

**Town of Jonesboro  
Jonesboro, Louisiana**

**Annual Financial Report**

**As of and for the Year Ended June 30, 2011**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge Office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date JUL 11 2012

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# JONALD J. WALKER III CPA LLC

MEMBER OF  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
SOCIETY OF LOUISIANA  
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

Honorable Leslie Thompson, Mayor  
and Members of the Board of Aldermen  
Town of Jonesboro  
Jonesboro, Louisiana

We are engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Jonesboro as of for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management.

Because of inadequacies in the Town's accounting records, we were unable to form an opinion regarding the amounts recorded as opening balances for liabilities and fixed assets and the income and expense or expenditure allocation between departments and funds.

Because of the scope limitation described above we are unable to express, and do not express an opinion on the Town's financial statements as listed in the table of contents.

In accordance with Government Auditing Standards, we have also issued our report dated May 18, 2012 on our consideration of the Town of Jonesboro, Louisiana's internal control over financial reporting and our test 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 the 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 read in conjunction with this report in considering the results of our audit.

*Jonald J. Walker III, CPA, LLC*

Jonald J. Walker III, CPA, LLC

Lake Charles, Louisiana  
May 18, 2012

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**REQUIRED SUPPLEMENTAL INFORMATION:**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

**(Part 1 of 2)**

Town of Jonesboro  
Management's Discussion and Analysis (MD&A)  
June 30, 2011

As management of the Town of Jonesboro, Louisiana, we offer the readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Jonesboro as of and for the year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with the Town's basic financial statements and supplementary information provided in this report in assessing the efficiency and effectiveness of our stewardship of public resources.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements- and Management's Discussion and Analysis for State and Local Governments issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

### **Financial Highlights**

Our financial statements provide these insights into the results of this year's operations:

Governmental activities reported an increase in net assets of \$334,155 and business-type activities reported an increase of \$27,847. The governmental activities revenue increased mainly due to Capital Grants and Contributions. Governmental expenditures increased in expenditures, Public Safety and Public Works.

Governmental activities revenue increased mainly due to Capital Grants.

Totaling spending for our governmental activities was \$2,702,802. A list of the Town's property and sales taxes were used to support the net cost (after deducting restricted grants and fees charged to users) of these three areas: general government of \$250,703, public safety of \$1,102,172, the public works department of \$129,531 and \$3,659 in interest expense.

### **Overview of the Financial Statements**

The Town's annual report consists of a series of financial statements that show information for the Town as a whole, and its funds. The Statement of Net Assets and the Statement of Activities provides information about the activities of the Town as a whole and present a longer-term view of the Town's finances. For our governmental activities, the fund financial statements tell how we financed our services in the short-term as well as what remains for future spending. Fund statements also may give you some insights into the Town's overall financial health. Fund financial statements also report the Town's operations in more detail than the government-wide financial statements by providing information about the Town's most significant funds: the General Fund, Fire Department Ad Valorem Tax, Street Ad Valorem Tax, Street Sales Tax, and the Utility Enterprise Fund.

This Management Discussion and Analysis document introduces the Town of Jonesboro's financial statements. The Town's basic financial statements include three components: (1) government wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The basic financial statements include two kinds of financial statements that present different views of the Town: the **Government-Wide Financial Statements** and the **Fund Financial Statements**. These financial statements also include the **Notes to the Financial Statements** that explain some of the information in the financial statements and provide additional detail. This report also contains additional required

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supplementary information- a budgetary schedule- in addition to the basic financial statements. These components are described below.

**Government-Wide financial statements**

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

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

The *statement of activities* presents information showing how the Town of Jonesboro's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The Government-Wide financial statements can be found immediately following this discussion and analysis.

**Fund financial statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Jonesboro, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Town of Jonesboro has one governmental fund.

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

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

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

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**Notes to the financial statements**

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

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. The Town of Jonesboro adopts an annual budget for the general fund. A budgetary comparison statement is provided for the general fund to demonstrate budgetary compliance.

Our auditor has provided no assurance in the independent auditors' report, located immediately preceding this Management's Discussion and Analysis, that the Basic Financial Statements are fairly stated. Varying degrees of assurance are being provided by the auditor regarding the Required Supplemental Information, and the Supplemental information identified above. A user of this report should read the independent auditors' report carefully to ascertain the level of assurance being provided for each of the other parts of this report.

*Government-wide Financial Analysis*

As noted earlier, net assets may serve over time as a useful indicator of the government's financial position. The Town's net assets totaled \$8,342,394 at June 30, 2011.

The portion of the Town's net assets \$8,342,394 (87%) reflect its investment in capital assets (e.g. land, buildings, improvements and equipment), less any related debt used to acquire those assets that is still outstanding compared to \$6,137,177 (83%) as of June 30, 2010. The Town uses these capital assets to provide services to the citizen of the Town, consequently, these assets are not available for future spending.

An additional portion of the Town's net assets, \$71,940 (1%) represents resources that are subject to external restriction on how they may be used. The remaining portion of the Town's net assets, \$400,094 (5%) and \$533,863 (100%) as of June 30, 2010 and 2011, respectively, is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors at the discretion of the mayor and aldermen. \$533,863 (100%) of the unrestricted net assets of the Town consists of cash, demand deposits, and certificates of deposit compared to \$400,094 (100%) for the prior year.



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	<u>June 30, 2011</u>	<u>June 30, 2010</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,257,361	\$ 1,009,797
Restricted cash- deposits	39,125	112,903
Taxes receivable	72,724	149,953
Other receivables prepaid & inventory	734,547	636,693
Capital assets (net of accumulated depreciation)	<u>10,214,560</u>	<u>9,202,628</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 12,318,317</u></b>	<b><u>\$ 11,111,974</u></b>
<b>LIABILITIES</b>		
Accounts payable and other payables	876,050	526,386
Payable from restricted assets- meter deposits	120,438	111,935
Long-term liabilities	<u>3,031,163</u>	<u>3,093,380</u>
<b>TOTAL LIABILITIES</b>	<b><u>4,089,939</u></b>	<b><u>3,731,701</u></b>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	7,219,876	6,137,177
Restricted for specific purposes	568,655	843,002
Unrestricted	<u>439,847</u>	<u>400,094</u>
<b>TOTAL NET ASSETS</b>	<b><u>\$ 8,228,378</u></b>	<b><u>\$ 7,380,273</u></b>

*The Statement of Net Assets and the Statement of Activities*

Our analysis of the Town as a whole begins with the government-wide financial statements. One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities, which appear first in the Town's financial statements, report information about the Town as a whole and its activities in a way that helps answer this question. We prepare these statements to include *all* assets and liabilities, using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's *net assets* - The difference between assets and liabilities, as reported in the Statement of Net Assets as one way to measure the Town's financial health, or *financial position*. Over time, *increases or decreases* in the Town's net assets- as reported in the Statement of Activities are one indicator of whether its *financial health* is improving or deteriorating. The relationship between revenues and expenses is the Town's operating results. However, the Town's goal is to provide services to our citizens, not to generate profits as commercial entities do. One must consider other nonfinancial factors, such as the quality of police and fire protection, the conditions of the Town's roads, and the quality of water, sewer and sanitation systems to assess the *overall health* of the Town.

In the Statement of Net Assets and the Statement of Activities, we divide the Town into two kinds of activities:

**Governmental Activities** - Most of the Town's basic services are reported here, including the police, fire, street and general administration. Property taxes, franchise fees, licenses and fees, fines and forfeitures, and state and federal grants finance most of these activities.

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Business-type Activities - The Town charges a fee to customers to help it cover all or most of certain services it provides. The Town's water, sewer and sanitation systems are reported here.

Reporting The Town's Most Significant Funds

The Town's fund financial statements provide detailed information about the most significant funds-not the Town as a whole. Some funds are required to be established by State law to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The Town's two kinds of funds- governmental and proprietary- use different accounting approaches.

**Governmental funds** Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Town's operations and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in the reconciliations.

**Proprietary funds** - When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Asset and the Statement of Activities. In fact, the Town's utility enterprise fund (a component of proprietary funds) are the same as business-type activities we report in the government-wide financial statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The Town As A Whole

Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Town's governmental and business-type activities.

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Table 1

Net Assets

June 30, 2010 and 2011

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 1,365,365	\$ 1,287,571	\$ 699,267	\$ 508,872	\$ 2,095,321	\$ 1,796,443
Restricted assets	-	-	39,125	112,903	39,125	112,903
Capital assets	<u>2,598,472</u>	<u>1,702,202</u>	<u>7,616,088</u>	<u>7,500,426</u>	<u>10,214,560</u>	<u>9,202,628</u>
Total assets	3,963,837	2,989,773	8,354,480	8,122,201	12,318,317	11,111,974
Current and other liabilities	404,924	267,130	533,414	259,256	938,338	526,386
Liabilities payable from restricted assets	-	-	120,438	111,935	120,438	111,935
Long-term liabilities	<u>106,819</u>	<u>90,807</u>	<u>2,924,344</u>	<u>3,002,573</u>	<u>3,031,163</u>	<u>3,093,380</u>
Total Liabilities	<u>511,743</u>	<u>357,937</u>	<u>3,578,196</u>	<u>3,373,764</u>	<u>4,089,939</u>	<u>3,731,701</u>
Net assets						
Invested in capital assets, net of related debt	2,524,642	1,636,369	4,695,234	4,500,808	7,219,876	6,137,177
Restricted	568,655	843,002	-	-	568,655	843,002
Unrestricted	<u>358,797</u>	<u>152,465</u>	<u>81,050</u>	<u>247,629</u>	<u>439,847</u>	<u>400,094</u>
Total net assets	<u>\$ 3,452,094</u>	<u>\$ 2,631,836</u>	<u>\$ 4,776,284</u>	<u>\$ 4,748,437</u>	<u>\$ 8,228,378</u>	<u>\$ 7,380,273</u>

Net assets of the Town's governmental activities increased by 31% (\$3,452,094 compared to \$2,631,836 in 2010). Unrestricted net assets- the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements was a \$358,797 at the end of this year.

The net assets of our business-type activities increased by 1% (\$4,776,284 compared to \$4,748,437 in 2010).

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Table 2  
Changes in Net Assets  
June 30, 2011 and 2010

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 185,989	\$ 415,615	\$ 971,194	\$1,074,855	\$ 1,157,183	\$1,490,470
Capital grants and contributions	849,452	808,886	140,177	584,094	989,629	1,392,980
General revenues						
Property taxes	366,547	280,047	-	-	366,547	280,047
Sales tax	1,552,869	1,698,616	-	-	1,552,869	1,698,616
Franchise tax	111,352	105,695	-	-	111,352	105,695
Intergovernmental	124,959	91,380	-	-	124,959	91,380
Other Taxes	5,308	7,524	-	-	5,308	7,524
Licenses and permits	113,443	109,468	-	-	113,443	109,468
Earnings on investments	4,268	8,247	1,980	6,043	6,248	14,290
Miscellaneous	<u>141,593</u>	<u>118,955</u>	<u>-</u>	<u>-</u>	<u>141,593</u>	<u>118,955</u>
Total Revenues	3,455,780	3,644,433	1,113,351	1,664,992	4,569,131	5,309,425
<b>Functions/Program Expenses</b>						
Governmental Activities						
General government	603,329	638,180	-	-	603,329	638,180
Public safety	1,085,312	1,284,084	-	-	1,085,312	1,284,084
Public works	943,222	1,314,554	-	-	943,222	1,314,554
Interest expense	3,659	4,727	-	-	3,659	4,727
Business-type Activities						
Utility Enterprise	<u>-</u>	<u>-</u>	<u>1,286,715</u>	<u>1,159,307</u>	<u>1,286,715</u>	<u>1,159,307</u>
Total Functions/Program Expenses	<u>2,635,522</u>	<u>3,241,545</u>	<u>1,286,715</u>	<u>1,159,307</u>	<u>3,922,237</u>	<u>4,400,852</u>
Increase (decrease) in net assets	820,258	402,888	(173,364)	505,685	646,894	908,573
Transfers	<u>-</u>	<u>-</u>	<u>201,211</u>	<u>-</u>	<u>201,211</u>	<u>-</u>
Change in net assets	820,258	402,888	27,847	505,685	848,105	908,573
Net assets - beginning	<u>2,631,836</u>	<u>2,228,948</u>	<u>4,748,437</u>	<u>4,242,752</u>	<u>7,380,273</u>	<u>6,471,700</u>
Net assets - ending	<u>\$ 3,452,094</u>	<u>\$ 2,631,836</u>	<u>\$ 4,776,284</u>	<u>\$ 4,748,437</u>	<u>\$ 8,228,378</u>	<u>\$ 7,380,273</u>

*Governmental Activities*

The cost of all governmental activities this year was \$2,702,802, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through town taxes was only \$1,486,065 because some of the cost was paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions

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Table presents the cost of each of the Town's governmental activities as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions

**Table 3**  
**Governmental Activities**  
**For the Years Ended June 30, 2011 and 2010**

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<b>Governmental Activities</b>				
General government	\$ 603,329	\$ 638,180	\$ 250,703	\$ 255,864
Public safety	1,085,312	1,284,084	1,102,172	1,250,785
Public works	943,222	1,314,554	129,531	505,668
Interest expense	<u>3,659</u>	<u>4,727</u>	<u>3,659</u>	<u>4,727</u>
<b>Total Functions/Programs Expenses</b>	<b><u>\$2,635,522</u></b>	<b><u>\$3,241,545</u></b>	<b><u>\$1,486,065</u></b>	<b><u>\$2,017,044</u></b>

***Business-type Activities***

Revenues of the Town's business-type activities (see Table 2) decreased by 33% \$1,113,351 compared to \$1,664,992 in 2010 and expenses increased by 11%. The factors driving these results include monies from Capital Grants and Contributions and the expenses increased due to increase to Utility Funds

**The Town's Funds**

As the Town completed the year, its governmental funds reported a combined fund balance of \$927,452 which is a decrease of \$96,414 in fund balance from last year

**Budgetary Highlights**

Formal budgetary integration is employed as a management control device during the fiscal year. The budget policy of the Town complies with state law, as amended, and as set forth in Louisiana Revised statutes Title 39, Chapter 9, Louisiana Local Government Budget Act (LSA – R S 39 1301 et seq.). The Town amended the original budget primarily to accommodate for increased expenditures.

The Town made amendments to all of its budgets once during the year with numerous unfavorable variances exceeding 5%.

The most significant variances were over budgeted revenues in the general fund. Ad valorem taxes with budgeted revenues of \$275,900 exceeded actual revenues of \$121,677 (56%) shortfall, and budgeted revenues for general sales and use taxes of \$1,740,000 exceeded actual revenues of \$807,288 (54%) shortfall.

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Economic Factors and Next Year's Budget

The City prepared the General Fund's budgets for the fiscal year ending June 30, 2012 expecting small changes over 2011. Budgeted revenues and other financing sources for the year ending June 30, 2012 are \$3,049,250 compared to final amended budgeted expenditures and other financial sources of \$2,965,667 for the year ended June 30, 2011. Likewise, budgeted expenditures and other financial uses of the General Fund were increased from the final amended budgeted amount of \$2,965,667 for the fiscal year ended June 30, 2011 to \$3,049,250 for the fiscal year ending June 30, 2012.

Our elected and appointed officials and citizens consider many factors when setting the Town's budget and tax rates. One of the most important factors affecting the budget is our franchise, ad valorem, sales and other assorted tax collections. Approximately 39% of total revenues in the general fund are franchise, sales and ad valorem tax.

For the fiscal year ending June 30, 2012, the following factors were considered when the budget was prepared.

- General revenues and police fines will remain consistent with the prior year
- The Town does not expect to receive significant grant monies
- Other expenditures are expected to remain steady with the prior year

Capital Assets

*Capital Assets* at June 30, 2011 and 2010, the Town had invested in the following capital assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<b>Capital Assets Not Depreciated</b>				
Land	\$ 148,177	\$ 148,177	\$ -	\$ -
Construction in progress	<u>743,744</u>	<u>259,810</u>	<u>674,800</u>	<u>254,907</u>
<b>Total Non-depreciated Assets</b>	<b>891,921</b>	<b>407,987</b>	<b>674,800</b>	<b>254,907</b>
<b>Depreciable Capital Assets</b>				
Land Improvements	1,025,540	550,334	-	-
Buildings & Building Improvements	287,533	325,755	75,197	78,330
Furniture and equipment	213,508	250,706	678,248	760,971
Vehicles	179,970	167,420	-	-
Water System	-	-	3,805,310	3,916,327
Sewer System	-	-	<u>2,401,187</u>	<u>2,489,891</u>
<b>Total Depreciated Assets</b>	<b><u>1,706,551</u></b>	<b><u>1,294,215</u></b>	<b><u>6,959,942</u></b>	<b><u>7,245,519</u></b>
<b>Total Capital Assets</b>	<b><u>\$2,598,472</u></b>	<b><u>\$1,702,202</u></b>	<b><u>\$7,634,742</u></b>	<b><u>\$7,500,426</u></b>

Additional information on capital assets can be found in Note 5 of the Notes to the Basic Financial Statements

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Debt Administration

Utility revenue bonds in the amount of \$2,300,000 were issued by the USDA and are being repaid over a forty-year period. The remaining bond payable for the Utility Revenue Bonds at June 30, 2011 was \$2,268,167. The funds were used to finance the cost of the construction of extensions, improvements, and additions to the existing waterworks system of the Town. Additional information on long-term debt can be found in Note 8 of the Notes to the Basic Financial Statements.

Request for Information

Our financial report is designed to provide our citizens, taxpayers, and investors and creditor with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact Mayor Leslie Thompson, at the Town of Jonesboro, P O Box 610, Jonesboro Louisiana 71251, telephone number (318) 259-2385.

