWN OF RICHWOOD, LOUISIANA

Government-Wide
Statement of Net Position
For the Year Ended June 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 6,006	\$ -	\$ 6,006
Investments	56,402	91,257	147,659
Receivables, net	115,557	6,980	122,537
Interfund Receivables	(853)	853	-
Bond Issuance Costs	41,514	31,072	72,586
Capital assets, net of accumulated depreciation	1,124,980	660,928	1,785,908
Total Assets	\$ 1,343,606	\$ 791,090	\$ 2,134,696
LIABILITIES			
Cash deficit	\$ -	\$ 477	\$ 477
Accounts payable	349,254	12,750	362,004
Payroll liabilities	113,236	-	113,236
Interest payable	17,714	-	17,714
Long-term liabilities:			
Portion due within one year	35,000	106,730	141,730
Portion due after one year	774,976	358,400	1,133,376
Total Liabilities	1,290,180	478,357	1,768,537
NET POSITION			
Invested in capital assets, net of related debt	338,805	182,571	521,376
Restricted for:			
Debt service	-	91,257	91,257
Capital improvements	41,612	-	41,612
Unrestricted	(326,991)	38,905	(288,086)
Total Net Position	53,426	312,733	366,159
Total Liabilities and Net Position	\$ 1,343,606	\$ 791,090	\$ 2,134,696

The accompanying notes are an integral part of this statement.

TOWN OF RICHWOOD, LOUISIANA

Government-Wide
Statement of Activities
June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expenses), Revenues, and Changes Primary Government		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Primary government							
Government Activities							
General government	\$ 672,242	\$ 9,425	\$ -	\$ -	\$ (662,817)	\$ -	\$ (662,817)
Public safety	175,250	86,350	-	-	(288,900)	-	(288,900)
Public works	209,178	173,013	64,433	-	28,268	-	28,268
Interest expense	57,880	-	-	-	(57,880)	-	(57,880)
Total Government Activities	1,314,550	268,788	64,433	-	(981,329)	-	(981,329)
Business-Type Activities							
Water and sewer	184,934	118,335	-	-	-	(66,599)	(66,599)
Total Business-Type Activities	184,934	118,335	-	-	-	(66,599)	(66,599)
Total	\$ 1,499,484	\$ 387,123	\$ 64,433	\$ -	\$ (981,329)	\$ (66,599)	\$ (1,047,928)
General revenues:							
Taxes:							
Property taxes				\$ 122,454	\$ -	\$ -	\$ 122,454
Franchise tax				45,740	-	-	45,740
Sales tax revenue				257,827	-	-	257,827
Charitable gaming funds				212,500	-	-	212,500
Licenses and permits				59,314	-	-	59,314
Miscellaneous				15,545	-	-	15,545
Transfers				(10,900)	10,900	-	-
Total general revenues				\$ 702,480	\$ 10,900	\$ -	\$ 713,380
Changes in net position					(278,849)	(55,699)	(334,548)
Net position - beginning, as originally stated					279,163	373,734	652,897
Prior period adjustment					53,112	(5,302)	47,810
Net position - beginning, as restated					332,275	368,432	700,707
Net position - ending					\$ 53,426	\$ 312,733	\$ 366,159

The accompanying notes are an integral part of this statement.

TOWN OF RICHWOOD, LOUISIANA

Governmental Funds
Balance Sheet
June 30, 2013

	GENERAL	TRANSPORTATION FUND	Non-Major Funds		TOTAL GOVERNMENTAL FUNDS
			PHYSICAL ACCESSIBILITY FUND	CAPITAL IMPROVEMENTS FUND	
ASSETS					
Cash and cash equivalents	\$ 3,965	\$ 1,903	\$ 76	\$ 60	\$ 6,006
Investments	56,402	-	-	-	56,402
Accounts receivable, net	89,262	26,295	-	-	115,557
Interfund receivables	12,580	25,856	-	-	38,436
Total Assets	\$ 162,209	\$ 54,056	\$ 76	\$ 60	\$ 216,401
LIABILITIES					
Accounts payable	\$ 349,254	\$ -	\$ -	\$ -	\$ 349,254
Payroll liabilities	113,236	-	-	-	113,236
Interfund payables	26,710	12,580	-	-	39,290
Total Liabilities	489,200	12,580	-	-	501,780
FUND BALANCES					
Assigned		41,476	76	60	41,612
Unassigned	(326,991)	-	-	-	(326,991)
TOTAL FUND BALANCES	(326,991)	41,476	76	60	(285,379)
TOTAL LIABILITIES AND FUND BALANCES	\$ 162,209	\$ 54,056	\$ 76	\$ 60	\$ 216,401

The accompanying notes 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, 2013**

Total fund balances - governmental funds \$ (285,379)

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	1,628,798	
Depreciation expense to date	<u>(503,818)</u>	
		1,124,980

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, 2013 are:

Long-term liabilities:		
Bonds payable	(770,000)	
Certificate of indebtedness	(55,000)	
Discount on bonds payable	15,024	
Interest payable	<u>(17,714)</u>	
		(827,690)

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.

Net Position - Governmental Activities		<u>\$ 53,426</u>
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The accompanying notes are an integral part of this statement.

TOWN OF RICHWOOD, LOUISIANA
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
June 30, 2013

	GENERAL	TRANSPORTATION FUND	ACCESSIBILITY FUND	IMPROVEMENTS	GOVERNMENTAL
REVENUES					
Taxes:					
Property taxes	\$ 122,454	\$ -	\$ -	\$ -	\$ 122,454
Franchise taxes	45,740	-	-	-	45,740
Sales taxes	257,827	-	-	-	257,827
Charitable gaming funds	212,500	-	-	-	212,500
Licenses and permits	59,314	-	-	-	59,314
Fines, forfeitures and court costs	86,350	-	-	-	86,350
Intergovernmental revenues	2,830	61,603	-	-	64,433
Garbage and other fees	173,013	-	-	-	173,013
Rents and royalties	9,425	-	-	-	9,425
Miscellaneous revenues	15,345	-	-	200	15,545
Total Revenues	984,798	61,603	-	200	1,046,601
EXPENDITURES					
Current:					
General government	610,734	-	-	-	610,734
Public safety	368,013	-	-	-	368,013
Public works	195,593	-	-	-	195,593
Capital outlay	-	-	-	-	-
Debt service:					
Interest and bank charges	53,869	18	-	206	54,093
Total Expenditures	1,228,211	18	-	206	1,228,435
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(243,413)	61,585	-	(5)	(181,834)
OTHER FINANCING SOURCES (USES)					
Transfers in	1,700	-	-	-	1,700
Transfers out	(10,400)	(2,200)	-	-	(12,600)
TOTAL OTHER FINANCING SOURCES (USES)	(8,700)	(2,200)	-	-	(10,900)
NET CHANGE IN FUND BALANCES	(252,113)	59,385	-	(6)	(192,734)
FUND BALANCES - BEGINNING	(74,878)	(17,909)	76	66	(92,645)
FUND BALANCES - ENDING	\$ (326,991)	\$ 41,476	\$ 76	\$ 60	\$ (285,379)

The accompanying notes 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
 June 30, 2013

Total net change in fund balances - governmental funds	5	(192,734)
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:		
Depreciation expense	(82,328)	(82,328)
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)	(1,020)
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	5	(278,849)

The accompanying notes are an integral part of this statement.

TOWN OF RICHWOOD, LOUISIANA

Proprietary Fund
Water and Sewer Utility Fund
Statement of Net Position
June 30, 2013

ASSETS

Current assets:

Receivables, net	\$	6,980
Interfund receivable		853
Investments		91,257
Bond Issuance Costs		31,072
Total Current Assets		130,162

Non current assets:

Capital assets, net of depreciation		660,928
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Total Assets**\$ 791,090****LIABILITIES**

Current liabilities:

Cash deficit	\$	477
Accounts, salaries, and other payables		12,750
Bonds payable		106,730
Total current liabilities		119,957

Non-current liabilities:

Bonds payable		358,400
Total non-current liabilities		358,400

Total Liabilities**478,357****NET POSITION**

Invested in capital assets, net of related debt		182,571
Restricted for debt service		91,257
Unrestricted		38,905

Total Net Position**312,733****TOTAL LIABILITES AND NET POSITION****\$ 791,090**

The accompanying notes are an integral part of this statement.

TOWN OF RICHWOOD, LOUISIANA

Proprietary Fund
 Water and Sewer Utility Fund
 Statement of Revenues, Expenses, and Changes in Fund Net Position
 June 30, 2013

OPERATING REVENUES

Charges for services:		
Sewer fees	\$	93,864
Grants		<u>24,471</u>
Total operating revenues		<u>118,335</u>

OPERATING EXPENSES

Cost of services:		
Sewer project costs		24,471
Billing services		73,952
Amortization		4,438
Bank charges		168
Depreciation		<u>59,859</u>
Total operating expenses		<u>162,888</u>
Operating income (loss)		<u>(44,553)</u>

Non-Operating Income (Expenses)

Interest expense		<u>(22,044)</u>
Total Non-Operating Income (Expenses)		<u>(22,044)</u>

TRANSFERS IN/OUT

Transfers - In		12,600
Transfers - Out		<u>(1,700)</u>
Total transfers in (out)		<u>10,900</u>

Changes in net assets		(55,697)
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NET POSITION - BEGINNING		<u>368,430</u>
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NET POSITION - ENDING	\$	<u>312,733</u>
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The accompanying notes are an integral part of this statement.

TOWN OF RICHWOOD

Proprietary Fund - Sewer Enterprise Fund
Statement of Cash Flows
For the Year Ended June 30, 2013

CASH FLOW FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 96,654
Adjustment - Restatement of beginning net assets	(5,304)
Grant receipts	24,471
Payments to suppliers for goods and services	<u>(98,591)</u>
Net cash provided (used) for operating activities	<u>17,230</u>
 CASH FLOW (USES) FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfers in	<u>10,900</u>
Net cash provided (used) for noncapital financing activities	<u>10,900</u>
 CASH FLOW (USES) FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Interest paid on bonds	(22,044)
Grant receipts	
Principal paid on bonds	(25,078)
Capital contributions	-
Purchase of capital assets	<u>-</u>
Net cash provided (used) for capital and related financing activities	<u>(47,122)</u>
 CASH FLOW FROM INVESTING ACTIVITIES:	
Sale on investments	<u>17,002</u>
Net increase (decrease) in cash and cash equivalents	<u>(1,990)</u>
CASH DEFICIT ADJUSTMENT	477
CASH AND CASH EQUIVALENTS - BEGINNING	1,513
CASH AND CASH EQUIVALENTS - ENDING	<u>-</u>
 Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	(44,553)
Adjustments to reconcile operating income to net cash provided (used) for operating activities:	
Depreciation/Amortization	64,297
Adjustment - Restatement of beginning net assets	(5,304)
(Increase) decrease in accounts receivable	<u>2,790</u>
Net cash provided (used) by operating activities	<u>\$ 17,230</u>

The accompanying notes are an integral part of this statement.

TOWN OF RICHWOOD, LOUISIANA
Notes to the Basic Financial Statements
June 30, 2013

Note 1 – Nature of Activities and Significant Accounting

The accompanying financial statements of the Town of Richwood (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.

Reporting Entity

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

As the municipal governing authority, for reporting purposes, the Town 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.
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.

Funds

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.