**BASIC FINANCIAL STATEMENTS:**  
**FUND FINANCIAL STATEMENTS (FFS)**



# TOWN OF JONESBORO

## Statement of Net Assets For the Year Ended June 30, 2011

	Governmental Activities	Primary Government Business-type Activities	Total
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 661,430	\$ 537,471	\$ 1,198,901
Investments	24,120	34,340	58,460
Taxes receivable	72,724	-	72,724
Receivables, net	200,134	77,066	277,200
Other receivables, prepaids and inventory	406,957	50,390	457,347
Accounts receivable - Franchise	-	-	-
Restricted assets - deposits	-	39,125	39,125
Capital assets, net of accumulated depreciation	<u>2,598,472</u>	<u>7,616,088</u>	<u>10,214,560</u>
<b>Total Assets</b>	<b><u>3,963,837</u></b>	<b><u>8,354,480</u></b>	<b><u>12,318,317</u></b>
<b><u>LIABILITIES</u></b>			
Accounts payable and other payables	404,924	103,067	507,991
Interest payable	-	-	-
Payable from restricted assets - meter deposits	-	120,438	120,438
Other payables	-	430,347	430,347
Long-term liabilities			
Portion due within one year	53,919	120,473	174,392
Portion due after one year	<u>52,900</u>	<u>2,803,871</u>	<u>2,856,771</u>
<b>Total Liabilities</b>	<b><u>511,743</u></b>	<b><u>3,578,196</u></b>	<b><u>4,089,939</u></b>
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	2,524,642	4,695,234	7,219,876
Restricted for			
Public Safety- Fire	24,939	-	24,939
Street Maintenance	471,776	-	471,776
Street Maintenance - Ad Valorem	71,940	-	71,940
Unrestricted	<u>358,797</u>	<u>81,050</u>	<u>439,847</u>
<b>Total Net Assets</b>	<b>3,452,094</b>	<b>4,776,284</b>	<b>8,228,378</b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 3,963,837</u></b>	<b><u>\$ 8,354,480</u></b>	<b><u>\$ 12,318,317</u></b>

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

TOWN OF JONESBORO

Statement of Activities  
For the Year Ended June 30, 2011

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary government</b>						
Government Activities						
General government	\$ 603,329	\$ -	\$ -	\$ (250,703)	\$ -	\$ (250,703)
Public safety	1,116,831	-	-	(1,102,172)	-	(1,102,172)
Public works	978,983	-	849,452	(129,531)	-	(129,531)
Interest expense	3,659	-	-	(3,659)	-	(3,659)
Total Government Activities	\$ 2,702,802	\$ -	\$ 849,452	\$ (1,486,065)	\$ -	\$ (1,486,065)
<b>Business-Type Activities</b>						
Water and sewer	1,286,715	-	140,177	-	(175,344)	(175,344)
Total Business-Type Activities	1,286,715	-	140,177	-	(175,344)	(175,344)
Total	\$ 3,989,517	\$ -	\$ 989,629	\$ (1,486,065)	\$ (175,344)	\$ (1,661,409)
<b>General revenues</b>						
Taxes						
Property taxes				366,547	-	366,547
Franchise tax				111,352	-	111,352
Sales tax revenue				1,552,869	-	1,552,869
Other taxes for general purposes				5,308	-	5,308
Licenses and permits				113,443	-	113,443
Earnings on investments				4,268	1,980	6,248
Intergovernmental				124,959	-	124,959
Miscellaneous				27,577	-	27,577
Transfers				-	201,211	201,211
Total general revenues and transfers				2,306,323	203,191	2,509,514
Changes in net assets				820,258	27,847	848,105
Net assets - July 01, 2010				2,631,836	4,748,437	7,380,273
Net assets - June 30, 2011				\$ 3,452,094	\$ 4,776,284	\$ 8,228,378

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

# TOWN OF JONESBORO

## Governmental Funds Balance Sheet June 30, 2011

	GENERAL	FIRE DEPT AD VALOREM TAX	STREET AD VALOREM TAX	STREET SALES TAX	TOTAL
<b>ASSETS</b>					
Cash and cash equivalents	\$ 236,239	\$ 24,527	\$ 503	\$ 400,161	\$ 661,430
Investments	24,120	-	-	-	24,120
Taxes receivable	-	507	507	71,710	72,724
Receivables, net	200,134	-	-	-	200,134
Accounts receivable- franchise	-	-	-	-	-
Interfund receivables	244,681	-	70,930	-	315,611
Prepaid insurance	59,747	-	-	-	59,747
<b>Total Assets</b>	<b>764,921</b>	<b>25,034</b>	<b>71,940</b>	<b>471,871</b>	<b>1,333,766</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts, salaries and other payables	404,924	-	-	-	404,924
Other liabilities	1,200	-	-	-	1,200
Interfund payables	-	95	-	95	190
<b>Total Liabilities</b>	<b>406,124</b>	<b>95</b>	<b>-</b>	<b>95</b>	<b>406,314</b>
<b>FUND BALANCES</b>					
Assigned for prepaid items	59,747	-	-	-	59,747
Unreserved and undesignated, reported in					
General Fund	299,050	-	-	-	299,050
Special Revenue	-	24,939	71,940	471,776	568,655
Capital Project	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>358,797</b>	<b>24,939</b>	<b>71,940</b>	<b>471,776</b>	<b>927,452</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 764,921</b>	<b>\$ 25,034</b>	<b>\$ 71,940</b>	<b>\$ 471,871</b>	<b>\$ 1,333,766</b>

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

TOWN OF JONESBORO

GOVERNMENTAL FUNDS

Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the Year Ended June 30, 2011

REVENUES	GENERAL	FIRE DEPT AD VALOREM TAX	STREET AD VALOREM TAX	STREET SALES TAX	TOTAL
Taxes					
Ad valorem	\$ 121,677	\$ 86,923	\$ 157,947	\$ -	\$ 366,547
Franchise	111,352	-	-	-	111,352
Sales tax	807,288	-	-	745,581	1,552,869
Other taxes	5,308	-	-	-	5,308
Licenses and permits	113,443	-	-	-	113,443
Fines, forfeitures and court costs	14,659	-	-	-	14,659
Intergovernmental revenues	124,959	-	-	-	124,959
Fees and charges for services	171,330	-	-	-	171,330
Rents and royalties	28,019	-	-	-	28,019
Earnings on investments	1,693	324	-	2,251	4,268
State revenue	632,284	-	-	-	632,284
Federal revenue	201,945	-	-	-	201,945
Parish Grants	15,223	-	-	-	15,223
Miscellaneous revenues	113,574	-	-	-	113,574
Total Revenues	2,462,754	87,247	157,947	747,832	3,455,780
EXPENDITURES					
Current					
General government	559,747	-	-	-	559,747
Public safety	1,038,147	-	-	-	1,038,147
Public works	943,222	-	-	-	943,222
Capital outlay	986,799	-	-	-	986,799
Debt service					
Principal	20,620	-	-	-	20,620
Interest	3,659	-	-	-	3,659
Total Expenditures	3,552,194	-	-	-	3,552,194
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,089,440)	87,247	157,947	747,832	(96,414)
OTHER FINANCING SOURCES (USES)					
Transfers in	1,314,613	-	-	-	1,314,613
Transfers out	(47,240)	(113,135)	(135,770)	(1,018,468)	(1,314,613)
TOTAL OTHER FINANCING SOURCES (USES)	1,267,373	(113,135)	(135,770)	(1,018,468)	-
NET CHANGE IN FUND BALANCES	177,933	(25,888)	22,177	(270,636)	(96,414)
FUND BALANCES - BEGINNING	180,864	50,827	49,763	742,412	1,023,866
FUND BALANCES - ENDING	\$ 358,797	\$ 24,939	\$ 71,940	\$ 471,776	\$ 927,452

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

# **TOWN OF JONESBORO**

## **Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets For the Year Ended June 30, 2011**

Total fund balances - governmental funds \$ 927,452

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 Assets 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	5,798,592	
Depreciation expense to date	<u>(3,170,621)</u>	
		2,627,971

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 Assets.

Balance at June 30, 2011 are		
Long-term Liabilities		
Capital lease payable	(73,830)	
Compensated absences payable	<u>(29,499)</u>	
Net increase (decrease) in cash and cash equivalents		<u>(103,329)</u>
Net Assets		<u>\$ 3,452,094</u>

**TOWN OF JONESBORO**

**Reconciliation of the Governmental Funds  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
to the Statement of Activities  
For the Year Ended June 30, 2011**

Total net change in fund balances - governmental funds \$ (96,414)

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

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

Capital outlay	986,799	
Depreciation expense	<u>(86,222)</u>	
		900,577

Repayment of capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets 20,620

In the Statement of Activities, certain operating expenses-compensated absences (vacations, and sick leave) - are measured by the amounts during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, vacation and sick time earned exceeded the amounts used by \$4,525 (4,525)

Change in net assets of governmental activities \$ 820,258

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

**TOWN OF JONESBORO**  
**PROPRIETARY FUNDS**  
**WATER AND SEWER UTILITY FUNDS**  
**Statement of Net Assets**  
**June 30, 2011**

**ASSETS**

**Current assets**

Cash and cash equivalents	\$ 571,811
Receivables, net	77,066
Interfund receivable	-
Prepaid expenses	-
Inventory	50,390

**Restricted assets**

Cash and cash equivalents	4,785
Investments	<u>34,340</u>

Total current assets	<u>738,392</u>
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**Non current assets**

Capital assets, net of depreciation	<u>7,616,088</u>
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Total Assets	<u>8,354,480</u>
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**LIABILITIES**

**Current liabilities**

Accounts payable and other payables	103,067
Interfund payable	430,347
Compensated absences payable	3,490
Capitalized lease obligation	93,261
Bonds payable	23,722

**Current liabilities payable from restricted assets**

Tenant security deposits	<u>120,438</u>
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Total current liabilities	<u>774,325</u>
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**Non-current liabilities**

Capitalized lease obligation	559,426
Bonds payable	<u>2,244,445</u>

Total non-current liabilities	<u>2,803,871</u>
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Total Liabilities	<u>3,578,196</u>
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**NET ASSETS**

Invested in capital assets, net of related debt	4,695,234
Assigned fund balance	81,050

Total Net Assets	<u>\$ 4,776,284</u>
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The notes to the basic financial statements are an integral part of this statement

**TOWN OF JONESBORO**  
**PROPRIETARY FUNDS**  
**WATER AND SEWER UTILITY FUNDS**  
**Statement of Revenues, Expenses, and changes in Fund Net Assets**  
**For the Year Ended June 30, 2011**

**OPERATING REVENUES**

Water sales	\$ 684,297
Sewer fees	269,821
Other services	<u>17,076</u>
Total operating revenues	<u>971,194</u>

**OPERATING EXPENSES**

Personnel services	340,352
Supplies	12,150
Utilities	116,079
Repairs and maintenance	206,214
Other supplies and charges	164,405
Bad debt reserve	-
Depreciation	<u>344,891</u>
Total operating expenses	<u>1,184,091</u>

Operating income (loss) (212,897)

**NON - OPERATING REVENUES (EXPENSES)**

Interest income	1,980
State and federal grants	140,177
Interest expense	<u>(102,624)</u>
Total non - operating revenues (expenses)	<u>39,533</u>

Income (loss) before transfers (173,364)

**TRANSFERS IN/OUT**

Transfers	<u>201,211</u>
Total transfers in (out)	<u>201,211</u>

Changes in Net Assets 27,847

**NET ASSETS - BEGINNING** 4,748,437

**NET ASSETS - ENDING** \$ 4,776,284

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



**TOWN OF JONESBORO**  
**PROPRIETARY FUNDS**  
**WATER AND SEWER UTILITY FUNDS**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2011**

<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 894,128
Payments to suppliers for goods and services	(392,781)
Payments to employees for services	(336,862)
Net cash provided (used) for operating activities	<u>164,485</u>
<b>CASH FLOW (USES) FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Interfund payable	430,347
Transfers in	201,211
Net cash provided (used) for noncapital financing activities	<u>631,558</u>
<b>CASH FLOW (USES) FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of capital assets	(479,207)
Payments on capital leases	(88,402)
Payments on bonds	(22,680)
Grant receipts	274,108
Interest expense	(102,624)
Net cash provided (used) for capital and related financing activities	<u>(418,805)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	
Earnings on investments	<u>1,980</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>379,218</u>
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	197,378
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<u>576,596</u>
Cash and cash equivalents	571,811
Restricted deposits	<u>4,785</u>
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<u>576,596</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>	
Operating income (loss)	(212,897)
Adjustments to reconcile operating income to net cash provided (used) for operating activities	
Depreciation	344,891
(Increase) decrease in accounts receivable	279,539
(Increase) decrease in inventory	5,461
(Increase) decrease in prepaid items	11,941
Increase (decrease) in accounts payable	(274,664)
Increase (decrease) in accrued expenses	1,176
Increase (decrease) in deposits due others	8,503
Increase (decrease) in compensated absences	<u>535</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ 164,485</u>

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

Town of Jonesboro  
Notes to the Financial Statements  
June 30, 2011

**Note 1 – Summary of Significant Accounting Policies**

The accompanying financial statements of the Town of Jonesboro have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applies 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 of Jonesboro (the "Town") is located in the southwest corner of Jackson Parish. Jonesboro was incorporated as a village on September 4, 1901, and as a town on May 14, 1903, under provisions of the Lawrason Act.

The Town operates under a Mayor-Board of Aldermen form of government. The Board of Aldermen of the Town of Jonesboro is composed of five aldermen, elected for four year term, who are compensated as shown in this report. The Town serves 3,914 citizens by providing police protection, fire protection, water/sewer services, sanitation services, street maintenance, and various administrative functions such as legislation of town ordinances and the enforcement of same. The Town employs approximately fifty persons to serve the needs of the citizens of the Town of Jonesboro.

GASB statement No 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Town is considered a primary government, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No 14 fiscally independent means that the Town may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. This report includes all funds that are controlled by or dependent on the Town's Executive and Legislative Branches (The Mayor and Board of Aldermen).

Funds

The accounts of the Town are organized and operated on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. Government resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report as follows:

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the Town's activities. The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with the specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that

Town of Jonesboro  
Notes to the Financial Statements  
June 30, 2011

**Note 1 – Summary of Significant Accounting Policies (continued)**

are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues. The effect of inter-fund activity has been removed from the government-wide financial statements.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the financial statements.

**Governmental Funds**

Governmental funds are used to account for most of government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of capital assets, and the servicing of long-term debt. Governmental funds include:

- **General Fund** is the operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.
- **Fire Department Ad Valorem Tax Fund** accounts for the proceeds of ad valorem taxes restricted to expenditures of the Fire Department.
- **Street Department Ad Valorem Tax Fund** accounts for proceeds of ad valorem taxes to expenditures of the Street Department.
- **Street Department Sales Tax Fund** accounts for proceeds of sales taxes restricted to expenditures of the Street Department.

**Proprietary Fund**

The proprietary fund accounts for activities similar to those found in the private sector where the determination of net income is necessary or useful to sound financial administration. The proprietary fund differs from a governmental fund in that its focus is on income measurement which, together with the maintenance of equity, is an important financial indicator. The proprietary fund of the Town is the Utility Enterprise Fund, which accounts for the operations of the waterworks and sewerage systems. The intent of the Town for these facilities is (a) that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

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.

Town of Jonesboro  
Notes to the Financial Statements  
June 30, 2011

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Measurement Focus and Basis of Accounting**

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenses are recorded when liabilities are incurred.

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

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.

The Statement of Net Assets and the Statement of Activities was 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."

***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 the function. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Town of Jonesboro  
Notes to the Financial Statements  
June 30, 2011

**Note 1 – Summary of Significant Accounting Policies (continued)**

*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 revenue are recognized when susceptible to accrual (i.e., when they are “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 un-matured principal and interest on 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:

*Revenues*

- Ad valorem taxes are recognized when all applicable eligibility requirements are met and the resources are available.
- Sales and use tax revenues are recorded in the month received by the Town. Fines, fees, and court costs are recognized in the period they are collected. Franchise taxes are susceptible to accrual. Occupational licenses are not susceptible to accrual because generally they are not measurable until received in cash.
- 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 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 paid.

*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.

Town of Jonesboro  
Notes to the Financial Statements  
June 30, 2011

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, demand deposits, and certificates of deposit. Under state law, the Town may deposit funds in demand deposits, interest-bearing demand deposits, and money market or time deposit accounts with state banks organized under Louisiana laws and national banks having their principal offices in Louisiana.

Under state law, the Town may also invest in United States 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.

The Town reports restricted assets on the Statement of Net Assets. This is cash that is customer deposits in the water department.

**Investments**

Under state law, the Town may invest in United States bonds, treasury notes or certificates. 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 permitted 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 at 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.
- Interest-earning investment contracts include time deposits with financial institutions (such as certificates of deposit), repurchase agreements, and guaranteed investment contracts.
- Money market investments are short-term, highly liquid debt instruments that include U.S. Treasury obligations.

Town of Jonesboro  
Notes to the Financial Statements  
June 30, 2011

**Note 1 – Summary of Significant Accounting Policies (continued)**

At June 30, 2011 the Town had investments summarized as follows

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Market Value</u>
Certificates of Deposit, Maturities greater than 90 days	\$ 58,460	\$ -	\$ -	\$ 58,460
Total	<u>\$ 58,460</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,460</u>

**Short-Term Inter-fund Receivables/Payables**

During the course of 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.

**Elimination and Reclassifications**

In the process of aggregating data for the statement of net assets and the statement of activities, some amount 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 columns.

**Inventory**

Inventory is accounted for using the consumption method, where expenditures are recognized as inventory is used. All purchased inventory items are valued at cost (first-in, first-out). Inventories of the Enterprise fund consists of repair materials, spare parts, consumable supplies and fuel.