TOWN OF RICHWOOD, LOUISIANA
Notes to the Basic Financial Statements
June 30, 2013

Note 1 – Nature of Activities and Significant Accounting (continued)

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:

Governmental Funds

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

The Major Funds are:

- 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.
- Transportation accounts for the parish transportation program.

The Non-major Funds are:

- Physical Accessibility fund accounts housing rehabilitation project funds.
- Capital Improvements fund accounts for capital project funds.

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 sewage system.

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

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements (GWFS)

The Statement of Net Assets 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 Assets at the fund financial statement level.

TOWN OF RICHWOOD, LOUISIANA
Notes to the Basic Financial Statements
June 30, 2013

Note 1 – Nature of Activities and Significant Accounting (continued)

The Statement of Net Assets 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 assets are available, it is the Town's policy to first apply restricted resources.

Program Revenues

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

Allocation of Indirect Expenses

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

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:

TOWN OF RICHWOOD, LOUISIANA
Notes to the Basic Financial Statements
June 30, 2013

Note 1 – Nature of Activities and Significant Accounting (continued)

Revenues

- Ad valorem taxes are recognized when all applicable eligibility requirements are met and the resources are available.
- Sales taxes are recognized when the underlying exchange transaction occurs and the resources are available.
- Entitlements and shared revenues are recorded as unrestricted grants-in-aid at the time of receipt or earlier if the “susceptible to accrual” criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met.

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

Expenditures

Salaries are recorded as earned.

Other Financing Sources (Uses)

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

Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from 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.

Budget

The Town adopted a budget for the fiscal year ended June 30, 2013, for the general fund. The Town follows the following procedures in establishing the budgetary data reflected in the financial statements. During the June meeting, the Town Clerk submits to the Board of Alderpersons a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. During the June meeting, the budget is legally enacted through passage of an ordinance. The public is invited to attend all meetings. The Town Clerk is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures or expenses of any fund must be approved by the Board of

TOWN OF RICHWOOD, LOUISIANA
Notes to the Basic Financial Statements
June 30, 2013

Note 1 – Nature of Activities and Significant Accounting (continued)

Alderspersons. Appropriations lapse at the end of the year. There were no amendments to the original budget.

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.

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.

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 Basic Financial Statements
June 30, 2013

Note 1 – Nature of Activities and Significant Accounting (continued)

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

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.

Eliminations and Reclassifications

In the process of aggregating data for the statement of net assets 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.

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.

Capital Assets

Capital assets are recorded at either historical cost or estimated historical cost and depreciated over their estimated useful lives (excluding salvage value). Donated capital assets are recorded at their estimated fair value at the date of donation. The capitalization threshold for equipment is \$500. Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used based on the following estimated useful lives:

<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

Compensated Absences

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

Restricted Net Assets

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

TOWN OF RICHWOOD, LOUISIANA
Notes to the Basic Financial Statements
June 30, 2013

Note 1 – Nature of Activities and Significant Accounting (continued)

- 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.

Fund Equity of Fund Financial Statements

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

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

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

Inter-fund Activity

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly

TOWN OF RICHWOOD, LOUISIANA
Notes to the Basic Financial Statements
June 30, 2013

Note 1 – Nature of Activities and Significant Accounting (continued)

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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Note 2 – Cash and Cash Equivalents

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

Credit Rate Risk: The Town's policy does not address credit rate risk.

Custodial Credit-Deposits: At year-end, the Town's carrying amount of deposits was \$6,006. In the case of deposits, this is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. As of June 30, 2013, the Town's bank balance was fully covered by federal depository insurance or by collateral held by the Town's agent in the Town's name.

The Town's policy does not address custodial credit risk.

Note 3 – Investments

At June 30, 2013, the Town had its assets in money market instruments managed by a financial institution. The account had a fair value of \$56,402 in Governmental Funds and \$91,257 in Enterprise Funds as of June 30, 2013. This amount represents 100% 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-Deposits: For an investment, this is the risk that, in the event of a failure of the counter party, the Town will not be able to recover the value of its investments or collateral securities that are in

TOWN OF RICHWOOD, LOUISIANA
Notes to the Basic Financial Statements
June 30, 2013

Note 3 – Investments (continued)

possession of an outside party. As of June 30, 2013, the Town had \$147,659 in money market instruments which are held by the financial institution in the Town's name.

Note 4 – Receivables

The following is a summary of receivables at June 30, 2013:

<u>Accounts & Accrued Receivables</u>	<u>General</u>	<u>Transportation</u>	<u>Enterprise</u>	<u>Total</u>
Charitable gaming	\$ 10,543	\$ -	\$ -	\$ 10,543
Sales tax	45,653	-	-	45,653
Franchise fees	10,978	-	-	10,978
Garbage collections	20,418	-	-	20,418
Beer taxes	701	-	-	701
Court fines	16,539	-	-	16,539
Parish Transportation Fund	-	26,295	-	26,295
User Fees	-	-	6,980	6,980
Gross Receivables	104,832	26,295	6,980	138,107
Less allowance for uncollectibles	<u>(15,570)</u>	<u>-</u>	<u>-</u>	<u>(15,570)</u>
 Total Receivables	 <u>\$ 89,262</u>	 <u>\$ 26,295</u>	 <u>\$ 6,980</u>	 <u>\$ 122,537</u>

Note 5 – Inter-fund Receivables/Payables

Inter-fund receivables and payables include the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Transportation	\$ 12,580
Transportation Fund	General Fund	25,856
Sewer Enterprise Fund	General Fund	853
Total		<u>\$ 39,289</u>

The inter-fund receivables/payables are to help cover expenditures until program and grant monies are received. The general fund receivable from the transportation fund is not expected to be paid in full within one year.

Inter-fund 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>
General	Enterprise - Sewer	\$ 1,700
Enterprise - Sewer	General Fund	9,200
Total		<u>\$ 10,900</u>

TOWN OF RICHWOOD, LOUISIANA
Notes to the Basic Financial Statements
June 30, 2013

Note 6 – Capital Assets

A schedule of changes in capital assets for the year ended June 30, 2013, follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Ending</u>
Governmental activities:				
Non-depreciable capital assets				
Land	\$ 95,000	\$ -	\$ -	\$ 95,000
Construction-in-progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-depreciable capital assets	95,000	-	-	95,000
Exhaustible capital assets:				
Park improvements	101,937	-	-	101,937
Buildings	943,700	-	-	943,700
Building improvements	20,680	-	-	20,680
Furniture and equipment	211,086	-	-	211,086
Vehicles	141,395	-	-	141,395
Infrastructure – roads	<u>115,000</u>	<u>-</u>	<u>-</u>	<u>115,000</u>
Total depreciable capital assets	1,533,798	-	-	1,533,798
Accumulated depreciation:				
Park improvements	43,132	10,194	-	53,326
Buildings	63,392	47,277	-	110,669
Building improvements	3,551	1,379	-	4,930
Furniture and equipment	172,323	11,975	-	184,298
Vehicles	134,491	6,904	-	141,395
Infrastructure – roads	<u>4,600</u>	<u>4,600</u>	<u>-</u>	<u>9,200</u>
Total accumulated depreciation	421,489	82,329	-	503,818
Total capital assets being depreciated, net	<u>1,112,309</u>	<u>(82,329)</u>	<u>-</u>	<u>1,029,980</u>
Capital assets, net	<u>\$ 1,207,309</u>	<u>\$ (82,329)</u>	<u>\$ -</u>	<u>\$ 1,124,980</u>

Depreciation expense was charged to governmental activities as follows:

General and administrative	\$ 61,508
Police department	7,236
Maintenance department	<u>13,585</u>
Total	<u>\$ 82,329</u>

TOWN OF RICHWOOD, LOUISIANA
Notes to the Basic Financial Statements
June 30, 2013

Note 6 – Capital Assets (continued)

	<u>Balance</u> <u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Ending</u>
Business-type activities:				
Nondepreciable capital assets:				
Construction-in-progress	\$ -	\$ -	\$ -	\$ -
Exhaustible capital assets:				
Furniture and equipment				
(Sewer System)	<u>1,691,328</u>	<u>-</u>	<u>-</u>	<u>1,691,328</u>
Total depreciable capital assets	1,691,328	-	-	1,691,328
Accumulated depreciation – furniture				
and equipment (Sewer System)	<u>970,541</u>	<u>59,859</u>	<u>-</u>	<u>1,030,400</u>
Total accumulated depreciation	970,541	59,859	-	1,030,400
Capital assets, net	<u>\$ 720,787</u>	<u>\$ (59,859)</u>	<u>\$ -</u>	<u>\$ 660,928</u>

Note 7 – Long-term Liabilities

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Governmental Activities:					
Bonds payable	\$ 770,000	\$ -	\$ -	\$ 770,000	\$ -
Less deferred amount for					
Issuance of discounts	<u>(16,044)</u>	<u>-</u>	<u>(1,020)</u>	<u>(15,024)</u>	<u>-</u>
Total bonds payable	753,956	-	(1,020)	754,976	-
Certificate of indebtedness	<u>55,000</u>	<u>-</u>	<u>-</u>	<u>55,000</u>	<u>35,000</u>
Total governmental activities	<u>808,956</u>	<u>-</u>	<u>(1,020)</u>	<u>809,976</u>	<u>35,000</u>
Business-type Activities:					
Series 2000	90,208	-	25,078	65,130	26,730
Series 2008 B	<u>400,000</u>	<u>-</u>	<u>-</u>	<u>400,000</u>	<u>80,000</u>
Total business-type activities	<u>490,208</u>	<u>-</u>	<u>25,078</u>	<u>465,130</u>	<u>106,730</u>
Total long-term liabilities	<u>\$ 1,299,164</u>	<u>\$ -</u>	<u>\$ 24,058</u>	<u>\$ 1,275,106</u>	<u>\$ 141,730</u>

TOWN OF RICHWOOD, LOUISIANA
Notes to the Basic Financial Statements
June 30, 2013

Note 7 – Long-term Liabilities (continued)

<u>Bond Issue</u>	<u>Issue Date</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Final Payment Due</u>	<u>Interest to Maturity</u>	<u>Principal Outstanding</u>	<u>Fund</u>
Town of Richwood Sewer							
Revenue Bond Certificate of Indebtedness,	8/7/2000	\$290,000	6.40%	10/1/2015	\$ 5,157	\$ 65,131	Enterprise
Series 2005	7/1/2005	150,000	6.00%	6/1/2015	5,250	55,000	General
Bonds, Series 2008A	2/1/2008	770,000	6.00%	2/15/2028	575,906	770,000	General
Bonds, Series 2008B	2/1/2008	530,000	8.50%	2/15/2020	161,925	400,000	Enterprise

The individual issues are as follows:

In August 2000, the Town issued revenue bonds in the amount of \$290,000 to upgrade and expand the sewer system. These bonds are paid by the Enterprise Fund - Sewer.

In July 2005, the Town issued Certificate of Indebtedness, Series 2005 in the amount of \$150,000 for the sole purpose of extinguishing a debt with the Internal Revenue Service for prior year payroll liabilities. The Certificate of Indebtedness is paid by the General Fund.