**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 equipments is \$500. Estimated useful life is management's estimate of how long the asset is expected to meet service demands.

Town of Jonesboro  
Notes to the Financial Statements  
June 30, 2011

**Note 1 – Summary of Significant Accounting Policies (continued)**

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives

<u>Description</u>	<u>Estimated Lives</u>
Building and improvements	40-50 years
Water System	25-40 years
Sewer System	40 years
Machinery and Equipment	3-20 years
Vehicles	5-10 years

In 2010, the Town implemented GASB 51, Accounting and Financial Reporting for Intangible Assets. Although the Town's implementation was retroactive, the Town had no intangibles that met the capitalization threshold as of June 30, 2009.

Deferred Revenues

The Town reports deferred revenues on its Statement of Net Assets and Fund Balance Sheet. Deferred revenues arise when resources are received by the Town before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the Town has a legal claim to the resources, the liability for deferred revenue is removed and the revenue is recognized.

Compensated Absences

The Town has implemented GASB Statement Number 16 "Accounting for Compensated Absences". Under GASB Statement Number 16, a liability for unpaid vacation that is attributable to services already rendered and that is not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to benefits.

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

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



Town of Jonesboro  
Notes to the Financial Statements  
June 30, 2011

**Note 1 – Summary of Significant Accounting Policies (continued)**

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

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

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

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

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

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

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

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

The Town uses the alternative approach to accrue the liability for sick leave which includes salary-related payments.

**Restricted Net Assets**

Equity is classified as net assets and displayed in three components: (1) invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets; (2) restricted net assets – consists of net assets with constraints placed on the use either by (a) external groups such as creditors, grantors, contributions or

Town of Jonesboro  
Notes to the Financial Statements  
June 30, 2011

**Note 1 – Summary of Significant Accounting Policies (continued)**

laws or regulations of other governments, or (b) law through constitutional provisions or enabling legislation, and (3) unrestricted net assets – all other assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”

The government-wide statement of net assets reports \$568,655 of restricted net assets, all of which is restricted by enabling legislation

Beginning with the fiscal year 2011, the Town implemented GASB Statement 54, “Fund Balance Reporting and Governmental Fund Type Definitions” This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used

- Non-spendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision making authority, to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint
- Assigned fund balance – amounts a government intends to use for a specific purpose, intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority
- Unassigned fund balance – amounts that are available for any purpose, positive amounts are reported on in the general fund

The Board of Aldermen establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution This is typically done through adoption and amendment of the budget A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives) Assigned fund balance is established by the Board of Aldermen through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes)

Governmental fund equity is classified as fund balance Fund balance is further classified as non-spendable, restricted, committed, assigned, and unassigned Proprietary fund equity is classified the same as in the government-wide statements

Town of Jonesboro  
Notes to the Financial Statements  
June 30, 2011

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Fund Balances of Fund Financial Statements**

Reservations of fund balance represent amounts that are not appropriable for expenditures or legally segregated for specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Inter-fund Activity**

Inter-fund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as inter-fund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other inter-fund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

**Sales Taxes**

The voters of the Town of Jonesboro levied a 1% sales and use tax on April 1, 1980, to provide funds for any lawful activity of the Town. In January 1988, the taxpayers of the Town levied an additional 1% sales and use tax for a period of ten (10) years commencing August 1, 1989. In July, 1998, the taxpayers of the Town renewed the 1% sales and use tax for an additional ten (10) years commencing August 1, 1999. In July, 2008, the taxpayers of the Town renewed the 1% sales and use tax for an

additional ten (10) years commencing August 1, 2009. The purpose of this tax is for the construction, maintenance, repair and improvements of the Town's streets.

**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.

**Budgets**

The Mayor and Town Clerk prepare a proposed budget and submit the same to the Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year. The proposed budget is reviewed by the board of aldermen and made available to the public. At least ten days after publication of the call for a public hearing, the Town holds a public hearing on the proposed budget in order to receive comments from citizens. Changes are made to the proposed budget based on the public hearing and the desires of the Board of Aldermen as a whole. The budget is then adopted through the passage of an ordinance during the June meeting.

Town of Jonesboro  
Notes to the Financial Statements  
June 30, 2011

**Note 1 – Summary of Significant Accounting Policies (continued)**

During the year, the Board of Aldermen should receive monthly budget comparison statements, which are used as tools to control the operation of the Town. The Town Clerk presents necessary budget amendments to the board when she determines that actual operations are differing materially from those anticipated in the original budget. The board in regular session reviews the proposed amendments, makes necessary changes, and formally adopts the amendments. The budget was amended once during the year. The Mayor and Board of Aldermen must approve all changes in the budget. The Town does not use encumbrance accounting in its accounting system.

**Note 2 – Cash and Cash Equivalents**

**Interest Rate Risk** The Town does not have a policy addressing interest rate risk.

**Credit Risk** The Town's investments are in Certificates of Deposits which do not have credit rating, however, the Town does not have a policy addressing credit rate risk.

**Custodial Credit Risk-Deposits** In the case of deposits, this is the risk that in event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2011 of the Town's bank balances of \$1,257,361, there was \$494,387 that was exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent, but not in the Town's name. Even though the pledged securities are considered uncollateralized under provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Town that the fiscal agent has failed to pay deposited funds upon request. The Town does not have a policy addressing custodial credit risk.

**Note 3 – Receivables**

The following is a summary of receivables at June 30, 2011

<u>Class of Receivables</u>	<u>General</u>	<u>Utility Enterprise</u>	<u>Total</u>
Other Receivables	200,134	-	200,134
Utilities			
Billed utilities	-	110,099	110,099
Gross Receivables	200,134	110,099	310,233
Less allowance for un-collectables	-	33,033	33,033
Net total receivable	<u>\$ 200,134</u>	<u>\$ 77,066</u>	<u>\$ 277,200</u>

Town of Jonesboro  
Notes to the Financial Statements  
June 30, 2011

**Note 4 – Inter-fund Transactions**

Inter-fund transfers include the following

*Transfers*

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Fire Dept Ad Valorem Tax Fund	\$ 113,135
General Fund	Street Ad Valorem Tax Fund	135,770
General Fund	Street Sales Tax Fund	<u>1,018,468</u>
		<u>\$ 1,267,373</u>

Ad valorem and sales tax receipts are recorded in special revenue funds and then transferred to the general fund where the expenditures are budgeted

**Note 5 – Capital Assets**

A schedule of changes in capital assets for the year ended June 30, 2011

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Deletion</u>	<u>Balance Ending</u>
<b>Governmental activities</b>				
Capital asset not being depreciated				
Land	\$ 148,177	\$ -	\$ -	\$ 148,177
Construction In Progress	<u>259,810</u>	<u>986,799</u>	<u>502,865</u>	<u>743,744</u>
Total capital assets not being depreciated	<u>407,987</u>	<u>986,799</u>	<u>502,865</u>	<u>891,921</u>
Capital assets being depreciated				
Land Improvements	551,501	502,865	-	1,054,366
Buildings & Building Improvements	919,137	-	-	919,137
Furniture and equipment	1,843,442	32,280	34,541	1,841,181
Vehicles	<u>1,011,384</u>	<u>51,104</u>	<u>-</u>	<u>1,062,488</u>
Total capital assets being depreciated	<u>4,325,464</u>	<u>586,249</u>	<u>34,541</u>	<u>4,877,172</u>
Less accumulated depreciation				
Land Improvements	1,167	27,659	-	28,826
Buildings	593,382	38,222	-	631,604
Furniture and equipment	1,592,736	53,686	18,749	1,627,673
Vehicles	<u>843,964</u>	<u>38,554</u>	<u>-</u>	<u>882,518</u>
Total accumulated depreciation	<u>3,031,249</u>	<u>158,121</u>	<u>18,749</u>	<u>3,170,621</u>
Total capital assets being depreciated, net	<u>1,294,215</u>	<u>428,128</u>	<u>15,792</u>	<u>1,706,551</u>
<b>Governmental activities</b>				
Capital assets, net	<u>\$ 1,702,202</u>	<u>\$ 1,414,927</u>	<u>\$ 518,657</u>	<u>\$ 2,598,472</u>

Town of Jonesboro  
Notes to the Financial Statements  
June 30, 2011

**Note 5 – Capital Assets (continued)**

Depreciation expense was charged to governmental activities as follows

General Government	\$ 43,583
Public Safety	74,873
Streets, Airport and Recreation	<u>39,571</u>
Total	<u>\$ 158,027</u>

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Deletion</u>	Ending <u>Balance</u>
<b>Business Type Activities</b>				
Capital asset not being depreciated				
Construction In Progress	\$ 254,907	\$ 419,893	\$ -	\$ 674,800
Total capital assets not being depreciated	<u>254,907</u>	<u>419,893</u>	<u>-</u>	<u>674,800</u>
Capital assets being depreciated				
Water System	4,745,120	-	-	4,745,120
Sewer System	3,421,677	-	-	3,421,677
Equipment	1,257,556	59,314	-	1,316,870
Buildings	<u>125,411</u>	<u>-</u>	<u>-</u>	<u>125,411</u>
Total capital assets being depreciated	<u>9,549,764</u>	<u>59,314</u>	<u>-</u>	<u>609,078</u>
Less accumulated depreciation				
Water System	828,793	111,017	-	939,810
Sewer System	931,786	88,704	-	1,020,490
Equipment	496,585	142,037	-	638,622
Buildings	<u>47,081</u>	<u>3,133</u>	<u>-</u>	<u>50,214</u>
Total accumulated depreciation	<u>2,304,245</u>	<u>344,891</u>	<u>-</u>	<u>2,649,136</u>
Total capital assets being depreciated, net	<u>7,245,519</u>	<u>(285,577)</u>	<u>-</u>	<u>6,959,942</u>
<b>Business Type Activities</b>				
Capital assets, net	<u>\$ 7,500,426</u>	<u>\$ 34,316</u>	<u>\$ -</u>	<u>\$ 7,634,742</u>

**Note 6 – Accounts, Salaries, and Other Payables**

The payables at June 30, 2011, are as follows

	<u>General</u>	Utility <u>Enterprise</u>	<u>Total</u>
Accounts payable	\$ 86,273	\$ 102,577	\$ 188,850
Payroll liabilities payable	118,475	13,997	132,472
Wages payable	22,403	5,886	28,289
Due to other funds	<u>177,773</u>	<u>430,347</u>	<u>608,120</u>
Total	<u>\$ 404,924</u>	<u>\$ 552,807</u>	<u>\$ 957,731</u>

Town of Jonesboro  
Notes to the Financial Statements  
June 30, 2011

**Note 7 – Compensated Absences**

The following is a summary of the changes in compensated absences for the year

Balance at the beginning of the year	\$ 27,929
Additions	38,190
Deductions	<u>33,130</u>
Balance at the end of the year	<u>\$ 32,989</u>

**Note 8 – Long-Term Liabilities**

The following is a summary of the long-term obligation transactions for the year ended June 30, 2011

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One year</u>
<b>Governmental activities</b>					
Bonds payable	\$ -	\$ -	\$ -	\$ -	\$ -
Compensated absences	24,974	38,190	33,665	29,499	29,499
Capital leases	<u>65,833</u>	<u>26,607</u>	<u>18,610</u>	<u>73,830</u>	<u>20,930</u>
<b>Total governmental activities</b>	<u>90,807</u>	<u>64,797</u>	<u>52,275</u>	<u>103,329</u>	<u>50,429</u>
<b>Business-type activities</b>					
Bonds payable	2,290,847	-	22,679	2,268,168	23,722
Compensated absences	2,955	4,334	3,799	3,490	3,490
Capital leases	<u>708,771</u>	<u>26,607</u>	<u>82,691</u>	<u>652,687</u>	<u>93,261</u>
<b>Total business-type activities</b>	<u>3,002,573</u>	<u>30,941</u>	<u>109,169</u>	<u>2,924,345</u>	<u>120,473</u>
<b>Long-term Liabilities</b>	<u>\$ 3,093,380</u>	<u>\$ 95,738</u>	<u>\$ 161,444</u>	<u>\$3,027,674</u>	<u>\$ 170,902</u>

The individual issue is as follows

<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>
<b>Business - type activities</b>						
<b>USDA - Water Revenue Bonds</b>						
Series 2008	1/22/2009	\$ 2,300,000	4.50%	1/22/2049	\$2,432,618	\$2,268,167

Town of Jonesboro  
Notes to the Financial Statements  
June 30, 2011

**Note 8 – Long-Term Liabilities (continued)**

The annual requirements to amortize all bonds outstanding at June 30, 2011 are as follows

For the year ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 23,722	\$ 101,582	\$ 125,304
2013	24,812	100,492	125,304
2014	25,951	99,353	125,304
2015	27,144	98,160	125,304
2016	28,391	96,913	125,304
2017-2021	167,757	463,763	626,520
2022-2026	203,740	422,780	626,520
2027-2031	255,039	371,481	626,520
2032-2036	319,257	307,263	626,520
2037-2041	399,644	226,876	626,520
2042-2046	500,274	126,246	626,520
2047-2049	<u>297,437</u>	<u>17,708</u>	<u>315,145</u>
Total	<u>\$ 2,268,167</u>	<u>\$ 2,432,618</u>	<u>\$ 4,700,785</u>

The capital leases are paid using resources from the governmental and business-type activities, whereas the compensated absences are paid using resources from the corresponding fund in which the salaries are being paid. The bond principal payments are being paid from the business-type activities.

The Town records items under capital leases as an asset and an obligation in the accompanying financial statements.

The following is an analysis of capital leases:

<u>Type</u>	<u>Governmental or Business Type Activities</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Water meters	Business Type	\$ 820,513	\$ 295,520	\$ 524,993
Dozer	Half governmental and half business type	93,965	72,391	21,574
Tractor and excavator	Business Type	69,082	34,605	34,477
Tractor and mower	Half governmental and half business type	88,945	68,524	20,421
Excavator	Half governmental and half business type	<u>49,545</u>	<u>4,955</u>	<u>44,590</u>
		<u>\$1,122,050</u>	<u>\$ 475,995</u>	<u>\$ 646,055</u>



Town of Jonesboro  
Notes to the Financial Statements  
June 30, 2011

**Note 8 – Long-Term Liabilities (continued)**

The following is a schedule of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments, as of June 30, 2011

	Water		Tractor &	Tractor w/		
	<u>Meters</u>	<u>Dozer</u>	<u>Excavator</u>	<u>Mower</u>	<u>Excavator</u>	<u>Total</u>
2012	\$ 88,000	\$ 15,816	\$ 11,831	\$ 14,971	\$17,771	\$148,389
2013	90,000	15,816	11,831	14,971	17,771	150,389
2014	91,000	15,816	11,831	14,971	1,480	135,098
2015	92,000	15,814	5,912	14,970	-	128,696
2016	94,000	-	-	-	-	94,000
2017-2018	<u>284,936</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>190,936</u>
Net minimum lease payments	654,936	63,262	41,405	59,883	37,022	847,508
Less amounts representing interest	105,289	3,972	3,195	6,670	1,865	120,991
Present value of net minimum lease payments	<u>\$ 549,647</u>	<u>\$ 59,290</u>	<u>\$ 38,210</u>	<u>\$ 53,213</u>	<u>\$35,157</u>	<u>\$ 726,517</u>

**Note 9 – Retirement Systems**

Substantially all employees of the Town of Jonesboro are members of the Municipal Employees Retirement System of Louisiana, Municipal Police Employees Retirement System of Louisiana, or Firefighter Retirement System of Louisiana. These systems are cost-sharing, multiple-employer-defined benefit pension plan administered by separate boards of trustees.

**The Municipal Employees Retirement System of Louisiana (System)**

The Municipal Employees Retirement System of Louisiana (System) is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All eligible employees of the Town are members of Plan A.

*Plan Description*

All permanent employees working at least 35 hours per week who are not covered by another pension plan are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service and at or after age 55 with at least 25 years of creditable service or at any age with at least 30 years creditable service are entitled to a retirement benefit, payable monthly for life,

Town of Jonesboro  
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June 30, 2011

**Note 9 – Retirement Systems (continued)**

equal to 3% of their final-average salary for each year of creditable service. Final average salary is the employees' average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The system also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to the

Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 925-4810.

***Funding Policy***

Under Plan A, members are required by the state statute to contribute 9.25% of their annual covered salary and the Town of Jonesboro is required to contribute at an actuarially determined rate. The current rate is 14.25% of annual covered payroll. Contributions to the System also include one-fourth of 1%, except for Orleans Parish and East Baton Rouge Parish, of the taxed shown to be collected by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Town of Jonesboro are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior year. The Town of Jonesboro contributions to System under Plan A for the years ending June 30, 2011, 2010, and 2009 were \$79,850, \$80,668, and \$78,503, respectively, equal to the required contributions for each year.

**The Municipal Police Employees Retirement System of Louisiana (System)**

***Plan Description***

All full-time police department employees engaged in law enforcement are required to participate in the System. Employees who retire at or after 50 with at least 20 years of creditable service or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3 percent of their final average salary for each year of creditable service. Final average salary is the employees' average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The system also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to the

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**Note 9 – Retirement System (continued)**

Municipal Police Employees Retirement System of Louisiana, 8550 United Plaza Boulevard, Suite 501, Baton Rouge, LA 70809-0200 or by calling (225) 929-7411

*Funding Policy*

Plan members are required by state statute to contribute 7.5% of their annual covered salary and the Town of Jonesboro is required to contribute at an actuarially determined rate. The current rate is 25% of annual covered payroll. The contribution requirements of plan members and the Town of

Jonesboro are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior year. The Town of Jonesboro contributions to the System under Plan A for the years ending June 30, 2011, 2010, and 2009 were \$63,956, \$39,541, and \$34,687, respectively, equal to the required contributions for each year.

The Firefighters Retirement System of Louisiana

*Plan Description*

Membership of the Louisiana Firefighters Retirement System is mandatory for all full-time firefighter employees by a municipality, parish or fire protection district that did not enact an ordinance before January, 1980, exempting itself for participation in the System. Employees are eligible to retire at or after age 55 with at least 12 years of creditable service or at or after age 50 with at least 20 years of creditable service. Upon retirement, members are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3 percent of their final average salary for each year of creditable service, not to exceed 100 percent of their final average salary. Final average salary is the employees who terminate with at least 12 years of service stated, and do not withdraw their employee contributions, may retire at or after age 55 (or age 50 with at least 20 years of creditable service at termination) and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that included financial statements and required supplementary information for the System. The report may be obtained by writing to the Firefighters Retirement System, P.O. Box 94095, Baton Rouge, LA 70804 or by calling (225) 925-4060.

*Funding Policy*

Plan members are required by state statute to contribute 8.0% of their annual covered salary and the Town of Jonesboro is required to contribute at an actuarially determined rate. The current rate is 21.5% of annual covered payroll. The contribution requirements of plan members and the Town of Jonesboro are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior year. The Town of Jonesboro contributions to the System under Plan A for the years ending June 30, 2011, 2010, and 2009 were \$24,117, \$18,503 and \$15,404, respectively, equal to the required contributions for each year.

Town of Jonesboro  
Notes to the Financial Statements  
June 30, 2011

**Note 10 – On Behalf Supplemental Pay**

Certain employees meeting statutory qualifications in the fire and police department receive supplemental pay directly from the State of Louisiana. This Supplemental pay in the amount of \$68,500, is recognized as intergovernmental revenue and public safety expenditures in the following departments:

Police	\$ 53,625
Fire	<u>14,875</u>
Total	\$ 68,500

**Note 11 – Commitments and Contingencies**

*Litigation*

At June 30, 2011, the Town is involved in several lawsuits. In the opinion of the Town's legal council, the outcome of any remaining lawsuits will not materially affect the financial statements.

**Note 12 – 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, except for general liability, law enforcement officers' liability, and public officials' liability coverages that were obtained from the Louisiana Municipal Risk Management Agency. The Louisiana Municipal Risk Management Agency is a municipal risk pool administered by the Louisiana Municipal Association. The Louisiana Municipal Risk Management Agency operates similar to a commercial insurance company. Premiums are assessed members of the Louisiana Municipal Association annually, based on past experience of claims. The Louisiana Municipal Risk Management Agency services all claims for risk of loss to which the Town is exposed and cannot assess additional amounts if losses exceed their premiums (the covered risks are transferred to the Louisiana Municipal Risk Management Agency). No claims were paid on any policies during the fiscal year that exceeded the policies' coverage amounts. There were no significant reductions in insurance coverage during the year ended June 30, 2011.

**Note 13 – Levied Taxes**

The following is a summary of authorized and levied property taxes:

	Authorized <u>Millage</u>	Levied <u>Millage</u>
Constitutional	7.66	6.95
Operation and maintenance - fire protection	5.00	5.00
Operation and maintenance - streets	5.00	5.00

Town of Jonesboro  
Notes to the Financial Statements  
June 30, 2011

**Note 13 – Levied Taxes (continued)**

The difference between authorized and levied millages is the result of reassessments of taxable property required by article 7, Section 18 (f) of the Louisiana Constitution of 1974

A revaluation of all property is required after 1978 to be completed no less than every four years. The last revaluation was completed for the roll of January 1, 2009. Total assessed value was \$17,469,880 in calendar year 2010.

State law requires the sheriff 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 1.25% per month until the taxes are paid. After notice is given to the delinquent taxpayers, the sheriff is required by the *Constitution of the State of Louisiana* to sell the lease quantity of property necessary to settle the taxes and interest owed.

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 2010, and January and February 2011. All property taxes are recorded in the general, special revenue, debt service and capital projects funds. The Town considers the date penalty and interest accrues (January 1, 2011) 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 are budgeted in the 2010-2011 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. Historically, virtually all ad valorem taxes receivable were collected since they are secured by property. Therefore, there is no allowance for uncollectible taxes.

**Note 14 – Stewardship, Compliance and Accountability**

**Excess of Expenditures over Appropriations Individual Funds**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund	\$ 2,965,667	\$ 2,690,237	\$ 275,430

Town of Jonesboro  
Notes to the Financial Statements  
June 30, 2011

**Note 15 – Compensation of the Governing Board**

The schedule of compensation paid to the Mayor and Alderman was prepared in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. As authorized by Town ordinance, aldermen were paid \$500 per month.

Leslie Thompson, Mayor	\$ 70,000
LaStevic Cottonham, Alderman	6,000
Devin Flowers	6,000
Charla Mason- Melton	6,000
Samuel Lamkin	6,000
Renee Stringer	<u>6,000</u>
	\$ 100,000

**Note 16 – Going Concern**

Increasing demands upon the cash flow of the town have caused the withdrawal of fund reserves to meet ongoing expenditures. The lack of financial statements provided the mayor and town alderman in recent preceding years has not allowed adequate planning and monitoring of the fiscal activities. Revenue increases would be modest at best; therefore, expenditure reduction is critical for the town to continue as a going concern.

Management's plans regarding these matters include monthly financial statements provided the mayor and council and monitoring the budget to actual expenditures closely.

- 1 Overtime wages will be reduced in departments where it is feasible
- 2 A reduction in staff will be considered for each department as a potential cost savings measure
- 3 Monitoring expenditures on a line by line basis to increase efficiency
- 4 Consideration of public vote on a dedicated tax for the Fire department
- 5 Rate increases for water, sewer and garbage collection fees as appropriate
- 6 Consideration of allowing alcohol sales within the town to encourage new retail businesses
- 7 Replenishment of fund reserves as the town's financial condition permits

Town of Jonesboro  
Notes to the Financial Statements  
June 30, 2011

**Note 17 – Subsequent Events**

The management of the Town of Jonesboro, Louisiana evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through May 18, 2012 the date which the financial statements were available to be issued

Subsequent to the fiscal year end, tax liens were filed against the town by the Internal Revenue Service and the Louisiana Department of Revenue. The liens were regarding payroll taxes not submitted to the tax authorities. Both liabilities were paid in early in 2012 and the tax liens were removed.

The Legislative Auditors' Office is currently monitoring the Town's expenditures. The Legislative council has recommended that a Financial Administrator be placed in the Town.

**REQUIRED SUPPLEMENTAL INFORMATION**

**(Part 2 of 2)**



# TOWN OF JONESBORO

## General Fund Budgetary Comparison Schedule For the Year Ended June 30, 2011

Exhibit 1-1

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balances, Beginning	\$ 180,864	\$ 180,864	\$ 180,864	\$ -
Resources (inflows)				
Local sources				
Taxes	-	-	-	-
Ad valorem	115,900	273,400	121,677	(151,723)
Franchise tax	100,000	100,000	111,352	11,352
Sales and use	870,000	1,740,000	807,288	(932,712)
Other taxes	5,000	5,000	5,309	309
Licenses and permits	101,000	101,000	113,443	12,443
Fines, forfeitures and court costs	40,000	41,300	14,659	(26,641)
Intergovernmental revenues				
State funds				
State revenue	80,500	80,500	67,000	(13,500)
Other	75,700	67,700	15,223	(52,477)
Fees, charges and commissions for services	293,967	289,667	410,584	120,917
Use of money and property	-	-	1,693	1,693
Rents and royalties	29,800	34,799	28,019	(6,780)
Other revenues	45,000	232,301	113,574	(118,727)
Transfers from other funds	1,160,000	-	1,148,365	1,148,365
Amounts available for appropriations	3,097,731	3,146,531	3,139,050	(7,481)
Charges to appropriations (outflows)				
General government	612,797	722,732	550,688	172,044
Public safety	1,135,770	1,122,570	1,041,241	81,329
Public works	1,168,300	1,120,365	938,020	182,345
Capital outlay	-	-	144,894	(144,894)
Debt service				
Principal	-	-	12,401	(12,401)
Interest	-	-	2,993	(2,993)
Total charges to appropriations	2,916,867	2,965,667	2,690,237	275,430
Budgetary Fund Balances, Ending	\$ 180,864	\$ 180,864	\$ 448,813	\$ 267,949

# TOWN OF JONESBORO

## Fire Department Ad Valorem Tax Budgetary Comparison Schedule For the Year Ended June 30, 2011

Exhibit I-2

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balances, Beginning	\$ 50,827	\$ 50,827	\$ 50,827	\$ -
Resources (inflows)				
Local sources				
Taxes				
Ad valorem	56,700	136,700	86,923	(49,777)
Use of money and property	-	-	324	324
Transfers from other funds	-	-	-	-
Amounts available for appropriations	107,527	187,527	138,074	(49,453)
Charges to appropriations (outflows)	-	-	-	-
Transfers to other funds	80,000	80,000	113,135	(33,135)
Total charges to appropriations	80,000	80,000	113,135	(33,135)
Budgetary Fund Balances, Ending	\$ 27,527	\$ 107,527	\$ 24,939	\$ (82,588)

**TOWN OF JONESBORO**  
**Street Ad Valorem Tax**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2011**

Exhibit I-3

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balances, Beginning	\$ 49,463	\$ 49,763	\$ 49,763	\$ -
Resources (inflows)				
Local sources				
Taxes				
Ad valorem	56,700	136,700	157,947	21,247
Use of money and property	-	-	-	-
Transfers from other funds	-	-	-	-
Amounts available for appropriations	106,463	186,463	207,710	21,247
Charges to appropriations (outflows)	-	-	-	-
Transfers to other funds	80,000	80,000	135,770	(55,770)
Total charges to appropriations	80,000	80,000	135,770	(55,770)
Budgetary Fund Balances, Ending	\$ 26,463	\$ 106,463	\$ 71,940	\$ (34,523)

# TOWN OF JONESBORO

## Street Sales Tax Budgetary Comparison Schedule For the Year Ended June 30, 2011

Exhibit 1-4

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balances, Beginning	\$ 742,412	\$ 742,412	\$ 742,412	\$ -
Resources (inflows)				
Local sources				
Taxes				
Ad valorem	870,000	1,740,000	745,581	(994,419)
Use of money and property	2,500	2,500	2,252	(248)
Transfers from other funds	-	-	-	-
Amounts available for appropriations	<u>1,614,912</u>	<u>2,484,912</u>	<u>1,490,245</u>	<u>(994,667)</u>
Charges to appropriations (outflows)	-	-	-	-
Transfers to other funds	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,018,468</u>	<u>18,648</u>
Total charges to appropriations	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,018,468</u>	<u>18,648</u>
Budgetary Fund Balances, Ending	<u>\$ 614,912</u>	<u>\$ 1,484,912</u>	<u>\$ 471,777</u>	<u>\$ (1,013,135)</u>

Town of Jonesboro  
Notes to the Budgetary Comparison Schedules  
June 30, 2011

**Note A – Budget Practices**

A proposed budget for the general fund and the special revenue funds of the Town of Jonesboro is prepared on the modified accrual basis of accounting. The budget is legally adopted by the Town of Jonesboro and then amended during the year, as necessary. The budget is established and controlled at the object level of expenditures. Appropriations lapse at year-end and must be re-appropriated for the following year. The Town of Jonesboro authorizes all amendments to the budget. One amendment was made to the original budget.

Formal budgetary integration is employed as a management control device during the year.

**Note B – Budget to GAAP Reconciliation**

Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures are presented on the next page.

**Note C – Excess of Expenditures over Appropriations**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund	\$ 2,965,667	\$ 2,690,237	\$ 275,430

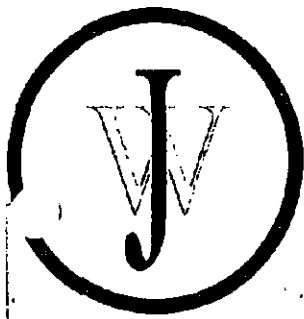
**TOWN OF JONESBORO**

**Notes to the Budgetary Comparison Schedules  
For the Year Ended June 30, 2011**

	<u>General</u>	<u>Fire Dept Ad Valorem Tax</u>	<u>Street Ad Valorem Tax</u>	<u>Street Sales Tax</u>
<b>Sources/inflows of resources</b>				
Actual amounts (budgetary basis) "available for appropriation" from the Budgetary Comparison Schedule	\$ 3,139,050	\$ 138,074	\$ 207,710	\$ 1,490,245
State and federal grants not included in the budget	834,229	-	-	-
The fund Balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(180,864)	(50,827)	49,763	(742,412)
Transfer from other funds are inflows for budgetary purposes but are not revenue for financial reporting purposes	<u>(1,148,365)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues as reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 2,644,050</u>	<u>\$ 87,247</u>	<u>\$ 257,473</u>	<u>\$ 747,833</u>
<b>Uses/Outflows of resources</b>				
Actual amounts (budgetary basis) "Total charges to appropriations" from the Budgetary Comparison Schedule	2,690,237	113,135	135,770	1,018,468
State and federal grants not included in the budget	834,229	-	-	-
Transfers to other funds are outflows for budgetary purposes but are not expenditures for financial reporting purposes	<u>-</u>	<u>(113,135)</u>	<u>(135,770)</u>	<u>(1,018,468)</u>
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 3,524,466</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

### **Other Information**

The information in the following section concerns management's actions or intentions concerning prior- and current- year findings. This information has been prepared by the management of the Town of Jonesboro. Management accepts full responsibility for the accuracy of the information. This information had not been audited by the auditor and accordingly, no opinion is expressed.



# JONALD J. WALKER III CPA LLC

MEMBER OF  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
SOCIETY OF LOUISIANA  
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Mayor and Board of Aldermen  
Town of Jonesboro  
Jonesboro, Louisiana

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, as they are a required part of the audit engagement. We are required to perform each procedure and report the results, including any exceptions. Management is required to provide a corrective action plan that addresses all exceptions noted. For any procedures that do not apply, we have marked "not applicable."

Management of the Town of Jonesboro is responsible for its financial records, establishing internal controls over financial reporting, and compliance with applicable laws and regulation. These procedures were agreed to by management of the Town of Jonesboro and the Legislative Auditor, State of Louisiana, solely to assist the users in assessing certain controls and in evaluating management's assertions about the Town of Jonesboro's compliance with certain laws and regulation during the year ended June 30, 2011 included in the *Louisiana Compliance Questionnaire*.

949 RYAN ST STE 100

LAKE CHARLES

LOUISIANA 70601

(O) 337-478-7902

(F) 337-478-3345

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

### Agreed Upon Procedures Performed

#### Financial Management

1. Determine if management (chief executive and board members) was presented with timely and accurate monthly financial statements, including budget-to-actual comparisons on funds (General Fund, Special Revenue Fund, Utility Fund, etc.) of the entity, during the year under examination.

#### Results

In inquiries with the Mayor and Town Council it was determined that the Mayor and Town Council were not provided with monthly financial statements during the time period of the examination. With the assistance of external CPA engaged to serve as Town CFO, procedures were put into place to have Mayor and Town Council presented with monthly financial statements. These procedures were implemented in December 2011.



- 2 If management was deficit spending during the period under examination, determine if there is a formal/written plan to eliminate the deficit spending and whether management is monitoring the plan

#### Results

Based upon the unadjusted and unaudited trial balance statement, accounts payable at June 30, 2011 was \$418,009 available cash was \$978,642 The Town did have cash equivalents (CDs and short term investments in the amount of \$564,493)

A deficit spending policy was in development during the time of the preparation of this report, but not in effect during the examination period

- 3 Determine if there are written policies and procedures for the following financial/business functions of the entity.
- Budgeting, including preparing, adopting, monitoring, and amending the budget is in effect as of December 29, 2011
  - Purchasing, including (1) how purchases are initiated, (2) how vendors are added to the vendor list, (3) the preparation and approval process of purchase requisitions and purchase orders, (4) checks and balances to ensure compliance with public bid law, and (5) documentation required to be maintained for all bids and price quotes
  - Disbursements, including processing, reviewing, and approving
  - Receipts, including receiving, recording, and preparing deposits

#### Results

Budget for fiscal year beginning July 1, 2011 was voted on and adopted by the Board of Alderman on December 29, 2011

There were no policies in effect at June 30, 2011 relating to purchasing, disbursements or receipts but were to be developed as soon as possible The policies were placed into effect January 2, 2012 for purchasing and disbursement and the following was noted in the review of those policies

Purchasing, including how purchases are initiated, through a purchase order form is included in the policy How vendors are added to the vendor list, is not addressed in the policy The preparation and approval process of purchase requisitions and purchase orders, is appropriately addressed in the policy Checks and balances to ensure compliance with public bid law, is appropriately addressed in the policy and documentation required to be maintained for all bids and price quotes is adequately addressed within the policy

Disbursements, including processing, reviewing, and approving prior to payment are stipulated covering approval by the mayor and clerk, authorized signer of checks,



original documentation requirements, control of blank checks and the prohibition of cash payments

Receipts, including receiving, recording, and preparing deposits The policy in development was not received for review and an effective date is not known

Policies and procedures for each of the above areas were not in place during the examination period

#### Credit Cards

- 1 Obtain from management a listing of all active credit cards (and bank debit cards if applicable) for the period under examination, including the card numbers and the names of the persons who maintained possession of the cards

#### Results

The listing was obtained which includes four (4) Wal-Mart credit cards controlled by the town clerk and kept in the vault at the Town Hall The cards are logged in and out by the clerk to the authorized users of which there are eleven (11)

Authorized users are comprised of the Mayor, town clerk, assistant to the mayor/deputy clerk, the fire and police chiefs, street department supervisor, director of public works, clerk for public works, administrative assistant to the chief of police, city court clerk and head janitor The Town Clerk maintains a listing of the credit cards, all issued in the name of the Town of Jonesboro and the number of each credit card

The town has one debit card issued by the Jackson Parish Bank and is kept in the vault and used only by the town clerk and only for the purpose of paying for travel related expenses

From inquiry of the town clerk it was determined that a bank Visa card had been obtained in the name of the former town clerk and mailed to the Town of Jonesboro with contained a \$10,000 credit limit The current town clerk informed reviewer that the Visa card had been cancelled Town clerk was unable to provide a copy of any correspondence or documentation to the Visa card issuer that card was cancelled A scan of the Town's general ledger detected no transactions in the period under examination of any charges made on said Visa card or payments to the Visa card issuer

- 2 Obtain and review the entity's written policies and procedures for credit cards (and debit cards if applicable) and determine if the following is addressed
  - How cards are to be controlled
  - Allowable business uses
  - Documentation requirements
  - Required approvers
  - Monitoring card usage



### Results

Obtained and reviewed the town's policies for credit/debit cards and debit cards. The policies were not effective until January 02, 2012. The policies that went into effect on January 02, 2012 address the following as noted:

- |                                  |     |
|----------------------------------|-----|
| • How cards are to be controlled | Yes |
| • Allowable business uses        | Yes |
| • Documentation requirements     | Yes |
| • Required approvers             | No  |
| • Monitoring card usage          | No  |

3 Obtain the monthly statements for all credit cards (general, stores, and gasoline) used during the period under examination and select for detailed review, the two largest (dollar amount) statements for each card

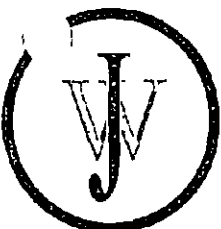
- a Obtain the entity's supporting documentation for the purchases/charges shown on the selected monthly statements
- Determine if each purchase is supported by
  - o An original itemized receipt (i.e., identifies precisely what was purchased)
  - o Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating)
  - o Other documentation as may be required by policy (e.g., purchase order, authorization, etc.)