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, 2013, are as follows:

<u>Year</u>	<u>Governmental Funds</u>			<u>Enterprise Fund</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 20,000	\$ 49,638	\$ 69,638	\$ 66,730	\$ 33,993	\$ 100,723
2015	20,000	48,438	68,438	73,492	28,832	102,324
2016	-	47,238	47,238	59,909	23,507	83,416
2017	-	47,238	47,238	55,000	19,125	74,125
2018	-	47,238	47,238	60,000	14,450	74,450
2019-2023	265,000	217,890	482,890	110,000	16,175	126,175
2024-2028	<u>505,000</u>	<u>98,214</u>	<u>603,214</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 810,000</u>	<u>\$ 555,894</u>	<u>\$ 1,365,894</u>	<u>\$ 425,131</u>	<u>\$ 136,082</u>	<u>\$ 561,213</u>

TOWN OF RICHWOOD, LOUISIANA
Notes to the Basic Financial Statements
June 30, 2013

Note 8 – Litigation and Claims

The Town is involved in litigation at June 30, 2013.

The Town owes \$98,986 for unemployment claims for periods of fiscal year 2009-12 and \$58,311 for workers compensation insurance coverage for certain periods of fiscal year 2008 to fiscal year 2010. The Town also owes \$28,907 for federal payroll taxes penalties and interest and \$3,016 for state payroll taxes for the 2012 fiscal year. All of these liabilities are included in the General Fund.

Note 9 – 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 10 – 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.

<u>Property Tax Calendar</u>	
Millage rates adopted	September, 2012
Levy date	January 1, 2012
Tax bills mailed	November, 2012
Due date	December 31, 2012
Lien date	January 1, 2013

Assessed values are established by the Ouachita Parish Tax Assessor each year on a uniform basis at the following ratios of assessed value to fair market value.

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

State law requires the Town to collect property taxes in the calendar year in which the assessment is made. Property taxes become delinquent January 1 of the following year. If taxes are not paid by the due date, taxes bear interest at the rate of 1.00% per month until the taxes are paid.

TOWN OF RICHWOOD, LOUISIANA
Notes to the Basic Financial Statements
June 30, 2013

Note 10 – Levied Taxes (continued)

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 2012 and January and February 2013. All property taxes are recorded in the general fund. The Town considers the date penalty and interest accrues (January 1, 2013) 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 2013 are budgeted in the 2012-2013 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.

Note 11 - 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 \$48,272. This amount was recognized as state revenue with a corresponding expenditure in the applicable fund from which the salary was paid.

Note 12 – 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, and \$28,000 for its 2000 Sewer Revenue Bonds to remain in compliance with its bond covenant. For the year ended June 30, 2013, the Town failed to meet this requirement by a total of \$29,279.

Note 13 – 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% of the audited entity's revenues. Charitable gaming revenue for the current year was \$212,500 or 22% of the Town's current year revenues.

Note 14 – Significant Financial Challenges

The Town's near-term financial challenges are due to an unassigned fund deficit of \$326,991 in the General Fund. The Town's net change in fund balance was a decrease of \$252,113 in the General Fund for fiscal year ended June 30, 2013.

**SUPPLEMENTARY INFORMATION
SCHEDULE**

TOWN OF RICHWOOD, LOUISIANA
Supplementary Schedule – Compensation
Paid to the Mayor and Alderpersons
For the Year Ended June 30, 2013

The schedule of compensation paid to the Mayor and Alderpersons was prepared in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. As authorized by Town ordinance, alderpersons are paid \$775 per month for regular meetings and \$50 per each special meeting held. Also, the Mayor Pro-Tempore is paid an extra \$50 per month and the Street Commissioner an extra \$25 per month. The following schedule shows total amounts paid in the fiscal year ended June 30, 2013:

Alvin Jackson, Mayor	\$ 51,923
Leola Keys, Alderperson/Street Commissioner	9,900
Wysinger Cleveland, Alderperson/Mayor Pro-Tempore	9,850
Gerald Brown, Alderperson	9,300
Margie Davis, Alderperson	9,300
Simeon Profit, Alderperson	<u>9,300</u>
 Total	 <u>\$ 99,573</u>

**INDEPENDENT AUDITOR'S REPORT
REQUIRED BY
*GOVERNMENT AUDITING STANDARDS***

Melvin L. Davis
Certified Public Accountant

(A Limited Liability Company)
P. O. Box 73360 • Baton Rouge, Louisiana 70874
Phone (225) 774-4703 • Fax (225) 774-4509

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

Honorable Alvin Jackson, Mayor and
Members of the Board of Alderpersons
Town of Richwood
Richwood, Louisiana

We were engaged to audit the financial statements of the Town of Richwood (**the Town**), as of and for the year ended June 30, 2013, and have issued my report thereon dated March 25, 2015, in which we disclaimed an opinion on **the Town's** financial statements. We were unable to issue an opinion on the town's financial statements because of the condition of the accounting records and management's inability to provide us with documentation necessary to support an opinion.

Internal Control over Financial Reporting

Management of **the Town** is responsible for establishing and maintaining effective 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 my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **the Town's** internal control. Accordingly, I do not express an opinion on the effectiveness of **the Town's** internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section 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, 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 deficiencies described in the accompanying schedule of findings in Exhibit A to be material weaknesses.

TOWN OF RICHWOOD

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*

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 in Exhibit B 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 my 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 in Exhibit C.

Town of Richwood Response to Findings

The Town's response to the findings identified in our audit is in the accompanying schedule in Appendix A. **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 for the information and use of management, the fiscal Administrator, the Louisiana 4th Judicial district court, the Mayor, others within the organization, the board of alderpersons, federal awarding agencies, and pass-through entities, and is not intended to be and should not be use by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Melvin L. Davis, CPA, LLC

Baton Rouge, Louisiana
March 25, 2015

TOWN OF RICHWOOD
SCHEDULE OF FINDINGS
Findings Related to Material Weaknesses

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TOWN OF RICHWOOD
SCHEDULE OF FINDINGS
Findings Related to Material Weaknesses (Continued)

2013-01 Financial Management

Year Initially Reported: 2012

Condition: The governing authority of the Town failed to provide effective financial management as evidenced by Current Year Findings in *Exhibits A* through *C* and Prior Year Unresolved Findings in *Exhibit D*.

Criteria: The Mayor and Board of Alderpersons are responsible for managing the fiscal affairs of the Town efficiently, effectively and in compliance with all applicable laws and regulations.

Cause: The governing authority does not appear to have sufficient financial, legal, and technical expertise to effectively and efficiently manage the Town's fiscal affairs.

Effect: Management of the Town is failing to effectively exercise its fiduciary responsibilities of managing the fiscal operations of the Town. This report reveals significant deficiencies and material weaknesses in financial management and controls over Town operations and presents matters that are contrary to Louisiana laws.

Recommendation: Management should ensure that sufficient financial, legal, and technical expertise is available to assist management in resolving the findings in this report. A written plan should be developed and adopted that addresses the issues in this report, and the Board of Alderpersons should monitor progress against the plan each month until all issues are adequately resolved.

2013-02 Segregation of Duties

Year Initially Reported: 2012

Condition: There is inadequate segregation of duties within the Town's administration to provide effective internal control. For example, the Chief Fiscal Officer has the ability to create/delete vendors, process vendor checks, add/delete employees, pay employees, add/inactivate general ledger accounts and reconcile the corresponding bank accounts without managerial oversight.

Criteria: Duties should be adequately segregated among the Town's administrative staff to provide effective internal control.

Cause: Town's management failed to properly segregate duties for an effective system of internal control.

Effect: The Town's segregation of duties is inadequate to provide effective internal control over disbursements and payroll. Inadequate segregation of duties could lead to inaccurate financial reporting and misuse and misappropriation of Town's funds.

TOWN OF RICHWOOD
SCHEDULE OF FINDINGS
Findings Related to Material Weaknesses (Continued)

Recommendation: The Town should assign of duties among administrative staff to ensure as much segregation of duties as possible.

2013-03 Un-Auditable Records

Year Initially Reported: 2012

Condition: Supporting documentation for the Town's transactions was incomplete, missing or invalid.

Criteria: Valid, complete supporting documentation should be available for all transactions.

Cause: The Town does not have procedures in place to ensure that all transactions are supported by adequate documentation.

Effect: We were unable to determine if account balances and related disclosures are fairly presented at June 30, 2013. In addition, without complete, valid supporting documentation to support transactions, we were unable to perform the analytical procedures sufficiently to assist in the planning of the nature, timing and extent of further audit procedures of the Town's audit.

Recommendation: Supporting documentation should be properly maintained for all transactions.

2013-04 Recording Transactions

Year Initially Reported: 2007

Condition: Town personnel have failed to record its transactions in an accurate, complete, and timely manner. During the audit, we noted the following instances:

1. Compiled financial statements contained 39 adjusting journal entries totaling over \$2,535,964.
2. Fail to record transaction related to funds placed on deposit with fiscal agents used to services the Town's bond indebtedness. The failure to record these transactions resulted in cash and investment being overstated by \$37,969.
3. The Town purchase commercial insurance coverage by entering a Commercial Insurance Purchase Finance and Security Agreement. The loan was used to pay the premiums in full, but actually recorded the monthly scheduled payments as "Building/Car Insurance expense (both principal and interest). Therefore, the Town has not properly accounted for notes payable and prepaid expenses/deferred outflows of resources.

**TOWN OF RICHWOOD
SCHEDULE OF FINDINGS**

Findings Related to Material Weaknesses (Continued)

4. Review of bank reconciliations at June 30, 2013, disclosed numerous unreconciled differences, unidentified check numbers, check voided without explanations and documentation, and checks eliminated from outstanding check listing without explanation of how and why.
5. Sewer Fees – Net sewer fees in the amount of \$3,555 were erroneously recorded in the General Fund.
6. Garbage Collections – An adjusting journal entry recorded a accounts receivable for the month of June 30, 2013 garbage collections in the amount of \$5,448, however, it appears that the amount was actually for the month of July 2013. Therefore, garbage collections receivable and revenues appears to be overstated at year-end. Furthermore, garbage collections receivable includes \$4,062 outstanding since June 2011 and based on another adjusting entry, it appears that this amount should have been written-off.
7. Property Taxes – The town fail to record the entire amount of property taxes levied that it ultimately expects to collect as property taxes receivable and revenue. In addition, the Town fail to record the Ouachita Parish Sheriff's Office collection fee of \$3,435 as both revenue and expenditures and erroneously records interest and penalties as property tax revenue, instead of as interest earned.
8. Court Fines – The Town does not maintain subsidiary ledgers to support amounts recorded in the general ledger. At June 30, 2013, court fines receivable balance totaled \$16,539. Our review of the account showed that no payments have been applied since the year ended June 30, 2011. Such is highly unlikely and it is assumed that the payments may have been recorded as traffic fines and thus resulting in misstatement of court fines receivable and both traffic and court fines revenues.
9. Payroll Liabilities – Several immaterial payroll liability accounts have remained unchanged since the year ended June 30, 2011. In addition, at June 30, 2013, the account includes accrued payroll for the pay period ended June 29, 2012 in the amount of \$24,581. Failure to properly account for this transaction, results in misstatement of payroll liabilities and expenditures for the year ended June 30, 2013.
10. Accrued Interest Payable – The General and Sewer Funds reported accrued interest payable of \$17,714 and \$12,750 respectively at June 30, 2013. However, these amounts were actually paid to bondholders on August 15, 2012. Therefore, the accounts are misstated at June 30, 2013.

Criteria: Town personnel should properly record transactions in order to provide management with accurate financial information.

Cause: The Town's fiscal officer lacks sufficient training to post transactions properly.