### Results

The Visa card examined involved transactions relating to lodging, interest and late fees. Three of the five hotel receipts/transactions listed on the statements examined were available for inspection. Only a reservation confirmation for one of the transactions was provided. Two of the transactions had no documentation found for our review.

No documentation was provided for any of the transactions indicating the business purpose of the trips. No business purpose, authorization, or approval noted on any of the transactions examined. Policies for credit card usage and travel not in effect until January 02, 2012. Each monthly statement examined contained late charges, purchase interest charges and had an opening balance from the prior month. A travel policy was adopted on January 02, 2012. This policy contains no limit or restrictions to hotel rates or allowed or provides guidelines regarding approved or acceptable lodging based on cost.

The second card examined was a retail store credit card. 42 transactions were examined. 4 transactions had no receipts or documentation to support the transactions. 3 transactions lacked support or indication of the business purpose. 2 transactions did not have proper authorization. In 10 transactions examined, the



purchase orders requisition form attached were dated after the transactions were enacted or completed. Written evidence of review and approval of the transaction was lacking in 7 transactions and 4 transactions did not have an appropriate or necessary purpose determined or documented.

The debit card had no supporting documentation for either of the two transactions for each of the two months examined. A total of four transactions without documentation found.

- Determine if each purchase is:
  - In accordance with thresholds or guidelines established in the policies and procedures
  - For an appropriate and necessary business purpose relative to the entity

#### Results

Policies for credit cards and travel were not in effect until January 02, 2012. Later adopted travel policy contains no limit to hotel rates allowed.

An appropriate and necessary purpose, such as travel to attend a conference, was not determinable on 20 transactions examined on the cards listed above.

- Determine if any purchases were made for personal purposes. If there are purchases made for personal purposes, determine the date(s) of reimbursement.

#### Results

The two months reviewed during the examination period containing the largest dollar amount of transactions was selected for each of the two types of credit cards and the one debit card.

55 transactions were examined. 35 transactions appear to have an appropriate business use. In the case of 15 transactions, we were unable to determine, due to insufficient documentation the purpose of the transaction. 4 transactions were for late charges assessed or interest as each of the four months examined were all paid late. 1 did not have a business purpose apparent from the description of the purchased items.

- Determine if any purchases effectively circumvented the entity's normal procurement/purchasing process and/or the Louisiana Public Bid Law (i.e., large or recurring purchases requiring the solicitation of bids and quotes).

#### Results

Of the 55 transactions examined it appears that the Town's normal procurement/purchase process and/or the Louisiana Public Bid Law were circumvented as there were 10 instances of purchase orders issued after the date of purchase for transactions on the Wal-Mart credit card. None of the purchases were large or numerous to have a cumulative effect consideration.



- a Determine if there was any duplication of expenses by comparing all travel and related purchases to the appropriate person's expense reimbursement report(s)

Results

42 transactions were examined and written evidence of review and approval was lacking in 7 transactions on the store credit card. There were 7 transactions examined on two monthly statements of the Visa card, all for lodging, with no receipts for 4 transactions. 3 transactions had receipts provided but had no written evidence of review and approval. 4 transactions were for late fees.

The two months examined on the debit card each contained one charge for lodging with no documentation provided for the each transaction for each month.

- b Determine if finance charges and/or late fees were assessed on the monthly statement.

Results

Interest and late fees were assessed on both months examined for the Visa card and a late fee was applied to both months of the store credit card. Late fees and interest for the two months examined totaled \$133.77.

Travel and Expense Reimbursement

- 1 Obtain and review the entity's written policies and procedures for travel and expense reimbursement and determine if the following is addressed:

- Allowable expenses
- Dollar thresholds by category of expense
- Documentation requirements
- Required approvers

Results

Policies and procedures for each of the above areas were in development but not in effect during the examination period. A travel and expense reimbursement policy was placed into effect effective January 1, 2012. This policy however, lacks rate limits or restrictions for lodging expenses.

- A Obtain a listing of all travel and related expense reimbursements during the period under examination and select for review, the one person who was reimbursed the most money.
- B Obtain all of the expense reimbursement reports of the selected person, including the supporting documentation, and select the three largest (dollar) expense reports to review in detail (there are only three or less expense reports, review all).



- Determine if each expenditure is
  - Reimbursed in accordance with written policy (e.g., rates established for meals, mileage, lodging, etc.)
  - In accordance with thresholds or guidelines established in the policies and procedures
  - For an appropriate and necessary business purpose relative to the travel

#### Results

Reviewer obtained a list of travel and travel related expenses reimbursed during the period under examination. The town clerk's travel expenses (Note: The current town clerk became the clerk effective January 11, 2011) was selected for examination per the process stipulating the person having the largest dollar amount of reimbursement during the exam period.

The three largest expense reimbursement reports with a total of 7 transactions were selected for review having a combined amount of \$1,032.47. 2 transactions had no receipts provided totaling \$215.90 for lodging and \$75.43 for meals and tips. With no receipts available, the number and cost of meals is not determinable and as there was no written policy in effect during the examination period adherence to said period cannot be determined.

The reimbursement rates used during the examination period for automobile mileage were inconsistent with no written guidelines as to the effective rate or purpose for change. The business purpose was documented for each of the three reports examined.

- Determine if each expenditure is supported by
  - An original itemized receipt (i.e., identifies precisely what was purchased)
  - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating)
  - Other documentation as may be required by policy (e.g., authorization for

#### Results

Original receipts were not provided relating to one report for hotel accommodations or for meals. The business purpose was documented for each of the three reports examined on the report summary. Meal receipts did not indicate business purpose or participants.

- Determine if any of the expenditures were for personal purposes (e.g., extended hotel stays before or after training class, meals for spouses, entertainment, etc.)



### Results

Of the 7 transactions on the three reports examined there were no exceptions noted

- Determine if each expense report (including documentation) was reviewed and approved, in writing, by someone other than the person receiving reimbursement

### Results

The travel was made by the town clerk and there was no written documentation by the mayor indicating approval for the travel reimbursement

- A Determine if there was any duplication of expenses by comparing the expense reports to charges/purchases made on credit card(s)

### Results

Seven transactions requested, no documentation or receipts provided on 2 of the 7 transactions requested No exceptions noted on the 5 transactions examined

### Contracts

- 1 Obtain and review the entity's written policies and procedures for contracts/contracting, including leasing, and determine if the following is addressed

- Types of services requiring written contracts
- Standard terms and conditions
- Legal review
- Approval process
- Monitoring process

### Results

No written policies or procedures regarding contracts/contracting in effect during the examination period A contracting for services policy was developed and became effective January 2, 2012

Inspection of the *Contracting for services policy* specified that services were to be contracted according to Louisiana Public Bid Law This policy contains terms to comply with legal review, board approval requirement only It does not contain requirements for the standard terms and conditions, the approval process or the monitoring process

Although requested there was no policy for contracts provided for review

- 1 Determine if the entity has centralized control and oversight of contracts to ensure that services/deliverables received and payments made comply with the terms and conditions of the contracts



### Results

For the examination period there is no centralized control, or oversight of contracts in place. When requesting documentation regarding contracts there was no one person or location for any of the documents requested.

1. Obtain and review the accounting records (e.g., general ledgers, accounts payable, vendor history reports, invoices, etc.) for the period under examination to identify individuals/businesses being paid for contracted services (e.g., professional, technical, etc.). Select the five "vendors" that were paid the most money during the period and for each:
  - Determine if there is a formal/written contract that supports the services arrangement and the total amount paid.
  - Determine the business legitimacy of the vendor if not known by the auditor (e.g., look-up the vendor on the LA Secretary of State's website).

### Results

A summary report of expenses by vendor was obtained and those receiving the largest payments and most likely should be contracted entities were selected for examination. No written contracts were provided by the town but the five vendors were performing services or providing goods under grants issued to the Town. One of the vendors is the town's engineering firm for which no contract with the firm was provided. The engineering firm is relied upon for compliance, monitoring and storing of documentation relating to grants as the town has no centralized system in place.

1. Obtain a listing of all active contracts and the expenditures made during the period under examination. Select for detailed review, the largest (dollar amount) contract in each of the following categories that was entered into during the period:
  - 1) Services
  - 2) Materials and supplies
  - 3) Public Works

### Results

No list of contracts or contracts was provided by the Town for examination. Results in item number 3 above were utilized for the same examination purpose.

- A. Obtain the selected contracts and the related paid invoices and:
  - Determine if the contract is a related party transaction.





### Results

Inquiry was made of officials of the Town regarding any related party activities. Town officials provided no information regarding any related party activities. Auditor provided Town officials with a *Related Party Questionnaires* to be completed by the Mayor, members of the Board of Aldermen and Town department heads. No related party activity was noted on the questionnaires returned to the auditor by these officials.

- Determine if the transaction is subject to the Louisiana Public Bid Law
  - If yes, determine if the entity complied with all requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder, etc.)
  - If no, determine if the entity provided an open and competitive atmosphere (a good business practice) for the transaction/work.

### Results

Bid packages were requested but not provided. The Town relies upon the services of the engineering firm for compliance and monitoring of grant expenditures.

One bid purchase was examined from documents received when performing different procedures. The town purchased two police cars in January of 2011. The bid awarded the contract was the only bid provided with no indication of acceptance or approval written on the one paragraph letter which constitutes the bid. There were no specifications for the bid provided other than the newspaper advertisement which was restrictive to one make and specific model. There were no tabulations or other bids provided for inspection and no written documentation of review, comparison or acceptance. The accepted bid did meet the advertised requirements.

- Determine if the contract was awarded under the *request for proposals* (RFP) method. If done so, obtain all proposals and the evaluation/scoring documents to determine if the contract was awarded to the most responsible offer or whose proposal was the most advantageous taking into consideration price and other evaluation factors set forth in the *request for proposals*.

### Results

Per inquiry of the town clerk, there were no contracts awarded under the request for proposal method.

- Determine if the procurement was made "off" state contract (as opposed to following the competitive bidding requirements of the Louisiana Procurement Code (R.S. 39:1551-1755), the set of laws that govern most state agencies' purchases of certain services, materials and supplies, and major repairs.



### Results

Per inquiry of the town clerk, there were no contracts awarded "off" state contract for the period under examination

- Determine if the procurement related to homeland security was made from Federal General Services Administration (GSA) supply schedules. If done so, determine if the entity (1) utilized a Louisiana licensed distributor, (2) used the competitive ordering procedures of the federal GSA, and (3) received prior approval from the director of the State Office of Homeland Security and Emergency Preparedness, or his designee

### Results

Based upon the information provided and inquiry of the town clerk there were no purchases related to Homeland Security or Emergency Preparedness

- Determine if the entity "piggybacked" onto another agency's contract. If done so, determine if there is documentation on file that clearly demonstrates the contract was a previously bid, viable contract and the price paid by the entity was the same as that contract's bid price

### Results

Per inquiry of the town clerk, the Town did not "piggyback" any other agency's contract

- Determine if the contract was amended. If done so, determine whether the original contract contemplated or provided for such an amendment. Furthermore, determine if the amendment is outside the scope of the original contract, and if so, whether it should have been separately bid and contracted

### Results

No contracts were amended during the examination period based upon discussions and inquiry of the town clerk

- Determine if the invoices received and payments made during the period complied with the terms and conditions of the contract

### Results

No contracts provided for examination. Invoices examined for one of the 5 vendors included one where the balance due to the vendor was \$175,869.96. The amount due on the statement was \$100,000.00. Town officials decided to pay the full amount of \$175,869.96. Inquiry was made as to the reasoning behind the decision to pay the full amount due instead of the \$100,000 that was currently due. Statement was made that the Mayor made the decision to pay the full amount of the statement as the Town had



been late with previous payments to the vendor and that the full amount would have to be paid at some time

The second vendor providing services and/or materials for a general fund project had no documentation or copies of the two checks provided for review. Total amount paid this vendor was \$111,666.20

For vendor three, 6 invoices lacked written approval for payment and 6 were not paid timely or the full invoice amount was not paid. The 3 invoice copies provided were obtained via facsimile from the vendor on the day of our examination, 1 invoice was not indicated as paid, did not indicate the check number or the amount of the check. There was one \$2,000 payment in the general ledger that had no documentation to support the payment. These invoices were for engineering services from the Town's engineering firm.

For the fourth vendor providing services and materials, there was insufficient documentation to adequately verify any of the 4 payments made. The four payments to vendor totaled \$67,650.73 in payments. There was no written evidence of approval of any of the payments.

Vendor 5 provided services and materials and lacked written evidence of review or approval by the mayor. One requisition was provided and stamped approved but there was nothing documented indicating the person approving the transactions. One payment lacking an invoice in the amount of \$4,986 was paid twice according to documents provided by the town when it was noted in. A request was made by the Town on August 26, 2011 for a refund of these funds. As of the date of this report the vendor has not made refund to the Town for the overpayment.

- Determine if there is written evidence that the entity's legal advisor reviewed the contract and advised entering into the contract.

#### Results

In the 5 transaction selected for review, no evidence of review of contracts by the Town's legal advisor was made available. In an inquiry with the Town's legal counsel he indicated that in the past there were no formal procedures in place to assure review by legal counsel before the Town entered into a legal contract.

Subsequent to an event involving a land transaction that was not properly bid by the Town, Town legal counsel has indicated that procedures are currently in place to ensure that all contracts and legal documents have a legal review before submitting for Town Council approval and signature by the Mayor.

- Determine if there is documentation of the board approval, if required.

#### Results

No evidence of board approval as no contracts was provided for the period under examination. Opening and consideration, rejection or acceptance of bids is noted in the minutes.



### Payroll and Personnel

- 1 Obtain and review the entity's written policies and procedures for payroll and personnel and determine if they address the processing of payroll, including reviewing and approving of time and attendance records, including leave and overtime worked

#### Results

No policies or procedures in effect during the examination period relating to procedures for payroll and personnel

- 1 Obtain a listing of employment contracts/agreements in force during the period under examination. Select the largest (dollar amount) employment contract and determine if all payments issued during the period under examination were done in strict accordance with the terms and conditions of the contract

#### Results

There were no listing or employment contracts provided for the examination period

- 2 Select the attendance and leave records for one pay period and
  - Determine if all employees are documenting their daily attendance and leave (e.g., vacation, sick, etc.) (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

#### Results

Attendance and leave records were obtained for one pay period and the attendance and leave information was examined. From a review of time sheets, attendance sheets and logs and supervisor's documents it appears that employees are documenting their attendance and leave adequately.

- Determine if supervisors are approving, in writing, the attendance and leave of all employees

#### Results

40 transactions were selected for review. In 31 transactions, supervisors provided proper written approval of attendance and leave. In 9 transactions improper or no written approval was found.

- Determine if the entity is maintaining accurate written leave record (e.g., hours earned, hours used, and balance available) on all eligible employees



### Results

Based upon the review of 40 transactions accurate written leave records are being maintained

- 3 Select the five highest paid employees and determine if changes made to their hourly pay rates/salaries during the period under examination were approved in writing and in accordance with policy

### Results

Of the five employees selected, one had no exceptions noted. Two employees had no effective date of change noted on the pay rate change form and no authorization/approval was found or noted in the records.

- 4 Select the five largest termination payments (e.g., vacation, sick, compensatory time, etc.) made during the period under examination. Determine if the payments were supported by documentation, made in strict accordance with policy and/or contract, and properly approved.

### Results

There was one employee that received a termination payment during the period of examination. The individual was the former fire chief for the Town who received a settlement after filing suit against the town for earned but unused compensatory time. Documentation regarding transaction was reviewed. No exceptions were noted.

- 5 Determine if any employees were also being paid as contract labor during the period of the examination.

### Results

A review was made of employees to determine if any were paid as contract labor during the examination period. No exception noted.