TOWN OF RICHWOOD
SCHEDULE OF FINDINGS
Findings Related to Material Weaknesses (Continued)

Effect: Without adequate financial records, management is basing its decision on incomplete and/or inaccurate information during the year, and excessive time is spent at year end in preparing and auditing the financial statements.

Recommendation: The Town should provide its fiscal officer with the necessary training to ensure that accounting transactions are recorded in an accurate, complete, and timely manner to facilitate the efficient preparation of monthly and year-end financial statements.

2013-05 Documentation

Year Initially Reported: 2012

Condition: The Town failed to maintain proper documentation for the capital assets, expenditures and payroll accounts. For example:

Capital Assets:

- *Proof of Ownership of Vehicles* - The Town was unable to provide original certificates of title for 3 of the 12 vehicles on its capital asset listing and 5 of 16 vehicles not included on the capital asset listing at June 30, 2013.
- *Disposal of Assets* - The capital asset listing was not adjusted promptly when assets are disposed of. As reported in the prior audit, fifty-seven assets listed on the asset listing were not located, and we were unable to determine the disposition of those assets.

Expenditures:

- *Supporting documentation was not always available* - Of the 51 expenditures tested, 18 expenditures totaling \$36,103 were posted to the general ledger with no supporting documentation (see related finding "2013-09 - Cash Disbursement Transactions"). We were therefore unable to determine if these expenditures were properly authorized, for a legitimate business purpose, paid in full, or classified correctly.
- *Management Review of Expenditures* - Supporting documentation was not always provided to management prior to paying bills, and management did not always documenting its review and approval. Of the 51 expenditures tested, 46 expenditures totaling \$118,422 did not have documented authorization.

Payroll:

- *Payroll Records Missing* - Time sheets for 4 of 60 employees could not be found during the audit period. In addition, documentation supporting supervisor's approval of overtime was missing for 10 of 60 payroll records tested (see related finding "2013-11 - Payroll Administration").

TOWN OF RICHWOOD
SCHEDULE OF FINDINGS
Findings Related to Material Weaknesses (Continued)

Criteria: The Town should maintain proper documentation to support all transactions and account balances.

Cause: The Town's administration is not properly trained, and written procedures are not in place to ensure that proper documentation is maintained for all transactions and account balances.

Effect: Without proper supporting documentation, the completeness and accuracy of the Town's transactions and accounts cannot be assured.

Recommendation: Town's management should implement policies and procedures to ensure proper documentation is maintained to support all transactions and account balances.

2013-06 Financial Statements

Year Initially Reported: 2012

Condition: Monthly financial statements for all Town funds, including budget-to-actual comparison, were not prepared and presented to the Mayor and the Board of Alderpersons for review and discussion.

Criteria: The Mayor and the Board of Alderpersons should be provided with monthly financial statements for all Town funds, including budget-to-actual comparison. In addition, they should be provided with detailed information regarding the Town's expenditures, including the due dates. The financial statements should be discussed at regular meetings, and such discussion should be reflected in the monthly agenda and documented in the minutes.

Cause: The Town does not have procedures in place to provide monthly financial statements to those charged with governance.

Effect: Those charged with governance may not have the knowledge and skills to carry out their responsibilities with respect to the Town's finances.

Recommendation: The Mayor and the Board should be provided with monthly financial statements for all Town funds, including budget-to-actual comparison. In addition, they should be provided with detailed information regarding the Town's expenditures, including the due dates. The Mayor and the Board should discuss this information at its regular meetings, and such discussion should be reflected in the monthly agenda and documented in the minutes. Finally, Town staff familiar with the financial information should be present at the meetings to address questions regarding the financial information.

TOWN OF RICHWOOD
SCHEDULE OF FINDINGS
Findings Related to Material Weaknesses (Continued)

2013-07 Contract/Franchise Management

Year Initially Reported: 2012

Condition: Written contracts were not available for all services provided by third parties. For example, written contracts were not found for the Town's legal counsel, Veolia Water, Ouachita Correctional Service, Big Bucks Video, and Hohn, LLC.

The Town's management does not appear to be familiar with the terms and conditions of the contracts the Town was able to provide to us. For example:

- The Town pays service providers (e.g. IESI) and receives payments from third-parties (e.g. M-N Utilities), but was unable to determine if the services and payments received were in compliance with the terms and conditions of their contracts.
- During the period under audit, the Town failed to enter into an operating contract for sewer services. Its previously contracted service organization is no longer providing these services to the Town. The services are now being provided by another company without a written contract with the Town.
- Additionally, we have been unable to determine if the amounts paid by Richwood Correctional Center (\$102,000 annually) were appropriate and in compliance with contracted terms.

In addition, our review of the Town's files disclosed that the ordinances granting franchises to American Television and Communications Corporation d/b/a Louisiana CATV, Inc. (Comcast) and Greater Ouachita Water Company actually expired in February 1999 and October 2013, respectively.

Criteria: All agreements for services (professional or otherwise) and programs with third parties should be in the form of a written contract. RS 33:4401 (A), which states "These franchises shall not be exclusive, nor be for a period longer than sixty years and shall be subject to any terms, conditions and stipulations prescribed by the governing authorities of the municipalities".

Cause: Town's management may not be aware of the necessity of executing written contracts and monitoring compliance with the terms and conditions of contracts that have been executed. It appears that the expiration of the franchise ordinances were the result of lacking oversight by the Town's management.

Effect: Written contracts were not available for all services provided by third parties, and Town's management does not appear to be familiar with the terms and conditions of the contracts the Town had executed. Allowing the franchise ordinances to expire, the companies are merely continuing to pay franchise fees based on the terms, conditions and stipulations previously agreed to and the companies are operating without being granted franchises.

TOWN OF RICHWOOD
SCHEDULE OF FINDINGS
Findings Related to Material Weaknesses (Continued)

Recommendation: All agreements for services (professional or otherwise) and programs with third parties should be in the form of a written contract. The contracts should be organized, filed in a central location, and monitored to ensure that services received by the Town comply with the terms and conditions of the contracts.

Also, in the future, we suggest that management consider implementing the following best practices to improve controls over contract administration:

- Perform a cost/benefit analysis before entering into new contracts or renewing existing contracts for professional and other services.
- Use a formal Request for Proposal (RFP) process to solicit and award contracts for professional services.
- Require legal counsel to review all contracts before acceptance/signing.

In addition, the Town should implement policies and procedures to ensure that all existing franchise ordinances are current and that companies are adhering to the terms, conditions and stipulations prescribed by the Town.

2013-08 Claims and Litigation

Year Initially Reported: 2012

Condition: Management failed to report various litigation and claims in the financial statements. Our review of the Town's files disclosed at a minimum 6 claims, litigation, and settlements totaling \$109,284, plus legal interest that should have been reported in the Town's financial statements.

Criteria: Management is responsible for adopting policies and procedures to identify, evaluate, and account for litigation, claims, and assessments as a basis for the preparation of financial statements in conformity with generally accepted auditing standards.

Cause: Management failed to adopt policies and procedures to identify, evaluate, and account for litigation, claims, and assessments as a basis for the preparation of financial statements in conformity with generally accepted auditing standards.

Effect: Litigation, claims and assessment were not reported in the financial statements in conformity with generally accepted auditing standards.

Recommendation: Management should adopt policies and procedures to identify, evaluate, and account for litigation, claims, and assessments as a basis for the preparation of financial statements in conformity with generally accepted auditing standards.

TOWN OF RICHWOOD
SCHEDULE OF FINDINGS
Findings Related to Material Weaknesses (Continued)

2013-09 Cash Disbursement Transactions

Year Initially Reported: 2012

Condition: Town management has not implemented policies and procedures to ensure cash disbursements are properly administered and supporting documentation is maintained. In our review of 51 transactions totaling \$120,231.02 we noted the following:

- Nineteen transactions tested totaling \$36,455.00 were not paid within 30 days after the invoice date.
- Eighteen transactions tested totaling \$36,102.51 were not supported by proper documentation, i.e., invoice, check requisitions, purchase order, etc.
- Forty-six transactions tested totaling \$118,422.02 were paid without documentation of approval by the Mayor or Town Clerk.
- Five transactions tested totaling \$17,412.99 were partially paid.
- One transaction tested for \$291.00 was on the general ledger and monthly bank reconciliations but was never issued.
- Two transactions totaling \$975.68 selected for testing from the general ledger could not be found.
- Two transactions totaling \$3,486.47 for fuel purchases, 27 of the 79 invoices supporting the monthly statements did not have the vehicle numbers for which the fuel was purchased noted on the invoices.

Criteria: Cash transactions should be properly administered and supporting documentation maintained as required by the Town's policies and procedures.

Cause: Cash balances could not support paying bills as they came due and the Town's personnel does not have the proper oversight or training to ensure compliance with policies and procedures.

Effect: The Town has incurred late payment penalties, interest charges and has had services cut by vendors due to paying bills later than their due date.

Recommendation: The Town should pay vendor invoices, as they come due. The Town's staff should be provided the proper training and oversight to ensure cash disbursements are properly administered and supporting documentation is maintained. In addition, we strongly recommend that a better system of documentation retention and file maintenance be implemented.

TOWN OF RICHWOOD
SCHEDULE OF FINDINGS
Findings Related to Material Weaknesses (Continued)

2013-10 Debt Service Reserve Requirements

Year Initially Reported: 2012

Condition: According to the Town's bonded debt indenture, the Town is required to hold in reserve \$122,800 for its 2008 Series Bonds and \$28,000 for its 2000 Sewer Revenue Bonds. The Town disclosed in its notes to the financial statements that it had failed to meet the reserve requirements by \$29,279 for the 2008 Series Bonds.

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.

Cause: Town management may not be fully aware of the requirements of its bond covenants.

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

Recommendation: The Town should ensure that the balance in the reserve accounts meet the required amounts in accordance with the bond indentures.

2013-11 Payroll Administration

Year Initially Reported: 2012

Condition: Town management has not implemented policies and procedures to ensure that payroll and leave are properly administered and supporting documentation is maintained. In our review of supporting documentation for payroll, we noted the following:

- Six timesheets of the 60 tested were not signed by employees.
- Three timesheets of the 60 tested were not approved and signed by the supervisor.
- Documentation proving that overtime was approved by the supervisor prior to working overtime was not documented for 10 of the 60 overtime payroll records tested.
- Timesheets for 4 of the 60 employees could not be found and there was no documentation to determine hours worked and approved by supervisor.
- Management was not receiving a report of all changes made to payroll during the pay period for review and approval.

Criteria: Payroll and leave should be properly administered and supporting documentation maintained.

Cause: Lack of management oversight, policies and procedures and properly trained personnel.

**TOWN OF RICHWOOD
SCHEDULE OF FINDINGS**

Findings Related to Material Weaknesses (Continued)

Effect: Without proper oversight, written policies and procedures or trained personnel, the town is inconsistent in its payroll and leave administration. Without consistent payroll and leave administration, the completeness and accuracy of the payroll accounts and transactions cannot be assured.

Recommendation: Payroll and leave should be properly administered and supporting documentation maintained.