We were not engaged to perform, and did not perform, an audit, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of the Town of Jonesboro and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Donald J. Walker III, CPA, LLC*

Donald J. Walker III, CPA, LLC  
Lake Charles, Louisiana  
May 18, 2012



## TOWN OF JONESBORO



LESLIE C. THOMPSON  
MAYOR

OFFICE OF THE MAYOR

128 ALLEN AVE  
POST OFFICE BOX 610  
JONESBORO, LA 71251  
PHONE (318) 259-2385  
FAX (318) 259-4177

**April 25, 2012**

The following items are the Town of Jonesboro's management responses to the independent accountant's report on agreed upon procedures

- A. The Town has not had a deficit and spending problem, thus was not aware that we needed a policy to prevent it. However, we are now working on a policy
- B. The town minutes need to be corrected to reflect that the budget was adopted by the Board on June 30, 2011
- C. With the assistance of the external CPA engaged to serve as Town CFO, that policy is now in place.
- D. With the assistance of the external CPA engaged to serve as Town CFO, the debit card policy is now in place
- E. With the assistance of the outside CPA engaged to serve as Town CFO, the credit card and travel policies have not been implemented
- F. With the assistance of the external CPA engaged to serve as Town CFO, the Town Clerk has developed a better record keeping system
- G. With the assistance of the external CPA engaged to serve as Town CFO, The Town Clerk has developed a better record keeping system
- H. The Town does not concur that the LA Public Bid Law was circumvented. There was not a like item purchased that exceeded the law threshold limit that would have constituted a violation
- I. With the assistance of the external CPA engaged to serve as Town CFO, the Town Clerk has developed a better record keeping system

- J. With the assistance of the external CPA engaged to serve as Town CFO, the travel policy is now implemented
- K. With the assistance of the external CPA engaged to serve as Town CFO, the Town Clerk has developed a better record keeping system
- L. With the assistance of the external CPA engaged to serve as Town CFO, the travel policy is now implemented.
- M A centralized control unit has now been set up and the oversight of contracts has become a part of the overall records retention process. Presently, the administration relies primarily on our Engineer to maintain grant contract and contractor files. However, our new system will require in-house filing and duplication.
- N With the assistance of the external CPA engaged to serve as Town CFO, the Town Clerk has developed a better record keeping system
- O The vast majority of the findings include the absence of policy, procedures, and record keeping. While it is apparent that the Town of Jonesboro has not been required to have these policies in place prior to my administration, we are making great strides to implement them now, as noted by the Auditor's findings. Last year, the Town hired a Certified Financial Officer whose job it was to improve the efficiency of the Town's operations. The CFO's work has primarily focused on the period between the years of 2011-2012, while the above mentioned findings are items relating to the 2010-2011 audit period. I would like to take this opportunity to thank the Legislative Auditors for identifying the Town's operational weakness and for recommending the employment of a CFO for the purpose of training of staff and enhancing our operations. However, while we are able to see tremendous improvements, we are all aware that the real fruit of our labor will not come to fruition until the results of our next year's audit are made available

Signed,

  
Mayor Leshe Thompson

Town of Jonesboro  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2011

Federal Grantor Pass-through <u>Grantor/Program Name</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Identifying Number</u>	<u>Federal Expenditure</u>
<u>U S Department of Transportation</u>			
Direct			
Federal Aviation Administration			
Airport Improvement Program	20 106	N/A	465,061
Airport Improvement Program	20 106	N/A	69,781
Environmental Protection Agency			
Passed through LA Dept of Environmental Quality			
Capitalization Grants for Clean Water (ARRA)	66 458	CS221730-01	<u>539,811</u>
Total Federal Awards			<u>\$1,074,653</u>

The accompanying footnotes to Schedule of Expenditures of Federal Awards are an integral part of this schedule



Town of Jonesboro  
Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2011

**Note 1 – General**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the Town of Jonesboro. The Town's reporting entity is defined in Note 1 to the Town's financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through government agencies, is included on the schedule.

**Note 2 – Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 of the Financial Statement to the Town's financial statements.

**Note 3 – Relationship to Financial Statements**

Federal awards expenditures are reported in the Town's financial statements as components of the following:

General Fund State and Federal Revenue	\$ 934,476
Enterprise Fund State and Federal Grants	<u>140,177</u>
Total	<u>\$ 1,074,653</u>

**Note 4 – Relationship to Federal Reports**

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for changes made to reflect amounts in accordance with accounting principles generally accepted in the United States of America and limitations of the Town's accounting records.



# JONALD J. WALKER III CPA LLC

MEMBER OF  
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SOCIETY OF LOUISIANA  
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## 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 Leslie Thompson, Mayor  
and Members of the Board of Aldermen  
Town of Jonesboro  
Jonesboro, Louisiana

We were engaged to audit the financial statements of the Town of Jonesboro, Louisiana's governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Jonesboro, Louisiana as of and for the year ended June 30, 2011, which collectively comprise the Town of Jonesboro, Louisiana's basic financial statements and have issued our report thereon dated May 18, 2012. We did not express an opinion on the financial statements because inadequacies in the Town's accounting records, we were unable to form an opinion regarding the amounts recorded as opening balances for liabilities and fixed assets and the income and expense or expenditure allocation between departments and funds.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Jonesboro, Louisiana's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Jonesboro, Louisiana's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Jonesboro, Louisiana's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be 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

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will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies 2011-01, 2011-02 and 2011-03 described in the accompanying schedule of findings and questioned costs to be material weaknesses.

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 2011-04, 2011-05, 2011-08, 2011-09, 2011-10 and 2011-11 described in the accompanying schedule of findings and questioned costs to be significant deficiencies.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Jonesboro Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2011-06, 2011-07 and 2011-14.

The Town of Jonesboro, Louisiana's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Town of Jonesboro Louisiana's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Town Council, others within the organization, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by Louisiana Legislative Auditor as a public document.

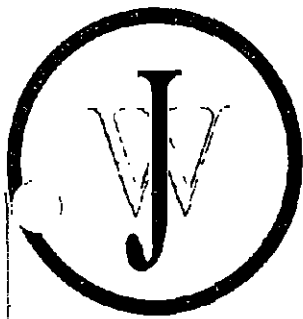
***Jonald J. Walker III, CPA, LLC***

Jonald J. Walker III, CPA, LLC

Lake Charles, Louisiana

May 18, 2012





# JONALD J. WALKER III CPA LLC

MEMBER OF  
AMERICAN INSTITUTE OF  
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SOCIETY OF LOUISIANA  
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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVERCOMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Leslie Thompson, Mayor  
and Members of the Board of Aldermen  
Town of Jonesboro  
Jonesboro, Louisiana

### Compliance

We have audited Town of Jonesboro, Louisiana's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of Town of Jonesboro, Louisiana's major federal programs for the year ended June 30, 2011. The Town of Jonesboro, Louisiana's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town of Jonesboro, Louisiana's management. Our responsibility is to express an opinion on the Town of Jonesboro, Louisiana's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Jonesboro, Louisiana's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town of Jonesboro, Louisiana's compliance with those requirements.

As described in item 2011-15 in the accompanying schedule of findings and questioned costs, the Town did not comply with requirements regarding cash management that are applicable to the Airport Improvement Program, CFDA# 20.106, and the Capitalization Grant for Clean Water CFDA# 66.458. Compliance with such requirements is necessary, in our opinion for the Town of Jonesboro, Louisiana to comply with the requirements applicable to that program.

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In our opinion, except for the noncompliance described in the preceding paragraph, the Town of Jonesboro, Louisiana, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

#### Internal Control Over Compliance

Management of the Town of Jonesboro, Louisiana, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Jonesboro, Louisiana's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Jonesboro, Louisiana's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2011-15 to be material weaknesses.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2011-16 to be significant deficiency.

The Town of Jonesboro, Louisiana's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Town of Jonesboro, Louisiana responses and, accordingly, we express no opinion on the responses.

We were engaged to audit the financial statements of the financial of the Town of Jonesboro, Louisiana's governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Jonesboro, Louisiana as of and for the year ended June 30, 2011, which collectively comprise the Town of Jonesboro Louisiana's basic financial statements and have issued our report thereon dated May 18, 2012. We did not express an

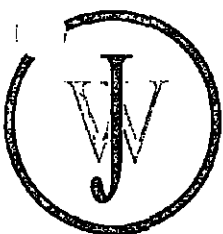


opinion on the financial statements because of inadequacies in the Town's accounting records, we were unable to form an opinion regarding the amounts recorded as opening balances for liabilities and fixed assets and the income and expense or expenditure allocation between departments and funds. The accompanying schedule of expenditures of federal awards is presented for purpose of additional analysis are required by OMB A-133 and is not a required part of the basic financial statements. We express no opinion on the schedule of expenditures of federal awards.

This report is intended solely for the information and use of the Council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of these reports may be limited, under Louisiana Revised Statute 24:513 this report is distributed by the Office of the Louisiana Legislative Auditor as a public document.

*Jonald J. Walker III, CPA, LLC*

Jonald J. Walker III, CPA, LLC  
Lake Charles, Louisiana  
May 18, 2012



Town of Jonesboro  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011

**A. Summary of Results**

- 1 The type of audit report issued was a disclaimer
- 2 There were six significant deficiencies required to be disclosed by Government Auditing Standards, issued by the Comptroller General of the United States of America. There were three deficiencies reported as material weaknesses
- 3 There were three instances of noncompliance considered material, as defined by the Government Auditing Standards, to the financial statement
- 4 There were two significant deficiencies required to be disclosed by OMB Circular A-133. Three significant deficiencies were considered to be material weaknesses
- 5 The type of report the auditor issued on compliance for major programs was qualified
- 6 The audit disclosed two audit findings which the auditor is required to report under OMB Circular A-133, Section 510(a)
- 7 The major federal programs are

	<u>CFDA Number</u>
Airport Improvement Program	20 106
Capitalization Grants for Clean Water (ARRA)	66 458

- 8 The dollar threshold used to distinguish between Type A and Type B programs as described in OMB Circular A-133, Section 520(b) was \$300,000
- 9 The auditee does not qualify as a low-risk auditee under OMB Circular A-133, Section 530

Town of Jonesboro  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011

**B. Findings – Financial Statement Audit**

**INTERNAL CONTROL AND COMPLIANCE FINDINGS**

**2011-01 General Accounting**

**Condition**

The town began in April 2011 using Quick books software for the accounting function with the assistance of an outside CPA firm serving as the Town's CFO. The utility department uses a non-integrated software package for revenues and receivables with a manual entry into the Quick books accounting software. The CPA firm was hired to assist the town in addressing audit findings and implementing better accounting and record keeping practices.

**Criteria**

Good controls over financial records of the Town should include written policies and procedures, segregation of duties, proper reconciliations, approval of manual journal entries, and adequate financial information provided to the Town Council and department heads. All payables and receivables should be recorded at year end and prior year receivables and payables reversed.

**Cause**

Bank accounts are being reconciled but not all agreed to the general ledger at year end, a bank reconciliation policy is being developed. Policies and procedures concerning most areas of the town were under development at year end but not placed into effect for several months after year end.

Restrictions on cash and cash equivalents was not determinable through inquiry and investigation during the audit. There are restrictions on tax revenues collected for specific funds and to comply with grant and loan covenants but compliance could not be verified.

In a test of cash disbursements, some checks were not located and documentation including written evidence of review and approval by the mayor or other authorized official were lacking. Check copies and supporting documentation of disbursements, such as invoices, are filed in check number order and not alphabetically under the entity being paid.

The reason for this method of filing was understood to help correct the problem of accounting for checks issued which were not found in prior audits. This method of filing contributes to the difficulties in filing, maintaining and retrieving the documents however.

An ongoing control log of journal entries is not maintained noting reason for the entry and appropriate supervisor approval. There was no centralized control over contracts or grants therefore when requested, a list of contracts and grants could not be provided.



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Effect

Misstatements in the financial statements, related notes, or supplementary information may occur and not be detected within a timely period

Poor accounting controls, lack of appropriate review and approval, inability to retrieve documents, posting errors and financial statements not being provided to the mayor and aldermen contribute to insufficient information to properly plan and operate the financial activities of the town. Monitoring and managing the day to day progress of the Town is critical in the management of cash flow to prevent future economic hardships.

Recommendation

Town records its cash activity through several cash accounts. Auditor understands this situation exists partly in an effort to separate certain funds and grant activities from Town's normal operations. Auditor suggests however, that this type of segregation can be accomplished through a recording function of the accounting system. The operating bank account of a cash flow system is the major link of internal accounting controls over both cash receipts and cash disbursements, if operating activity is handled through more than one bank account, internal controls tend to be weakened. To strengthen internal control, auditor recommends that the Town deposit all receipts and disburse all expenditures from one mass checking account (unless mandated by statute or funding source requires separate checking accounts). Any necessary segregation for fund or grant cash and activity can be done through the accounting records.

It is recommended that the town consider changing the method by which vendor invoices and payments are filed. Alphabetically filing by vendor would make location of documentation faster and aid in other areas of monitoring such as for grant purposes.

Response

The Town hired an outside CPA firm that established a system for bank reconciliations to be done on a monthly basis, and to guard against the comingling of dedicated and non-dedicated funds. A centralized control unit of grants is presently being developed. The Town also recognized the auditor's concern in reference to our ability to retrieve certain records and invoices, and is considering changing to an alphabetical style of invoice filing.

2011-02 Improvement of Controls

Condition

Good controls require that appropriate documentation to support all payments is maintained, more than one individual be involved in the disbursement process, and bills be paid on a timely basis to avoid penalties and interest.

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From a haphazard sample of checks multiple instances of the following was noted

- No documentation was provided for some checks
- Purchase orders for some of the checks could not be provided and some of the purchase orders were post-dated
- Numerous checks were paid more than 30 days after the invoice date

Our examination of the organization's procedures and transactions relating to the payroll function disclosed the following

- The employee responsible for processing payroll has the ability to add employees, change employee information, enter daily time and attendance for hourly employees, update pay rates, and maintain all supporting payroll documents
- Documentation reflecting approved changes to employee salaries in some instances was not on file in the employees file
- There was no evidence supporting an independent administrative review of payroll transactions and reports by management

Criteria

Management is responsible for establishing internal control policies and procedures that provide for proper accounting, reasonable assurance that assets are safeguarded against loss resulting from unauthorized use, and that transactions are executed in accordance with management's authorization

Effective internal control should include vendor disbursements having original documentation (invoices, etc), proper approval, and paid timely. Payable disbursements should have proper support, salary rates that match salary schedules, and overtime pay approved by appropriate personnel. Time cards or pay sheets should be signed by the employee and supervisor. I-9 forms should be kept on all employees. Credit card and charge account payments should be supported by statements and adequate receipts containing written evidence of appropriate review and approval.

Cause

There is poor control over vendor and payroll disbursements and credit/debit card usage needs strengthening

Effect

Internal control over disbursements is not adequate resulting in untimely and unsupported payments

Recommendation

Management should develop a formal plan that includes both short-and long-term spending to ensure it can operate within available funding. Strong controls should be implemented over the disbursement process to ensure that (1) more than one individual is involved in the process (e.g., receiving, recording, reviewing, approving and paying), (2) documentation to support all bills and payments is complete and maintained intact, and (3) all bills are paid timely, including the amounts withheld/deducted from employee paychecks.

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All vendor payments in the future should include original documentation (invoices, etc ) and should be paid timely. Records supporting disbursements should be properly maintained. All employees should have a completed I-9, W-4 and L-4 forms. The Town should establish and maintain a salary schedule. There should be a form for employee evaluations and raises and should be maintained in the employees' files. All salary increases should have the proper approval on the form and contain the effective date. Time cards/or pay sheets should be signed by the employee and the supervisor. All overtime should be authorized by the appropriate official and evidenced in writing.

Response

The external CPA has assisted the Town with creating stronger internal controls with reference to our credit/debit card usage. The Town has also hired a new accountant whose responsibility it is to maintain employee files with proper documentation, and to insure that vendors are paid timely.

**2011- 03 Inadequate Controls over Financial Reporting**

Condition

Financial statements are not prepared monthly on funds (e.g., General Fund, Enterprise Fund) of the Town. Monthly budget-to-actual comparison schedules are not prepared and presented to the mayor and council for discussion.

Criteria:

Adequate internal controls in relation to financial reporting require that specific procedures be in place to ensure that transactions are properly supported and recorded on a timely basis. In addition, controls should be in place to ensure the appropriate oversight of funds and monthly transactions from those charged with governance. Monthly financial statements should be provided to the mayor and town council for their review. The financial activity and comparison to budgeted amounts is necessary for the proper stewardship of the town.

Management is responsible for establishing internal control policies and procedures that provide for proper accounting, reasonable assurance that assets are safeguarded against loss resulting from unauthorized use, and that transactions are executed in accordance with management's authorization.

Cause

The Town did not maintain an adequate control environment due to lack of monitoring and oversight by those charged with governance. Monthly financial statements were not prepared for the mayor and town council during the audit period due to the accounting records not being current.

An internal control system was not designed and/or implemented to ensure that adequate controls were in place in all areas to prevent, detect, and correct noncompliance in a timely manner. Management of the Town was not seeking advice and reviewing transactions on a regular basis to ensure that financial related matters were in compliance.

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Effect

The lack of adequate internal controls relating to general ledger maintenance significantly increases the risk that material error and irregularities could exist and not be detected. The lack of oversight significantly increases the risk of the misappropriation of assets. Lack of complete accounting records necessary to prepare financial statements. Management of the Town does not have financial information necessary to plan and operate the Town effectively. Without complete financial information on all funds on a timely basis, including budget-to actual comparisons, the mayor and council cannot effectively exercise its fiduciary responsibilities of monitoring and managing the Town's fiscal affairs.