2013-12 Written Policies and Procedures

Year Initially Reported: 2009

Condition: The Town did not have written policies and procedures for all of its key financial areas. For example, the Town has no written policies and procedures for the following:

- The Town's economic development program.
- Strategic plan to help ensure that management operates within its available funding and maintains a reasonable fund balance.
- Ethics, including matters such as nepotism and prohibited activities (e.g., related party transactions) and requiring that an annual certification letter be signed by the Mayor, Board of Alderpersons, and all employees attesting to their compliance with the ethics policy.
- Retention of public records, including e-mail communications.
- Reconciling cash and investments, including procedures for investing excess cash and ensuring bank balances and investments are fully secured.
- Budgeting process, including procedures for preparing, adopting, monitoring, and amending budgets.
- Financial reporting process, including the nature, extent, and frequency of reporting financial information to management.
- Receipts/collections process, including receiving (e.g., by mail), recording, preparing bank deposits, and a formal review and approval process.
- Procurement/purchasing process, including how purchases are initiated and approved, and checks and balances to ensure compliance with the public bid law.
- Expenditures/disbursements process, including a formal review and approval process.

**TOWN OF RICHWOOD
SCHEDULE OF FINDINGS**

Findings Related to Material Weaknesses (Concluded)

- Travel, including rates for business lodging and parking, and filing standard expense reimbursement reports.
- Contracts process, including legal review and ongoing monitoring to ensure that services received comply with terms and conditions.
- Computer processes, including backing up and storing computer files and security and general controls for the computer system.
- Capital assets, including recording, tagging, inventorying, safeguarding, and disposing of assets.

Criteria: Written policies and procedures are necessary to provide a clear understanding of what should be done, how it should be done, who should do it, and when it should be done. In addition, written policies and procedures aid in the continuity of operations and for cross-training staff or training new staff.

Cause: Although reported as a finding since 2009, the governing authority was unaware of the importance of written policies and procedures to ensure effective internal controls.

Effect: Failure to provide Town staff with formal policies and procedures can adversely affect job performance and consistency in the Town's functions and practices.

Recommendation: The Town should have adequate written policies and procedures for all significant areas of the Town's operations.

**NONCOMPLIANCE FINDINGS CONSIDERED TO BE
MATERIAL WEAKNESSES**

We considered the noncompliance findings 2013-16, 2013-17, 2013-19, 2013-20, 2013-21, 2013-23, 2013-24, and 2013-25 described in Exhibit C to be Material Weaknesses.

TOWN OF RICHWOOD
SCHEDULE OF FINDINGS
Findings Related to Significant Deficiencies

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TOWN OF RICHWOOD
SCHEDULE OF FINDINGS
Findings Related to Significant Deficiencies (Continued)

2013-13 - Incomplete Personnel Files

Year Initially Reported: 2012

Condition: Personnel files did not always contain the required documentation. Of the 41 personnel files reviewed:

- Two files did not contain Form W-4 (Federal Withholding Allowance Certificate).
- Three files did not contain the Form L-4 (Louisiana Employee Withholding Exemption Certificate). In addition one L-4 on file was not dated and one incorrectly dated January 9, 2017.
- Eight files lacked photocopies of both a photo ID and Social Security/ Birth Certificate.
- Sixteen files the Form I-9 was not signed by the employer indicating verification of the employee's identity and established that he/she is eligible to accept employment in the United States.
- Twenty-one did not include Louisiana Municipal Police Employees Retirement System, (MPERS) documentation, or documentation on file indicating that the employees within the Police Department chose to opt out of the system.

Criteria: Personnel files should contain all required documentation.

Cause: The Town did not implement prior audit recommendations.

Effect: Possible non-compliance with IRS and other statutory requirements; possible penalties from failure to comply. Personnel files had inconsistent and incomplete documentation for Town employees.

Recommendation: All personnel files should contain all required and relevant documentation.

2013-14 - Collections and Deposits

Year Initially Reported: 2012

Condition: There is a lack of controls over collections and deposits of building/park rental receipts and property taxes (see related finding "2013-18 - Property Not Sold or Seized to Collect Delinquent Property Taxes"). During the audit period an employee was terminated for apparently misappropriating funds collected for building rental, however we were unable to follow-up because pertinent records were not available.

Criteria: The Town should have proper controls over collections and deposits.

TOWN OF RICHWOOD
SCHEDULE OF FINDINGS
Findings Related to Significant Deficiencies (Continued)

Cause: The Town does not have procedures in place to provide for controls over collections and deposits.

Effect: Without procedures in place to ensure proper controls over collections and deposits, including reconciling corresponding bank accounts, accounting records may be inaccurate and improper activity may not be detected.

Recommendation: Controls over collections and deposits should be designed and implemented.

2013-15 – Documentation of Business Related Travel

Year Initially Reported: 2013

Condition: Nine travel-related expenditures totaling \$2,498.41 were not supported by documentation required by the Town's policies and procedures. Our review of travel expenditure files disclosed the following exceptions:

- Business related travel and advances were not approved in advance by the Mayor in writing.
- Employee travel expenses and related advances were not submitted on the *Travel Advance Request Form* and *Travel Expense Form*.
- Lodging expenses were not supported by detail itemized receipts but by the hotel's reservation confirmation received via the internet.
- One employee was reimbursed 396 miles at .51 cents per mile for a round trip.
- Employees receiving advances for business related travel did not sign the authorization form to deduct the travel advance from the employee's payroll in 30 days if required documentation was not received.
- Documentation was missing to support business related travel for \$450.00.

Criteria: Business travel and travel advances must be approved in advance by the Mayor in writing. An advance for funds must be reasonable, be approved by the Mayor in writing and documented on both the *Travel Advance Request* and *Travel Expense Form*. Travel policy limits reimbursement of mileage to a maximum of 99 miles per round trip at 51 cent per mile.

Cause: Town's employees have not been properly trained to ensure compliance with applicable policies and procedures for business related travel.

Effect: Travel could be paid in noncompliance with the Town's policies and procedures.

TOWN OF RICHWOOD
SCHEDULE OF FINDINGS
Findings Related to Significant Deficiencies (Concluded)

Recommendation: Travel related expenses should be authorized and paid in accordance with the Town's written policies and procedures.

**NONCOMPLIANCE FINDINGS CONSIDERED TO BE
SIGNIFICANT DEFICIENCIES**

We considered the noncompliance findings 2013-18 and 2013-22 described in Exhibit C to be Significant Deficiencies.

TOWN OF RICHWOOD
SCHEDULE OF FINDINGS
 Findings Related to Compliance

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TOWN OF RICHWOOD
SCHEDULE OF FINDINGS
Findings Related to Compliance (Continued)

2013–16 - Louisiana Audit Law

Year Initially Reported: 2008

Condition: The Town did not submit its audit report by the statutory due date, which is six months after the agency's fiscal year end, or December 31, 2013.

Criteria: Louisiana Audit Law (R.S.) 24:513 requires audits of local government agencies to be completed within six months of the close of the government's fiscal year.

Cause: The Town did not engage a public accounting firm to perform the Town's audit for the fiscal year ended June 30, 2013 in a timely manner.

Effect: The Town has failed to comply with Louisiana Audit Law.

Recommendation: Management should take immediate steps to ensure that the Town's records are in auditable condition so that future reports are submitted to the Legislative Auditor by the statutory due date.

2013–17 - Louisiana Constitution Article VII, Section 8

Year Initially Reported: 2012

Condition: Twice during the period under audit, the Town entered into financing agreements without State Bond Commission's approval, as required by the Louisiana Constitution.

Criteria: Louisiana Constitution Article VII, Section 8 (B), which states, "No bonds or other obligations shall be issued or sold by the state, directly or through any state board, agency, or commission, or by any political subdivision of the state, unless prior written approval of the bond commission is obtained."

Cause: Management was unaware that all financing agreements required prior written approval of the bond commission.

Effect: The town has failed to comply with the Louisiana Constitution.

Recommendation: The Town should obtain approval from the State Bond Commission before any debt is incurred, as required by the Louisiana Constitution.

TOWN OF RICHWOOD
SCHEDULE OF FINDINGS
Findings Related to Compliance (Continued)

2013-18 - Property Not Sold or Seized to Collect Delinquent Property Taxes

Year Initially Reported: 2010

Condition: The Town's collection efforts are limited to sending out a second notice for tax collections. If the taxpayer does not pay from the initial billing or the second billing, no action is taken to secure the funds due the Town.

Criteria: Louisiana Constitution Article VII, Section 25 (A) Tax Sales. (1) which states, "There shall be no forfeiture of property for nonpayment of taxes. However, at the expiration of the year in which the taxes are due, the collector, without suit, and after giving notice to the delinquent in the manner provided by law, shall advertise for sale the property on which the taxes are due. The advertisement shall be published in the official journal of the parish or municipality, or, if there is no official journal, as provided by law for sheriffs' sales, in the manner provided for judicial sales. On the day of the sale, the collector shall sell the portion of the property which the debtor points out. If the debtor does not point out sufficient property, the collector shall sell immediately the least quantity of property which any bidder will buy for the amount of taxes, interest, and costs. The sale shall be without appraisal. A tax deed by a tax collector shall be prima facie evidence that a valid sale was made."

RS 47:2154 (A), which states, "The tax collector shall seize, advertise, and sell tax sale title to the property or an undivided interest therein upon which delinquent taxes are due, on or before May first of the year following the year in which the taxes were assessed, or as soon thereafter as possible."

Cause: Management was unaware of the requirements of the Constitution and state law as they applied to delinquent property taxes.

Effect: The Town has failed to comply with the Louisiana Constitution and state law.

Recommendation: Management should strictly comply with Louisiana Constitution and state law.

2013-19 - Federal Employee Eligibility Requirements

Year Initially Reported: 2012

Condition: The Town did not have a U.S. Department of Homeland Security - Form I-9, Employment Eligibility Verification, on file for each employee hired after November 6, 1986, as required by federal law. Form I-9, when properly completed, is documentation that the employer verified the employee's identity and established that he/she is eligible to accept employment in the United States.

TOWN OF RICHWOOD
SCHEDULE OF FINDINGS
Findings Related to Compliance (Continued)

Out of the 41 personnel files reviewed:

- The Employer Section was completed and signed by the employee in one personnel file.
- The Employer Section was blank (not completed as required) in 21 personnel files.

Criteria: All employees hired after November 6, 1986, should complete the Form I-9 as required by the Immigration Reform and Control Act of 1986, Public Law 99-603 (8 USC 1324a).

Cause: Town employees were not adequately trained to ensure compliance with applicable employment laws.

Effect: Failure of the Town to ensure proper completion of this form for each employee may result in civil or criminal penalties. In addition, employing individuals knowing that they are unauthorized to work in the United States may subject the employer to civil and/or criminal penalties.

Recommendation: The Town should implement procedures to ensure compliance with applicable employment laws.

2013-20 - Participation in Louisiana Municipal Police Retirement System

Year Initially Reported: 2012

Condition: The police chief and police officers do not participate in the Louisiana Municipal Police Employees Retirement System (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.

Criteria: R.S. 11:2214 and R.S. 11:157 require all police officers to participate in MPERS or be given the option to opt out of participation.

Cause: The Town did not implement prior audit recommendations.

Effect: The Town failure to comply with state Law and as we were unable to determine the extent of the potential liability to the Town, the Town's estimated portion of retirement contribution potential liability has not been determined.

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.

TOWN OF RICHWOOD
SCHEDULE OF FINDINGS
 Findings Related to Compliance (Continued)

2013-21 - Record Retention Laws

Year Initially Reported: 2012

Condition: Management was unable to provide:

- minutes of the board of meetings for June 2013;
- published notice stating that the proposed budget was available for public inspection
- ordinances relating to franchise fees, licenses and permits; and
- supporting documentation for various expenditures/capital assets/payroll.

In addition, the Town has not prepared and submitted a records retention schedule to the state archivist for approval as required by Louisiana law.

Criteria: R.S. 44:36 states, "All persons and public bodies having custody or control of any public record, other than conveyance, probate, mortgage, or other permanent records required by existing law to be kept for all time, shall exercise diligence and care in preserving the public record for the period or periods of time specified for such public records in formal records retention schedules developed and approved by the state archivist and director of the division of archives, records management, and history of the Department of State. However, in all instances in which a formal retention schedule has not been executed, such public records shall be preserved and maintained for a period of at least three years from the date on which the public record was made."

R.S. 44:411 states, "The head of each agency shall submit to the state archivist, in accordance with the policies, rules, and regulations prescribed by the secretary and the implementational standards and procedures established by the state archivist, schedules proposing the length of time each state record series warrants retention for administrative, legal, or fiscal purposes after it has been created or received by the agency."

Cause: Town management was unaware of the record retention requirements proscribed by state law.

Effect: The Town has failed to comply with state law.

Recommendation: The Town should prepare a records retention schedule and preserve public records in accordance with state law.

2013-22 - Parish Transportation Act

Year Initially Reported: 2012

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

TOWN OF RICHWOOD
SCHEDULE OF FINDINGS
 Findings Related to Compliance (Continued)

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 Town roads and requires the funds to be used for the benefit of the Town as a whole and in accord with the priority ranking by the board of alderpersons. R.S. 48:755.B (2) requires the most critical needs based on the priority ranking to be met first.

Cause: Management did not have sufficient understanding of the compliance requirements of the PTA.

Effect: Failure to comply with the requirements of the PTA may cause suspension of 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 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 overlay 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.

2013-23 - Local Government Budget Act

Year Initially Reported: 2012

Condition: The Town adopted the 2012-2013 budgets by Ordinance 2012-02 on June 26, 2012. However, due to certain budget filing documents not being available (see "2013-22 - Record Retention Laws" finding) as required by the Local Government Budget Act (LGBA), we were unable to determine the following:

- The budget message was signed by the budget preparer
- The budget was completed and submitted to the governing authority and made available for public inspection
- Whether the Town cause to be published a notice stating that the proposed budget was available for public inspection

TOWN OF RICHWOOD
SCHEDULE OF FINDINGS
 Findings Related to Compliance (Continued)

- Whether the Town adopted a budget amendment in an open meeting, as result of a change in operation
- Whether the chief executive officer advised the governing authority in writing when:
 1. Total revenue and other sources plus projected revenue and other sources for the remainder of the year, within a fund, are failing to meet total budget revenues and other sources by five percent or more.
 2. Total actual expenditures and other uses plus projected expenditures and other uses for the remainder of the year, within a fund, are exceeding the total budget expenditures and other uses by five percent or more.
 3. Actual beginning fund balance, within a fund, fails to meet estimated beginning fund balance by five percent or more and fund balance is being used to fund current year expenditures.

In addition, our review of the Budgetary Comparison Schedule – General Fund for the year ended June 30, 2013, included in the agency prepared annual financial statements showed the following:

- Estimated fund balances at the beginning of the year (July 1, 2012) exceeded the amount reported in its June 30, 2012 auditor's report by \$756,149.
- The schedule included the Capital Improvement Fund (\$36,858), Maintenance Fund (\$46,049), and Transportation Fund (\$115,000), all of which were budgeted as Special Revenue Funds
- The schedule disclosed unfavorable variance exceeding five percent in projected revenue and other sources, projected expenditures and other uses, and actual beginning fund balance failing to meet estimated beginning fund balance and fund balance being used to fund current year expenditures.
- The general fund had an unassigned fund balance deficit of \$326,991.

Criteria: The LGBA, found in R.S. 39:1301-1315, directs political subdivisions of the State as to the manner in which the budget of the political subdivisions shall be adopted, implemented, and amended. In addition, LGBA directs political subdivisions of the State to revise their budget whenever budgeted resources are failing to meet actual by more than five percent.

Cause: The Town did not implement prior audit recommendations.

Effect: The Town may not be in compliance with the LGBA.

Recommendation: Management should strictly comply with all provisions of the LGBA. The Town's annual budget should contain all required information. The Town should amend the budget whenever budgeted resources are failing to meet actual by more than five percent.

TOWN OF RICHWOOD
SCHEDULE OF FINDINGS
 Findings Related to Compliance (Continued)

2013-24 - Accounting for Dedicated Funds

Year Initially Reported: 2012

Condition: The Town did not clearly account for dedicated funds in accordance with state law and Town ordinance.

Criteria: *Ad Valorem Taxes* - The Town was authorized in 2008 to levy a 20 mills ad valorem tax for a 10-year period which was dedicated for the "purpose of maintaining the police department and for operating recreation facilities in the Town." All ad valorem tax proceeds were deposited into the General Fund. We were unable to determine if taxes were expended as dedicated by the tax proposition. R.S. 39:704 states, "The proceeds of any special tax shall constitute a trust fund to be used exclusively for the objects and purposes for which the tax was levied. The records of the taxing authority shall clearly reflect the objects and purposes for which the proceeds of the tax are used."

Charitable Bingo - Town Ordinance 2005-09 dedicates Video Bingo revenues as follows, based on 25% net win collected being equal to 100% of funds:

- 10% of net win (or 40% of amount collected) for Capital Improvements;
- 10% of net win (or 40% of amount collected) for Police and Recreation;
- 5% of net win (or 20% of amount collected) for General Fund (for any lawful purpose).
- The Town deposited 100% of Bingo Revenues directly into the General Fund, which for fiscal year 2013 is reported as \$357,846.

Cause: Town management may have been unaware of their legal obligation to clearly account for dedicated funds.

Effect: The Town may not be in compliance with state law and Town ordinance.

Recommendation: The Town should begin accounting for their dedicated funds in accordance with state law and Town ordinances.

2013-25 - Annual Inventory

Year Initially Reported: 2012

Condition: The Town did not perform an annual physical inventory of its capital assets for the year ended June 30, 2013. Our observation disclosed the following:

- As reported in the prior audit, ninety-four assets were identified that were not included on the capital asset listing. These items continue to be unreported.

TOWN OF RICHWOOD
SCHEDULE OF FINDINGS
 Findings Related to Compliance (Continued)

- The capital asset listing does not always provide specific description of items such as, make, model, serial numbers, location, etc.
- Some items on the listed cumulative, rather than individually. Many of the individual items would not have met the capitalization threshold.
- Three vehicles purchased during the year were not recorded

Criteria: R.S. 24:515 B (1) requires the Town to maintain records of all land, buildings, improvements other than buildings, equipment, and any other capital assets, which were purchased or otherwise acquired.

Cause: Town's management was relying on third party CPA to perform this service; however, an annual physical inventory was not within the scope of services the third party CPA was to perform for the Town.

Effect: Failure to locate, timely tag, and maintain location records of all movable property exposes the Town to possible loss, theft, and misuse of its assets.

Recommendation: The Town should identify [tag] assets that belong to the Town and include the tag number on the listing of capital assets. The Town should conduct a physical inventory at least annually and determine the propriety of any items not found, if any, during the physical inventory.

2013-26 - Setting Compensation of Certain Employees

Year Initially Reported: 2012

Condition: Compensation of the Town Clerk and Police Chief is not set by ordinance as required by state law.

Criteria: R.S. 33:404.1 which states, in pertinent part, "The board of aldermen shall by ordinance fix the compensation of the mayor, aldermen, clerk, chief of police, and all other municipal officers. The board of aldermen may by ordinance increase or decrease their compensation and the compensation of any nonelected municipal officer and may increase the compensation of other elected officials."

Cause: The Board of Alderpersons was unaware of the statutory requirement to set the Town Clerk and the Police Chief's salaries by ordinance.

Effect: The Town may not be in compliance with state law.

Recommendation: The Town's Board of Alderpersons should comply with R.S. 33.404.1 by setting both the Town Clerk's and Police Chief's compensation by ordinance. The Board should also continue to set the Mayor and Aldermen's level of compensation.

TOWN OF RICHWOOD
SCHEDULE OF FINDINGS
Findings Related to Compliance (Continued)

2013-27 - Quarterly Audit of Traffic Tickets

Year Initially Reported: 2012

Condition: The Town clerk is not performing quarterly audit of the traffic ticket process as statutorily required.

Criteria: R.S. 32:398.3(B), which states, "Each record of traffic citations required in this Part shall be audited quarterly by the appropriate fiscal officer of the governmental agency to which the traffic enforcement agency is responsible" and R.S. 33:422, which states, in part, "The clerk shall be the auditor of the municipality."

Cause: Town management has not provided oversight to ensure this function is performed.

Effect: The Town may not be in compliance with Louisiana law.

Recommendation: The Town should comply with R.S. 32:398 3(B) and R.S 33:422, which states that the Town Clerk should conduct quarterly audits of the traffic ticket process.

2013-28 - Video Bingo

Year Initially Reported: 2012

Condition: The Town appears to be collecting a lower percentage (20% of winnings) of tax on video bingo profits than required by ordinance 2005-09 (25% of winnings) for the period July 2012 through February 2013.

Criteria: Town Ordinance 2005-09 states that 25% of the net win from each electronic video bingo machine shall be paid as a tax to the Town.

Cause: The Town did not have the proper policy and procedures in place to ensure that the correct amount of taxes were being collected from video bingo earnings within the Town.

Effect: The Town receives fewer revenue dollars from video bingo profits than the Town ordinance allows them to collect.

Recommendation: The Town should collect the 25% tax as required by ordinance.

TOWN OF RICHWOOD
SCHEDULE OF FINDINGS
Findings Related to Compliance (Continued)

2013-29 Potential Ethics Violation

Year Initially Reported: 2012

Condition: On July 2, 2012, the Mayor hired the brother of a Town Alderperson to be the Town's Director of Economic Affairs, which may violate the nepotism provisions of the Louisiana Code of Governmental Ethics.

Criteria: R.S. 42:1119 B. (1) states that, "No member of the immediate family of a member of a governing authority or the chief executive of a governmental entity shall be employed by the governmental entity."

Cause: The Town failed to consult with legal counsel and the Louisiana Board of Ethics concerning this hiring, as was recommended by the Louisiana Legislative Auditors Advisory Service's 2012 report.

Effect: The Town may be in violation of state ethics laws.

Recommendation: Management should consult with legal counsel and the Louisiana Board of Ethics about the legality of this employment arrangement.

2013-30 - Collateralizing Funds

Year Initially Reported: 2012

Condition: At June 30, 2013, the Town had \$92,163 in money market funds held at BNY-Mellon that may not have been collateralized as required by law.

Criteria: R.S. 39:1218 states that, "Any bank selected as the fiscal agency of any depositing authority, or any bank with whom a private contract is entered into, whether the bank is within or without the state, shall give security for the safekeeping and payment of the deposits and shall perform other services for the depositing authority as and in the manner provided elsewhere in this Chapter."

Cause: Management was unaware of the collateralization requirements of R.S. 39:1218.

Effect: The Town may be noncompliant with state law.

Recommendation: Management should ensure that funds are collateralized in accordance with state law.

**TOWN OF RICHWOOD
SCHEDULE OF FINDINGS**
Findings Related to Compliance (Concluded)

**FINDINGS CONTAINING COMPLIANCE ISSUES
AS A RESULT OF MATERIAL WEAKNESSES**

We considered the noncompliance findings 2013-16, 2013-17, 2013-19, 2013-20, 2013-21, 2013-23, 2013-24, and 2013-25 described in Exhibit C to be Material Weaknesses.