Recommendation

The organization should review its existing controls over financial reporting and adopt and implement policy and procedures that will ensure the safeguarding of the Town's assets, reporting accurate financial data and that personnel comply with policies, procedures and regulations. In addition, the organization should complete its review of the draft "Accounting Policy and Procedures Manual," maintain the general ledger on a timely basis including posting transactions, completing account reconciliations, and preparing monthly financial statements. The organization should develop a written accounting policy manual which includes month-end procedures along with formal approvals and other control procedures. Those in charge of governance should monitor the process to ensure compliance with the policies established. The mayor should ensure that he and the council are presented each month with current financial statements (e.g., Balance Sheet, Statement of Revenue, Expenditures, and Changes in Fund Balance, Cash Flow Statements) for all funds of the Town, including budget-to-actual comparisons and warning of any corrective action needed to be taken (e.g., amending the budget).

Response

The new system recently implemented provides for the Mayor and Council to be presented with complete financial information which includes budget-to-actual comparisons. This information is now provided on a monthly basis to the Mayor and Council, and should not only significantly reduce the risk of misappropriation of assets, but should greatly enhance the fiduciary responsibility of those in charge of monetary decisions that impact the Town's fiscal affairs.

**2011-04 Inadequate Design of Internal Control over Financial Statement Preparation**

Condition

The Town's staff responsible for preparation of the financial statements and related footnote disclosure in accordance with generally accepted accounting principles (GAAP) lacks the resources and/or knowledge necessary to internally complete the reporting requirements.

Although management of the Town does not actually prepare and draft the financial statements, related notes, and supplementary information, they should have the capability and experience to oversee the process. They provide all of the information to be included and they should understand the presentation.

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Criteria

Effective for financial statements ending on or after December 15, 2006, Statements on Auditing Standards 112 expands management's responsibility to ensure the propriety and completeness of the financial statements and related footnotes

Management of the Town should have suitable skill, knowledge, or experience to prepare financial statements, the related notes, and the supplementary information in accordance with accounting principles generally accepted in the United States of America. Internal controls should be adopted and implemented to prevent, detect or correct a misstatement in the financial statements, related notes, or supplementary information

Cause

The conditions are due to economic limitations. Management has not prepared a job description that requires the Town to hire a person that has adequate education, background, and training to prepare financial statements in accordance with accounting principles generally accepted in the United States of America

Effect

Town is unable to meet the required standards to ensure completeness of the financial statements and related footnotes

Misstatements in the financial statements, related notes, or supplementary information may occur and not be detected within a timely period. The amounts by which not implementing GASB Statement No. 45 would affect the liabilities and net assets of the governmental activities are not known

Recommendation

The Town should either 1) obtain the resources and/or knowledge necessary to internally prepare or review the auditor's preparation of the financial statements and related footnote disclosures in accordance with GAAP, or 2) determine if the cost of 1) overrides the benefit of correcting this control deficiency

Management of the Town should make a determination as to whether the cost of correcting the deficiency concerning the expertise of accounting personnel exceeds the expected benefit to be derived from doing such

Necessary steps should be taken to record postemployment benefits for retired employees in accordance with GASB Statement No. 45

Response

The Town recognized its deficiency concerning the expertise needed in the area of accounting. Therefore, we replaced personnel and hired an in-house accountant. We also contracted the services of an external CPA whose services were provided after this audit period. The Town has recently entered into a contractual consultation agreement with the CPA firm to assist with our financials as the Town prepares for its next fiscal year audit.

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**2011-05 Capital Asset Management**

**Condition**

The Town does not have procedures in place where an employee maintains a complete listing of the Town's capital assets nor do they have procedures to ensure all additions and deletions are properly reflected and monitored. There was no annual physical inventory of capital assets taken as required for good internal controls nor are all assets properly tagged.

**Criteria**

Louisiana Revised Statute LSA-RS 24:515 requires the Town to maintain a comprehensive listing of capital assets.

**Cause**

There was a low priority placed on the capital assets listing.

**Effect**

The Town was in violation of state law and had inadequate internal control over safeguarding of capital assets.

**Recommendation**

Management of the Town should consider appointing an employee as property manager who will maintain a comprehensive listing of capital assets as additions and deletions are added during the year. Department heads should be given addition and deletion forms and required to complete the forms as purchases or deletions of capital assets are made and then given to the property manager. Deletions should be supported by written documentation stating the reason for deletion, method of disposition such as sale, donation or junked and appropriate evidence of approval for the action taken. All should be approved by the Mayor and presented to the Aldermen. The property manager should perform an annual physical inventory of all capital assets and any missing assets identified should be investigated. All assets should be tagged as property of the Town and serial numbers retained by the property manager. Property manager should also maintain records for all construction projects to determine the status of each project and which projects have been completed and should be added to the capital asset listing.

**Response**

The administration created a capital assets list last year. The external CPA was instrumental in assisting the Town with its creation of a capital asset policy which has been adopted by Council.

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**2011- 06 Noncompliance with Local Government Budget Act**

**Condition**

Management failed to adopt the Town's 2010-2011 General Fund budget before the start of the current fiscal year as required by state law (Local Government Budget Act) R.S. 39:1309 A and R.S. 33:406 A (3) requires the budget to be adopted by ordinance before July 1, 2010, the beginning of the Town's fiscal year under audit

**Criteria**

The Local Government Budget Act requires that the chief executive officer or equivalent notify in writing the governing authority during the year when actual revenues (expenditures) and other financing sources (uses) plus projected revenues (expenditures) and other financing sources (uses) for the year exceeded budgeted revenues (expenditures) and other financing sources (uses) by 5% or more

**Cause**

There was no budget policy and procedure in effect at June 30, 2011. The budget policy was not completed and adopted until December 29, 2011.

**Effect**

The Town is in violation of the Local Government Budget Act

**Recommendation**

Management should strictly comply with all provisions of the Local Government Budget Act. 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. All amendments to the budget are also required to be adopted by ordinance (R.S. 33:406 A (3)).

**Response**

We are aware that compliance with certain aspects of the Louisiana Budget law requires collaboration between the Mayor and Council. While the Mayor did meet the timeline requirement, which involved creating and submitting the budget for adoption, the Council's refusal to adopt within the timeline prescribed did constitute a violation of the Budget Act. When recommendation and adoption do not occur within the lawful timelines as prescribed, this violation is inevitable. Since then, we have attempted to begin the process earlier, when possible, so as to allow for more deliberation time when needed so as to avoid future violations in this area.

**2011- 07 Noncompliance with Public Bid Law**

**Condition**

During the time period under audit it was revealed that the Town purchased its gasoline from one vendor without obtaining competitive bids as required by law.

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On August 26, 2010 the town sold and swapped real estate without a proper appraisal or board approval which was rescinded July 1, 2011. The transaction was modified and re-executed however the bid specifications were not corrected and the bid process was not properly repeated.

Criteria

R.S. 38:2212.1 requires the Town to solicit competitive bids for all purchases of materials and supplies exceeding \$30,000. The Louisiana Attorney General has opined (A.G. Opinion 02-122) that recurring purchases that exceed the bid limit must be advertised and let by public bid.

Cause

Bid law not followed

Effect

The cost to the Town for gasoline and diesel fuel may not be obtained at the lowest available price. The land transaction correcting procedures did not follow public bid law.

Recommendation

Management should consult with the Town's legal advisor and the Louisiana Attorney General. Also, management should review annually all items purchased frequently and consider soliciting bids for such items to ensure the lowest possible prices and to ensure compliance with the bid law. Subsequent to the end of the audited fiscal year, the Town consulted with the town attorney, advertised, received and accepted the lowest bid for gasoline and diesel fuel.

Response

The Town was concerned about public bid law compliance with reference to how it had purchased gasoline over the last 20 years, and decided to request an opinion from the Office of the Attorney General. We concluded that while the initial purchase would not reach the bid law's threshold, the subsequent purchases could. Therefore, we put the matter out for bid to insure that we are currently in compliance and to set a new trend for all future purchases where these factors may be present.

Re Land Deal- The Mayor and the Town Council of the previous administration erred in their effort to sell a tract of land owned by The Town. The land was declared surplus and put up for public bid. The Town acquired two separate appraisals in effort to ensure that the land was properly appraised and a fair market value would be realized.

However, due to the fact that the Council did not agree to sell to the sole bidder, the total land tract originally requested seemed to be the source of the calculation confusion. The Town's attorney presented to the Council a sale price which was not representative of the correct sale amount based on the actual amount of land being sold at the correct appraised amount.

The Town was very pleased to find that after the Legislative Auditor's and Sheriff's investigations that there was no indication of intent of wrong doing. The Mayor and New Council were able to re-start the bid process, correct old errors, and with the assistance of the Town Attorney the Town sold the land according to the LA Public Bid Law rules and regulations.



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**2011- 08 No Clear Accounting of Dedicated Taxes**

**Condition**

The Town received ad valorem (property) taxes dedicated for fire protection and streets and also received a sales tax dedicated for streets, however, there was no clear accounting of the expenditures of these monies to ensure they were spent for their dedicated purposes

**Criteria**

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. The dedicated ad valorem taxes and sales taxes are deposited into separate bank accounts and the Town records the tax proceeds in individual funds (Street Sales Tax Fund, Street Ad Valorem Tax Fund, Fire Ad Valorem Tax Fund) in the general ledger

**Cause**

The majority of the funds collected in these special revenue funds were transferred to the General Fund where the amounts dedicated to streets could not be verified as to their use

**Effect**

The intended purpose for the use of certain dedicated tax revenues may have been circumvented and used for other purposes

**Recommendation**

Management must be able to clearly demonstrate in the accounting records that the taxes were spent only for their dedicated purposes. It is recommended that the funds and expenditures be matched appropriately and in a method, in the general ledger, conducive to monitoring their use

**Response**

While we are relatively certain that no dedicated funds were ever used for any non-prescribed purposes, with the assistance of the external CPA we have been able to create a better system whereby the likelihood of comingling of dedicated and non-dedicated funds are greatly reduced

**2011-09 Written Policies and Procedures Not Complete**

**Condition**

The Town's written policies and procedures for its business/financial operations were not complete. Subsequent to year end numerous policies and procedures were being approved and placed into effect however, more areas should be addressed

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Criteria

Written policies and procedures aid in the continuity of Town operations, good internal control and 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 cross-training staff or training new staff.

Cause

A lack of knowledge of good accounting practices

Effect

Inconsistent methods of accounting contributing to errors and inaccurate financial information

Recommendation

Management should require the town clerk to initiate and oversee the development and implementation of written policies and/or procedures, in accordance with applicable Louisiana laws, related to the following key areas:

- Ethics, including matters such as prohibited activities (e.g., related party transactions) and requiring that an annual certification letter be signed by the alderman and all employees attesting to their compliance with the ethics policy
- Financial reporting process, including the nature, extent, and frequency of reporting financial information to aldermen
- Disaster planning and recovery policies and procedures
- Hazard mitigation plan
- Policy regarding deficit spending

All policies being developed should be completed, approved and placed into effect immediately and monitored and modified as necessary to assure accurate and consistent application. The website of the Louisiana Legislative Auditor should be consulted for sample policies and procedures and to aid in implementing necessary procedures to comply with state guidelines and laws. Once in place, the policies and procedures should be continually monitored for adherence.

Response

Completing and adopting more written policies and procedures are at the top of the Town's list of priorities. The external CPA has been very helpful in this regard. The Town Clerk and the firm have worked diligently in this area and that we understand the written policies will ultimately enhance our internal controls. The implementations of these policies took place after this audit period. Therefore, the benefits and improvements will not be noted until the next audit phase.

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**2011-10 Tickets**

**Condition**

Each pre-numbered ticket book is assigned to an officer and returned when all tickets have been issued. The tickets are taken to the town hall to be tracked and the fines collected. Once taken to the town hall they are signed over to the clerk of court by the police department administrative assistant and signed as received by the clerk of court. The police department has improved significantly its tracking of the tickets out of their department.

Controls over tickets breaks down once delivered to town hall. The tickets (two copies-blue and white) are stored in a folder in the month they are delivered to the town hall. This procedure provides little control or tracking of whether or not the ticket has been paid following delivery to the town hall. As the actual collections are taken, a handwritten "receipt" is prepared on a sheet of paper that is not numbered and, at times may be only a torn sheet of paper which has not control copy and is not traceable. This provides an increased opportunity for misappropriation of funds. This condition indicates a complete absence of internal control and accountability over tickets and fines.

There is no evidence of review of the activity of collection of fines and there is not corresponding reporting from the clerk of court to the police department in a standardized, recurring format. The police department is not aware of the activity regarding the tickets after delivery to the town hall and this process makes it virtually impossible to trace the ticket through to the point of collection or further action taken.

**Criteria**

Internal controls should be in place to adequately account for traffic tickets issued and collected. During our audit, we noted that procedures which were originally in place over traffic ticket activity were not being followed. Traffic ticket collections were not being reconciled to the daily work and general ledger on a monthly basis.

**Cause**

Inadequate accounting practices and the Town's staff lack of knowledge in basic accounting practices and internal control.

**Effect**

Lack of controls was in place to adequately account for traffic tickets being collected by the Town. There was a risk that theft or misappropriation of funds may occur. The Town may not receive payments for fines and the penalty purpose of tickets not properly enforced may encourage disobedience to the Town's traffic ordinances.

**Recommendation**

We would recommend that management implement the following practices:

- Secure a receipt book that has pre-numbered receipts in triplicate. One copy of the receipt should be given to the citizen paying the ticket. File a copy away with the paid ticket and maintain a copy in the receipt book for future reference and internal control.

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- File one copy of the ticket (blue copy) away in the month in which it was received by the clerk responsible and file the second copy (white copy) by number in a holding file until the ticket is paid
- When the ticket is paid, pull the white copy and attach to the paid receipt and then file the paid ticket away in a file exclusively for traffic fines and tickets
- The Clerk at the town hall should provide the Police Department with a monthly report of paid and unpaid traffic fines and tickets. For good internal control, all ticket books returned to the town hall should have each ticket accounted for sequentially in the monthly report provided to the police chief. Unpaid fines should be pursued timely according to the Town ordinance

Response

The external CPA firm assisted the Town Clerk and Court Clerk in creating a checks and balance system that should rectify each of the auditor's concerns. This new system was not implemented until after this audit period. Therefore, the benefits will not be recorded until the next audit phase.

2011- 11 Water Sewer Collections

Condition

During our audit, we noted that procedures which were originally in place over water and sewer activity were not being followed. Water and sewer accounts receivable, including billing adjustments, and customer deposit collections were not being reconciled to the daily work and general ledger on a monthly basis.

Criteria

Internal controls should be in place to adequately account for water and sewer accounts receivable and customer deposit collections.

Cause

During the year, the Town had turnover in personnel and these reconciliation procedures were not re-assigned to other personnel. A lack of management oversight failed to address this deficiency.

Effect

A lack of controls was in place to adequately account for accounts receivable and customer deposits being collected by the Town. The potential for uncollected and unrecorded revenue is increased as well as possible theft or misappropriation of the Town's assets.

Recommendation

We recommend that the Town have the appropriate employee reconcile the water and sewer accounts receivable and customer deposits recorded in the general ledger with reports generated by the billing software. Also, the daily work generated by the billing software should be reconciled to the actual

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deposits made by the appropriate Town employee. The journal entry into the accounting software should be made by the accountant and reviewed by the town clerk and documented with her approval.

Response

The Town Clerk, with the assistance of the external CPA were able to identify the areas of weakness which centered around daily, timely deposits and monthly reconciliations. The new system and its modifications were not implemented until after this audit period. Therefore, the benefits will not be recorded until the next audit phase.

2011- 12 Interagency Accounts

Condition:

The Town's inter-fund activity accounts were not reconciled and posted properly during the year.

Criteria

Internal controls should be in place to properly account for inter-fund activity and transfers made between the various funds of the Town.

Cause

The Town was not consistent in how it recorded transfers and inter-fund activity during the year. A lack of knowledgeable personnel to review the activity failed to observe and address the errors timely.

Effect

Significant audit entries were required to correct inter-fund activity in the general ledger. Failure to accurately record, review and monitor transfers can result in many types of errors including misapplication of dedicated tax revenues to misappropriation of funds and loss of town assets.

Recommendation

We recommend that inter-fund activity and transfers between funds be posted consistently "Transfers" in lieu of "Due to and Due From". These transactions will be reconciled on a monthly basis, reviewed and approved at the supervisory level and be made only after authorization for the transfer is made by the Mayor and board of Aldermen if required.

Response

The lack of accounting expertise has been identified as the source of the problem with reference to inter-agency accounts. With the Legislative Auditor's recommendation and the assistance of the external CPA, we have been able to address and rectify the problem of proper bank reconciliations and posting. The implementation of the new system and the hiring of new personnel have eliminated the problem.

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**2011-13 Inauguration Celebration**

**Condition:**

On December 23, 2010 the Town hosted an inaugural ceremony at the Jackson Parish Community Center to celebrate the 2010 campaign victories of the Mayor, Chief of Police, and Board of Aldermen. The Town paid \$2,400.00 for catered meals, \$158.00 for an advertisement in the town journal, and also hired a videographer. As Town (public) funds were used to pay for this event, the Mayor may have violated Louisiana Law and the Constitution.

**Criteria:**

The Attorney General provides guidance with regard to the Louisiana Constitution in Opinion 09-0018, which states that "the public entity must have the legal authority to make the expenditure."

**Cause:**

According to Mayor Thompson, the event was organized without board approval as he felt it was a legitimate marketing expenditure to promote the town.

**Effect:**

Given the Attorney General's opinion and failure to meet the test for the expenditure of public funds, the Mayor could not explain the public purpose or benefit received by the Town for the \$2,558.00 in expenditures associated with the inaugural ceremony thereby exhibiting an improper use of public funds.

**Recommendation:**

Seek guidance from an authority such as the Louisiana Legislative Auditor when considering an expenditure or event that is out of the normal course of business for the Town.