**FINDINGS CONTAINING COMPLIANCE ISSUES
AS A RESULT OF SIGNIFICANT DEFICIENCIES**

We considered the noncompliance findings 2013-18 and 2013-22 described in Exhibit C to be Significant Deficiencies.

**TOWN OF RICHWOOD
SCHEDULE OF FINDINGS**
Schedule of Prior Year Findings

2012-01 - Lack of Financial Management

Recommendation: Management should ensure that sufficient financial, legal, and technical expertise is available to assist management in resolving the findings in this report. A written plan should be developed and adopted that addresses the issues in this report, and the Board of Alderpersons should monitor progress against the plan each month until all issues are adequately resolved.

Response: Unresolved – See current year finding 2013-1

2012-02 - Lack of Segregation of Duties

Recommendation: The Town should assign of duties among administrative staff to ensure as much segregation of duties as possible.

Response: Unresolved – See current year finding 2013-2

2012-03 - Un-Auditable Records

Recommendation: Supporting documentation should be properly maintained for all transactions.

Response: Unresolved – See current year finding 2013-2

2012-04 - Recording Transactions

Recommendation: Town personnel should properly record transactions and audit adjustments and should cease deleting transactions and adjustments.

Response: Unresolved – See current year finding 2013-4

2012-05 - Documentation

Recommendation: Town's management should implement policies and procedures to ensure proper documentation is maintained to support all transactions and account balances.

Response: Unresolved – See current year finding 2013-05

TOWN OF RICHWOOD
SCHEDULE OF FINDINGS
Schedule of Prior Year Findings (Continued)

2012-06 - Financial Statements

Recommendation: The Mayor and the Board should be provided with monthly financial statements for all Town funds, including budget-to-actual comparisons. In addition, they should be provided with detailed information regarding the Town's expenditures, including the due dates. The Mayor and the Board should discuss this information at its regular meetings, and such discussion should be reflected in the monthly agenda and documented in the minutes. Finally, Town staff familiar with the financial information should be present at the meetings to address questions regarding the financial information.

Response: Unresolved – See current year finding 2013-06

2012-07 - Contract Management

Recommendation: All agreements for services (professional or otherwise) and programs with third parties should be in the form of a written contract. The contracts should be organized, filed in a central location, and monitored to ensure that services received by the Town comply with the terms and conditions of the contracts.

Also, in the future, we suggest that management consider implementing the following best practices to improve controls over contract administration:

- Perform a cost/benefit analysis before entering into new contracts or renewing existing contracts for professional and other services
- Use a formal Request for Proposal (RFP) process to solicit and award contracts for professional services
- Require legal counsel to review all contracts before acceptance/signing

Response: Unresolved – See current year finding 2013-07

2012-08 – Claims and Litigation

Recommendation: Management should adopt policies and procedures to identify, evaluate, and account for litigation, claims, and assessments as a basis for the preparation of financial statements in conformity with generally accepted auditing standards.

Response: Unresolved – See current year finding 2013-08

TOWN OF RICHWOOD
SCHEDULE OF FINDINGS
Schedule of Prior Year Findings (Continued)

2012-09 - Timely Payments

Recommendation: The Town should pay vendor invoices, payroll, and related liabilities as these obligations become due and payable.

Response: Unresolved – See current year finding 2013-9

2012-10 - Debt Service Reserve Requirements

Recommendation: The Town should disclose in its financial statements the amount of funds required to be held in reserve by its bond covenants. Additionally, the Town should ensure that the reserve accounts meet the required amounts in accordance with the bond indentures.

Response: Partially resolved – See current year finding 2013-10

2012-11 - Payroll Administration

Recommendation: Payroll and leave should be properly administered and supporting documentation maintained.

Response: Unresolved – See current year finding 2013-11

2012-12 - Lack of Written Policies and Procedures

Recommendation: The Town should have adequate written policies and procedures for all significant areas of the Town's operations.

Response: Unresolved – See current year finding 2013-12

2012-13 – Management Representation Letter

Recommendation: Management should ensure written representations are provided to auditors.

Response: Resolved

2012-14 - Incomplete Personnel Files

Recommendation: All personnel files should contain all required and relevant documentation

Response: Unresolved – See current year finding 2013-13

TOWN OF RICHWOOD
SCHEDULE OF FINDINGS
Schedule of Prior Year Findings (Continued)

2012-15 - Collections and Deposits

Recommendation: Controls over collections and deposits should be designed and implemented. Also, Town's management should review bank reconciliations each month to ensure they are reconciled timely and that all reconciling items are appropriate.

Response: Unresolved – See current year finding 2013-14

2012-16 - Non-Business Related Travel

Recommendation: Documentation should always be provided and maintained on file to substantiate the business necessity for any travel. Travel that is unnecessary should not be paid by the Town.

Response: Partially resolved – See current year finding 2013-15

2012-17 - Louisiana Audit Law

Recommendation: Management should take immediate steps to ensure that the Town's records are in auditable condition so that future reports are submitted to the Legislative Auditor by the statutory due date.

Response: Unresolved – See current year finding 2013-16

2012-18 - Louisiana Constitution Article VII, Section 8

Recommendation: The Town should obtain approval from the State Bond Commission before any debt is incurred, as required by the Louisiana Constitution.

Response: Unresolved – See current year finding 2013-17

2012-19 - Property Not Sold or Seized to Collect Delinquent Property Taxes

Recommendation: Management should strictly comply with Louisiana Constitution and State Law.

Response: Unresolved – See current year finding 2013-18

TOWN OF RICHWOOD
SCHEDULE OF FINDINGS
Schedule of Prior Year Findings (Continued)

2012-20 – Federal Employee Eligibility Requirements

Recommendation: The Town should implement procedures to ensure compliance with applicable employment laws.

Response: Unresolved – See current year finding 2013-19

2012-21 – Participation in Louisiana Municipal Police Retirement System

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.

Response: Unresolved – See current year finding 2013-20

2012-22 - Record Retention Laws

Recommendation: The Town should prepare a records retention schedule and preserve public records in accordance with state law.

Response: Unresolved – See current year finding 2013-21

2012-23 - Parish Transportation Act

Recommendation: The Mayor and Board of Alderpersons should immediately begin complying with the requirements of the PTA by preparing and adopting a Town-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 overlay 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.

Response: Unresolved – See current year finding 2013-22

TOWN OF RICHWOOD
SCHEDULE OF FINDINGS
Schedule of Prior Year Findings (Continued)

2012-24 - Local Government Budget Act

Recommendation: Management should strictly comply with all provisions of the LGBA. The Town's annual budget should be adopted by ordinance before the beginning of each fiscal year (July 1) and the budget should contain all required information. The Town should amend the budget whenever budgeted resources are failing to meet actual by more than five percent. Any amendments to the budget are also required to be adopted by ordinance [R.S. 33:406.A (3)].

Response: Unresolved – See current year finding 2013-23

2012-25 - Accounting for Dedicated Funds

Recommendation: The Town should begin accounting for its dedicated funds in accordance with state law and Town ordinances.

Response: Unresolved – See current year finding 2013-24

2012-26 - Annual Inventory

Recommendation: The Town should identify [tag] assets that belong to the Town and include the tag number on the listing of capital assets. The Town should conduct a physical inventory at least annually and determine the propriety of any items not found, if any, during the physical inventory.

Response: Unresolved – See current year finding 2013-25

2012-27 - Setting Compensation of Certain Employees

Recommendation: The Town's Board of Alderpersons should comply with R.S. 33:404.1 by setting both the Town Clerk's and Police Chief's compensation by ordinance. The Board should also continue to set the Mayor and Aldermen's level of compensation.

Response: Unresolved – See current year finding 2013-26

2012-28 - Quarterly Audit of Traffic Tickets

Recommendation: The Town should comply with R.S. 32:398.3(B) and R.S. 33:422, which state that the Town Clerk should conduct quarterly audits of the traffic ticket process.

Response: Unresolved – See current year finding 2013-27

TOWN OF RICHWOOD
SCHEDULE OF FINDINGS
Schedule of Prior Year Findings (Concluded)

2012-29 - Video Bingo

Recommendation: The Town should collect the 25% tax as required by ordinance.

Response: Unresolved – See current year finding 2013-28

2012-30 - Potential Ethics Violation

Recommendation: Management should consult with legal counsel and the Louisiana Board of Ethics about the legality of this employment arrangement.

Response: Unresolved – See current year finding 2013-29

2012-31 – Collateralizing Funds

Recommendation: Management should ensure that funds are collateralized in accordance with state law.

Response: Unresolved – See current year finding 2013-30

**MANAGEMENT'S CORRECTIVE ACTION
PLANS AND RESPONSES TO THE
FINDINGS AND RECOMMENDATIONS**

**TOWN OF RICHWOOD
YEAR ENDED JUNE 30, 2013
MANAGEMENT'S CORRECTIVE ACTION PLANS AND
RESPONSES TO THE FINDINGS AND RECOMMENDATIONS**

SCHEDULE OF FINDINGS – MATERIAL WEAKNESSES

2013-01 Financial Management

Recommendation: Management should ensure that sufficient financial, legal, and technical expertise is available to assist management in resolving the findings in this report. A written plan should be developed and adopted that addresses the issues in this report, and the Board of Alderpersons should monitor progress against the plan each month until all issues are adequately resolved.

Response: The Town Council meets monthly to review financial information and make decisions concerning the affairs of the Town. The Fiscal Administrator will continue to work with The Town's Management to ensure sound fiscal management.

Contact Information:

Jonald J. Walker, III, CPA, Fiscal Administrator
Town of Richwood
2710 Martin Luther King Drive
Richwood, Louisiana 71202
(318) 328-4328 (office)
(318) 322-0584 (fax)

2013-02 Segregation of Duties

Recommendation: The Town should assign duties among administrative staff to ensure as much segregation of duties as possible.

Response: The Town has assigned duties between the two office personnel to, under the circumstances, get a degree of assurance that one individual does not have the ability to manipulate the financial management system to his/her advantage. The Fiscal Administrator will continue to monitor personnel duties to ensure that, as far as possible, there is sufficient segregation of duties between the two office personnel.

2013-03 Un-Auditable Records

Recommendation: Supporting documentation should be properly maintained for all transactions.

Response: The Town has developed policies and implemented procedures for the retention of required documents needed to support all financial transactions.

2013-04 Recording Transactions

Recommendation: The Town should provide its fiscal officer with the necessary training to ensure that accounting transactions are recorded in an accurate, complete, and timely manner to facilitate the efficient preparation of monthly and year-end financial statements.

Corrective Action: The Town will work with the Fiscal Administrator to establish procedures and provide additional training for the accounting personnel to properly record transactions and audit adjustments.

Implementation Date: March 31, 2015

Contact Information:

Jonald J. Walker, III, CPA, Fiscal Administrator
Town of Richwood
2710 Martin Luther King Drive
Richwood, Louisiana 71202
(318) 328-4328 (office)
(318) 322-0584 (fax)

2013-05 Documentation

Recommendation: Town's management should implement policies and procedures to ensure proper documentation is maintained to support all transactions and account balances.

Response: The Town has prepared and implemented policies and procedures to govern its key financial areas. The Town will continue to monitor the implementation of the policy relative to documentation.