**Response:**

The Mayor maintains that there is a significant difference in the definition of 'celebration' and 'ceremony'. This function was a Town ceremony where all Town elected officials were notified to be sworn in to office, and all of the public were invited to attend. The occasion gave opportunity to market the accomplishments and progress of the Town. The videographer was hired to display these accomplishments by slide show. The council was not notified for approval due to the Council having adopted a budget whereby funding was available for a marketing activity such as this. However, in an effort to avoid any further appearance of mishandling of public funds, all related matters are now being presented to Council and, a written request to the Attorney General for an opinion will be requested, if necessary.

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**2011-14 Timely Filing of Report**

**Condition**

The report was not submitted to the legislative auditor's office on a timely basis

**Criteria**

LSA-R S 24 513 States that, "all engagements must be completed and transmitted to the legislative auditor within six months of the close of the auditee fiscal year "

**Effect.**

The Town was not in compliance with the State Law governing audit engagement completion

**Recommendation**

The Town should remain in compliance with the State Law governing audit engagement completion The audit engagement should be sought through the methods prescribed by the Louisiana Legislative Auditor A firm should be selected and approval of the Louisiana Legislative Auditor sought early enough to allow the audit to begin as soon after the close of the fiscal year as is practicable

**Response**

The town is very committed to the compliance of all state laws Our inability to comply with audit timeliness was due to extenuating circumstances Due to our problems with the previous two years of audits, the Town entered into a three-prong contract with the Legislative Auditor, the CPA (acting as Chief Financial Officer), and the Town While this was a effort to strengthen the Town's areas of weaknesses, it was also recommended by the Legislative Auditor that we not begin the 2010-2011 financial year audit until we all felt that we had a viable product to audit Therefore, we found it impossible to complete the audit within the time frame permitted by law, due to having begun the process late This should not be a repeat offense

**C. Findings and Questions Costs – Major Federal Award Programs Audit**

**Findings and questioned costs for federal awards which are required to be reported under OMB Circular A-133 Section (a):**

**2011-15 Capital Outlay Accounting**

**Condition**

The Town did not maintain capital outlay project files to track construction in progress In examining two grants it was noted that non capital expenditures were recorded in capital outlay accounts and capital outlay expenditures were posted in repair accounts Projects were not appropriately segregated to enable proper monitoring of receipt and expenditures of funds

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Also during the examination of grants and contracts, no vendor invoices or support for one vendor could be provided and many lacked written indication of review and approval for payment. Additionally, payments were consistently made late and one instance the full balance due was paid, which exceeded the invoiced amount by more than \$75,000. While not a direct violation it is not considered appropriate in light of the cash flow difficulties of the town. Numerous invoices were lacking notation of being paid, in one noted instance an invoice was paid twice. This was caught 3 months later by the town and a verbal request for a refund was made. As of the date of this report the refund has not been received, seven months after the request was made and there was no evidence of subsequent requests. Due to a lack of adequate documentation it is possible that, due to poor accounting records maintenance that it was, in fact not paid twice.

The Town did not comply with requirements regarding cash management that are applicable to the airport improvements program, CFDA# 20 106 and the Capitalization Grant for Clean Water, CFDA# 66 458, compliance with such requirements is necessary in our opinion for the Town to comply with the requirements applicable to that program.

Criteria

Proper accounting for capital outlay expenditures requires that only expenditures for capitalizable items be charged to capital outlay general ledger accounts. An analysis of construction in progress should be maintained for each project.

Cause

A lack of knowledge of requirements for recording capital outlay projects on the part of the accounting staff and apparently no year-end review of the capital outlay accounts was performed.

Effect

The possibility that capitalizable expenditures were recorded as expense and some expenses should have been capitalized. An increased possibility that the accounting records of the Town would not be in conformity with generally accepted accounting principles (GAAP).

Recommendation

The Town should maintain construction in progress files and monitor the activity monthly. Capital outlay accounts should be reviewed monthly and at year end to ensure that only allowable and appropriate expenses are posted to those accounts. When a project is completed the costs should be moved to the proper capital asset account.

Centralized control of contracts and grants should be implemented and maintained by the town clerk. The town accountant should maintain a log of journal entries and receive written review and approval by the town clerk and others as deemed necessary. Bank reconciliations should be prepared by the town accountant and reviewed by the town clerk noting review and approval. All expenditures should be reviewed and contain written evidence of the review and approval by the mayor as well as all supporting invoices and documents prior to payment. As required, certain expenditures require consideration and approval of the aldermen.



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Grants and loans should have compliance matters listed for restrictions and covenants and be monitored for continued compliance. Funds should be properly segregated as required by grants, loan covenants and law such as taxes dedicated to a specific purpose.

Lack of a proper accounting for grants made the preparation of the Schedule of Federal Awards difficult to determine and to ascertain the completeness. Monitoring and managing the day to day progress of the town is critical in the management of cash flow to prevent future economic hardships.

Response

The Town has created a Capital Outlay oversight component compartment, and has assigned the responsibility of record keeping with the accountant and deputy clerk. Their continued efforts to seek advice and instruction from outside professionals of the field should result in better organization and more conformity with generally accepted accounting principles as they relate to capital outlay, grants and loans in our next audit cycle.

2011- 16 Suspension and Debarment

Condition

Management entered into contracts for goods and services exceeding the \$25,000 covered transaction threshold without documenting their verification that the vendor was not suspended, debarred or otherwise excluded. It was determined in the audit that no tested vendor was suspended, debarred or otherwise excluded.

Federal Aviation Administration Airport Improvement Program	20 106
Environmental Protection Agency Passed Through LA Department of Environmental Quality Capitalization Grants for Clean Water (ARRA)	66 458

Criteria

Federal regulation 2CFR Part 180 requires that an entity receiving federal funds must verify that the entity in which it expects to spend \$25,000 or more for goods and services is not suspended or debarred or otherwise excluded from receiving federal funds.

Cause

Management has no internal control developed to verify with the EPLS, Excluded Parties Listing System, those entities to which they expect to pay \$25,000 or more for goods and services. Sole reliance is placed upon the Town's engineering firm to determine compliance.

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Effect

Management did not verify entities it expected to pay \$25,000 or more for goods and services with the EPLS, Excluded Parties Listing System

Recommendation

Management should develop internal control procedures to verify with the EPLS, Excluded Parties Listing System, those entities to which they expect to pay \$25,000 or more for goods and services

Response

The Town Clerk has implemented a system with the assistance of the outside CPA firm whereby websites are now visited to insure that the vendors we do business with are in good standing. While sole reliance on our engineer in this area has served us well to date, we now consider this to be an in-house responsibility.

Town of Jonesboro  
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**2010-01 General Accounting**

**Condition**

The Town uses a general ledger program and a program for ad valorem taxes billing. A third party does the utility billing for the Town. Currently the Town has no written policy for information systems and only has procedures for limiting access to the payroll data.

There were several issues noted with cash. Checks were not issued in check number order and there is no accounting for the sequence of check numbers. There are two series of manual checks, for which there are no controls to ensure that all manual checks are recorded. Bank reconciliations are not reconciled back to the general ledger. There were numerous checks and deposits found that were never recorded or were recorded in the wrong cash account. The checks for the LCDBG account were never recorded and the deposits were recorded in the control account instead of the LCDBG account. Also the town did not have bank statements for the account.

The bank reconciliation for the control account included outstanding checks which were actually written from other accounts and had cleared the other bank accounts and outstanding checks which actually cleared the control account during the fiscal year and should not have been outstanding on the bank reconciliation. There were two deposits in transit that cleared the account during the year and should not have been deposits in transit. There were also outstanding checks dating back to 1995 and several outstanding checks that are negative checks.

An entry was recorded by the Town to the control account to record numerous deposits, manual checks and charge backs even though most of the activity flowed through other accounts. This entry was made in June 2010 by the Town and had to be corrected by audit adjustment.

The payroll account reconciliation lists outstanding deposits that cleared the bank during the year. There are outstanding checks dating back to 2001. The reconciliation should agree with the payroll clearing cash account in Fund 20, but there is a material difference.

There were five cash accounts that had not activity recorded throughout the year even though there was activity in the bank accounts.

There were poor internal controls over cash deposits. Forty police fines, forty six ad valorem receipts and four days of water receipts were tested and every transaction tested were deposited late. Most deposits throughout the year were made 5 days late to over a week late. In addition, there were numerous days where daily cash collections were over or short with no reconciliations of the differences. There is no procedure in place to reconcile police fines collected to information from the Clerk of Court.

Petty cash transactions are not posted to the general ledger. The balance of petty cash on the general ledger does not agree to the total of cash and receipts in the petty cash drawer.

The Town could not provide a listing of grants received for the current year including the information needed for the Schedule of Expenditures of Federal Awards.

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Adequate and accurate financial statements were not being provided to the Town Council. The council only receives accounts payable check registers, which does not present all transactions posted to the general ledger

Supporting documentation was not available for manual journal entries other than routine monthly cash receipts

Auditors were provided listings for accounts receivables and accounts payable, but material payables and receivables still had to be recorded by audit adjustment. For utility customers, no entries are made to accounts receivables during the year. An audit adjustment is made at year end to record the June billings and to record the unbilled receivables. There was no attempt to record balances due on delinquent accounts. An audit adjustment was made to reverse the payables and receivables from the prior year.

From review of documentation from the IRS it appears that the payroll liabilities for the year were paid, but were not all posted to the general ledger. Due to unrecorded transactions and lack of documentation any outstanding payroll liability is unable to be determined.

There are not standard procedures for settling up of travel advances to employees.

The general ledger balances for the three inventory accounts did not agree with the physical counts performed.

Recommendation

Procedures and job descriptions must be established for maintenance of accounting records. These procedures should include monthly reconciliations of bank accounts to the general ledger and accounts receivable sub ledger. Procedures should also include controls over the cashier functions and daily reconciliations of cash collected to the general ledger and accounts receivable sub ledger. Procedures should also include controls over the cashier functions and daily reconciliations of cash collected to the general ledger recording and investigations of any over or short amounts. Procedures should be established to ensure that bills are paid on time. Additional training should be provided to the accounting staff and a third party CPA should be contacted to assist with each monthly close out until the staff are adequately trained. Accounting duties should be further segregated and proper approval steps implemented. A clear chain of command should be established.

Current Status

Partially Resolved See current year finding 2011-01

2010-02 Utility Collections/Public Works

Condition

While testing 4 days of utility cash receipts (495 individual payments) in the Water and Sewer Utility Fund, it was noted that deposits for all four days were not made timely. There were 2 exceptions where the amount was not properly posted to the customer's account. There were 7 exceptions where the customer was not disconnected after the cutoff date.

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Recommendation

The Town should ensure that all cash receipts are deposited in a timely manner (within three banking days) There should greater internal control over cash receipts There should be a reconciliation of receipts to the actual deposits of all payments performed by an employee independent of the collection, posting or bank deposit functions

The cut-off policy should be followed on all customers An adjustment form should be prepared stating the reason for the adjustment, the amount and a proper official should sign as approving the adjustment

Current Status

Partially resolved See current year finding 2011- 11

2010-03 Internal Control Over Disbursements

Condition

The following exceptions were noted from a test of vendor disbursements

From a random sample of 177 checks (120 General Fund, 57 Water & Sewer) the following was noted:

- No documentation was provided for one check
- Purchase orders for two of the checks could not be provided
- Three of the checks were paid more than 30 days after the invoice date

Also, 14 grant checks were selected for testing and eight of these checks were not recorded in the general ledger

The following exceptions were noted from a test of 50 payroll disbursements

- One instance of the payment not being from a computer generated checks and was not recorded in the general ledger
- Seven instances where the personnel file was missing proof of existence documentation (I-9, social security, driver's license, etc )
- Forty five instances where time records were not signed by the employee or the supervisor
- Eight instances where time records were not available
- Nine instances where the pay rate was incorrectly computed or the rate could not be computed
- There are not salary schedules to support pay rates The latest salary schedule that could be located was from 2005

The following exceptions were noted in testing of four credit card accounts

- The entire year was tested for one of the credit cards and the November 2009, December 2009 and February 2010 statements and receipts could not be located

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Recommendation

All vendor payments in the future should include original documentation (invoices, etc ) and should be paid timely. Records supporting disbursements should be properly maintained. All employees should have a completed I-9 form. The town should establish and maintain a salary schedule. There should be a form for employee evaluations and raises and should be maintained in the employees' files. All salary increases should have the proper approval on the form. Time cards/ or pay sheets should be signed by the employee and the supervisor. All overtime should be authorized by the appropriate official.

Current Status

Unresolved See current year finding 2011-02

2010-04 Capital Asset management

Condition

The Town does not have procedures in place where an employee maintains a complete listing of the Town's capital assets nor do they have procedures to ensure all additions and deletions are properly reflected and monitored. Auditors had to compile a listing for additions to capital assets due to the town not having any records for capital assets. There was no annual physical inventory taken as required for good internal controls not all assets properly tagged. Records for construction in progress were not maintained for the year. The Town could not complete a listing of construction projects they had, which ones were completed at 06/30/10 or how much was paid or owed on each project. There were files for the numerous projects, but there were several invoices missing from the files and nobody tracked the progress of any of the projects. Auditors had to complete the schedule for construction in progress and determine which construction projects the Town had.

Recommendation

Management of the Town should consider appointing an employee as property manager who will maintain a comprehensive listing of capital assets as additions and deletions are added during the year. Department heads should be given addition and deletion forms and required to complete the forms as purchases or deletions of capital assets are made and then given to the property manager. The property manager should perform an annual physical inventory of all capital assets and any missing assets identified should be investigated. All assets should be tagged as property of the Town and serial numbers retained by the property manager. Property manager should also maintain records for all construction projects to determine the status of each project and which projects have been completed and should be added to the capital asset listing.

Current Status

Unresolved See current year findings 2011-05

Town of Jonesboro  
Summary of Prior Year Findings  
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**2010-05 Late Submission of Audit Report to Legislative Auditor**

**Condition**

The Town did not have the audit completed and submitted to the Legislative Auditor by the six month deadline of December 31, 2010. The Town was originally granted an extension to March 31, 2011, but that extension was revoked by the state.

**Recommendation**

The Town should strive to have all bank reconciliations performed and the financials balanced and completed in a timely manner in order for the submission of their audit report each year in order to comply with requirements with the Legislative Auditor's Office and other agencies.

**Current Status**

Unresolved. See current year finding 2011-14.

**2010-06 Auditing of Third Party Collections**

**Condition**

In testing of four months of collections it was found that the Town was not making timely deposits, therefore when APS would draw the collections from the bank account, the account would go to a negative balance. The Town was in turn being charged NSF fees. In January of 2010 there was a variance between the deposited amount and the daily report of the actual collections. This variance was due to an employee making a deposit of their own personal funds to bring the account out of a negative balance and to stop the NSF fees. Once this deposit was made the bank balance did not go to zero from being negative. There were two other deposits noted in December 2009 and June 2010 that caused a variance between the deposits and the daily report. These belonged to other accounts, but were never transferred out to the proper accounts. There was also a deposit noted that was made in July 2010 just after year end that was made from an employee's personal fund.

A cash count of the APS drawers was performed while on location. The APS system was down and there were no collections for the day so each drawer should have only the \$150 start up money. One of the drawers had more than the \$150 because the drawers had last been used 14 days earlier and had not been counted down until the cash count was performed.

**Recommendation**

Collections from each day should be deposited daily to avoid the Town being charged NSF fees by the bank.

**Current Status**

Resolved. Town no longer provides third party collection.

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**2010-07 Local Government Budget Act**

**Condition**

The budget for the fiscal year ended June 30, 2010 was adopted on December 2, 2009. The budget was not amended even though expenditure for the general fund exceeded the budget by more than 5%.

**Recommendation**

The laws regarding the budget should be followed in the future.

**Current Status**

Unresolved See current year finding 2011-06

**2010-08 Internal Control Over Disbursements**

**Condition**

Several disbursements were not recorded in the general ledger.

**Recommendation**

All transactions should be recorded in the general ledger. Review of the general ledger should be performed to ensure that all activity has been recorded. The normal accounts payable procedures should be used to help ensure that disbursements are recorded in the general ledger. If manual checks are written, they should be posted to the general ledger immediately to help ensure all activity is recorded.

**Current Status**

Unresolved See current years finding 2011-02

**2010-09 Cash Management**

**Condition**

For the Airport Improvement program, there were eight disbursements tested and six were not expended in a timely manner. For the LCDBG, there were four reimbursements tested out of eight that were done for the year. One of the four tested was not expended timely.

**Recommendation**

Capital outlay accounts should be reviewed at year end to ensure that only allowable and appropriate expenses are posted. An analysis of construction in progress should be maintained on a monthly basis. When the project is complete the cost should be moved to the proper capital asset account.



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Current Status

Unresolved See current finding 2011-01

**2010- 10 Capital Outlay Accounting**

Condition

In testing the two grants it was found that numerous transaction were recorded to capital outlay that should not have been. There were several repairs and maintenance expenses recorded as capital outlay. In addition there were transactions for capital outlay that were never recorded and had to be recorded by the auditors. A schedule of construction in progress was not maintained by the Town.

Recommendation

Capital outlay accounts should be reviewed at year end to ensure that only allowable and appropriate expenses are posted. An analysis of construction in progress should be maintained on a monthly basis. When the project is complete the costs should be moved to the proper capital asset account.

Current Status

Unresolved See current year finding 2011-15

**2010- 11 Procurement, Suspension and Debarment**

Condition

When testing the procurement, suspension and debarment compliance requirement, it was noted that the Town does not have procedures in place to verify that the vendors they are purchasing from are not suspended or debarred.

Recommendation

The Town should establish internal controls and procedures to ensure that vendors with which they make purchases are not suspended or debarred. Verification checks should be performed by accessing the EPLS website to ascertain if each vendor is either suspended or debarred and the verifications printed and kept.

Current Status

Unresolved See current year finding 2011-16