2013-06 Financial Statements

Recommendation: The Mayor and the Board should be provided with monthly financial statements for all Town funds, including budget-to-actual comparison. In addition, they should be provided with detailed information regarding the Town's expenditures, including the due dates. The Mayor and the Board should discuss this information at its regular meetings, and such discussion should be reflected in the monthly agenda and documented in the minutes. Finally, Town staff familiar with the financial information

should be present at the meetings to address questions regarding the financial information.

Response: The Mayor and Town Council are currently being provided with monthly financial statements for all Town funds, including budget-to-actual comparison.

Corrective Action: The Mayor and Town Council will be provided with an aged accounts payable listing detailing the Town's expenditure. Currently the Town Clerk is present at the meetings and is available to respond to financial matters that are under her scope of duty; however the Town will require that staff responsible for the financial records be present at the monthly Town Council meetings to address questions regarding the financial information being presented.

Implementation Date: March 31, 2015

Contact Information:

Jonald J. Walker, III, CPA, Fiscal Administrator
Town of Richwood
2710 Martin Luther King Drive
Richwood, Louisiana 71202
(318) 328-4328 (office)
(318) 322-0584 (fax)

2013-07 Contract/Franchise Management

Recommendation: All agreements for services (professional or otherwise) and programs with third parties should be in the form of a written contract. The contracts should be organized, filed in a central location, and monitored to ensure that services received by the Town comply with the terms and conditions of the contracts.

Also, in the future, we suggest that management consider implementing the following best practices to improve controls over contract administration:

- Perform a cost/benefit analysis before entering into new contracts or renewing existing contracts for professional and other services.
- Use a formal Request for Proposal (RFP) process to solicit and award contracts for professional services.
- Require legal counsel to review all contracts before acceptance/signing.

In addition, the Town should implement policies and procedures to ensure that all existing franchise ordinances are current and that companies are adhering to the terms, conditions and stipulations prescribed by the Town.

Corrective Action: The Town will continue to work with the Fiscal Administrator and legal counsel to ensure that all agreements for services and programs with third parties are in writing. The Town will ensure that these contracts are organized in a central location and monitored regularly to ensure compliance with all contract terms and conditions. Additionally, the Town will implement the best practices listed above to improve its control over contract administration.

Implementation Date: March 31, 2015

Contact Information:

Jonald J. Walker, III, CPA, Fiscal Administrator
Town of Richwood
2710 Martin Luther King Drive
Richwood, Louisiana 71202
(318) 328-4328 (office)
(318) 322-0584 (fax)

2013-08 Claims and Litigation

Recommendation: Management should adopt policies and procedures to identify, evaluate, and account for litigation, claims, and assessments as a basis for the preparation of financial statements in conformity with generally accepted auditing standards.

Corrective Action: The Town will work with Legal Counsel to estimate the probable outcome and costs of all pending legal action against the Town in order to accurately account for these cases in its financial statements.

Implementation Date: March 31, 2014

Contact Information:

Jonald J. Walker, III, CPA, Fiscal Administrator
Town of Richwood
2710 Martin Luther King Drive
Richwood, Louisiana 71202
(318) 328-4328 (office)
(318) 322-0584 (fax)

2013-09 Cash Disbursement Transactions

Recommendation: The Town should pay vendor invoices, as they come due. The Town's staff should be provided the proper training and oversight to ensure cash disbursements are properly administered and supporting documentation is maintained. In

addition, we strongly recommend that a better system of documentation retention and file maintenance be implemented.

Response: In 2013 the Town of Richwood was operating with little or no cash. As such it became difficult to pay vendors when the invoices became due. The Town's cash situation has improved tremendously since then. Policies and procedures are currently in place to ensure timely payment to vendors.

2013-10 Debt Service Reserve Requirements

Recommendation: The Town should ensure that the balance in the reserve accounts meet the required amounts in accordance with the bond indentures.

Response: In 2013 The Town of Richwood was operating with little or no cash as such the debt service reserve was used to maintain day to day operations. The Town's cash situation has improved tremendously since then. The Fiscal Administrator is working with the Town's staff to build the debt service reserve to the prescribed level.

2013-11 Payroll Administration

Recommendation: Payroll and leave should be properly administered and supporting documentation maintained.

Response: The Town has prepared and implemented policies and procedures to govern its key financial areas including payroll administration. The Town will continue to monitor the implementation of these policies.

2013-12 Written Policies and Procedures

Recommendation: The Town should have adequate written policies and procedures for all significant areas of the Town's operations.

Response: The Town has prepared and implemented policies and procedures to govern its key financial areas. The Town will continue to monitor the implementation of these policies.

SCHEDULE OF FINDINGS – SIGNIFICANT DEFICIENCIES

2013-13 – Incomplete Personnel Files

Recommendation: All personnel files should contain all required and relevant documentation.

Corrective Action: The Town has developed policies and implemented procedures for the required documents needed for all personnel files. The Town is not required to have copies of the documentation of work authorization on file, however, since copies were made of documents for some employees, the Town understands that going forward documents will have to be kept for all employees. The Town has made every effort to comply.

Implementation Date: Immediately

Contact Information:

Jonald J. Walker, III, CPA, Fiscal Administrator
Town of Richwood
2710 Martin Luther King Drive
Richwood, Louisiana 71202
(318) 328-4328 (office)
(318) 322-0584 (fax)

2013-14 - Collections and Deposits

Recommendation: Controls over collections and deposits should be designed and implemented.

Response: The Town has developed policies and implemented procedures for the proper handling of collection and deposit of revenue. Bank reconciliations are prepared monthly for all bank accounts. The Town will continue to ensure that personnel adheres strictly to the newly developed policies and procedures.

Corrective Action: The Town will reassign the rental process of the multi-purpose facility to the fiscal manager in order to better track receipt of funds that are collected by the Town Clerk.

Implementation Date: Immediately

Contact Information:

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Town of Richwood
2710 Martin Luther King Drive
Richwood, Louisiana 71202
(318) 328-4328 (office)
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2013-15 – Documentation of Business Related Travel

Recommendation: Travel related expenses should be authorized and paid in accordance with the Town's written policies and procedures.

Response: Steps were taken in late fiscal year 2014 to ensure that business related travel expenses have the approval of the Mayor and are supported by the proper documentation before payments are made. The Town will continue to monitor progress on correcting this issue.

SCHEDULE OF FINDINGS – COMPLIANCE

2013–16 - Louisiana Audit Law

Recommendation: Management should take immediate steps to ensure that the Town's records are in auditable condition so that future reports are submitted to the Legislative Auditor by the statutory due date.

Response: The Town is working with the Fiscal Administrator to review financial transactions on a monthly basis. This process is further supported by the fact that financial reports are presented monthly to the Town Council for review and discussion.

2013–17 - Louisiana Constitution Article VII, Section 8

Recommendation: The Town should obtain approval from the State Bond Commission before any debt is incurred, as required by the Louisiana Constitution.

Corrective Action: Management will develop and implement policies to ensure that all aspects of the Louisiana Constitution Article VII, Section 8 are being followed and carried out.

Implementation Date: March 31, 2014

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2013–18 - Property Not Sold or Seized to Collect Delinquent Property Taxes

Recommendation: Management should strictly comply with Louisiana Constitution and state law.

Response: In 2012 The Town turned over the collection of property taxes to the parish. The Parish then is responsible for enforcing the requirements of Louisiana Constitution Article VII, Section 25 (A) Tax Sales and RS 47:2154 (A) on behalf of The Town of Richwood.

2013-19 - Federal Employee Eligibility Requirements

Recommendation: The Town should implement procedures to ensure compliance with applicable employment laws.

Response: The Town has developed policies and implemented procedures for the retention of required documents needed for all personnel files, including Form I-9.

Files where copies of documents were not found were for the Police Department that was closed in November 2013. However The Town is making every effort to secure Form I-9 with supporting documents for all new hires.

2013-20 - Participation in Louisiana Municipal Police Retirement System

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

Response: As part of its hiring process The Town has implemented procedures to ensure that future officers be provided adequate documentation to decide on participation in the Louisiana Municipal Police Retirement System. Currently The Town has only one police officer.

2013-21 - Record Retention Laws

Recommendation: The Town should prepare a records retention schedule and preserve public records in accordance with state law.

Response: The Town has prepared and implemented policies and procedures to govern its key financial areas, including record retention. The Fiscal Administrator will continue to monitor the implementation of these policies.

2013-22 - Parish Transportation Act

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 overlay 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: The Fiscal Administrator will work with the Town's Management to develop a strategic capital improvement plan to include yearly road maintenance.

Implementation Date: March 31, 2014

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2013-23 - Local Government Budget Act

Recommendation: Management should strictly comply with all provisions of the LGBA. The Town's annual budget should contain all required information. The Town should amend the budget whenever budgeted resources are failing to meet actual by more than five percent.

Response: The Town has prepared and implemented policies and procedures to govern its key financial areas, including the preparation and adoption of its annual budget.

2013-24 - Accounting for Dedicated Funds

Recommendation: The Town should begin accounting for their dedicated funds in accordance with state law and Town ordinances.

Response: The Fiscal Administrator is currently working with the Town's staff to ensure that all future dedicated funds are accounted for in accordance with state law and Town ordinance.

2013-25 - Annual Inventory

Recommendation: The Town should identify [tag] assets that belong to the Town and include the tag number on the listing of capital assets. The Town should conduct a physical inventory at least annually and determine the propriety of any items not found, if any, during the physical inventory.

Response: The Town has prepared and implemented policies and procedures to govern its key financial areas including tagging and tracking of capital assets. The Fiscal Administrator will continue to monitor the implementation of these policies.

2013-26 - Setting Compensation of Certain Employees

Recommendation: The Town's Board of Alderpersons should comply with R.S. 33.404.1 by setting both the Town Clerk and Police Chief's compensation by ordinance. The Board should also continue to set the Mayor and Aldermen's level of compensation.

Response: The Town has prepared and implemented policies and procedures to govern its key financial areas including setting compensation for the Town Clerk and Police Chief. The Fiscal Administrator will continue to monitor the implementation of these policies.

2013-27 - Quarterly Audit of Traffic Ticket

Recommendation: The Town should comply with R.S. 32:398 3(B) and R.S. 33:422, which states that the Town Clerk should conduct quarterly audits of the traffic ticket process.

Corrective Action: The Fiscal Administrator is working with the Town Clerk to develop policies and procedures to ensure that quarterly audits of traffic tickets are conducted and documented in compliance with the state's statutes.

Implementation Date: March 31, 2014

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2013-28 - Video Bingo

Recommendation: The Town should collect the 25% tax as required by ordinance.

Response: The Town became aware that the 25% was not being collected per ordinance. Therefore the Town sued the video gaming companies and won a judgment to assess the additional taxes. The Fiscal Administrator is currently working with the Town's staff to ensure that the correct amount of taxes are collected since taxes are scheduled to increase yearly.

2013-29 - Potential Ethics Violation

Recommendation: Management should consult with legal counsel and the Louisiana Board of Ethics about the legality of this employment arrangement.

Response: The Fiscal Administrator continues to work to ensure that all future questionable hiring decisions are made upon consultation with the Town's legal counsel.

2013-30 - Collateralizing Funds

Recommendation: Management should ensure that funds are collateralized in accordance with state law.

Responses: The Town has prepared policies and procedures to govern its key financial areas including collateralizing of funds. The Fiscal Administrator will work with the Town's staff to initial the process of collateralizing of funds.