

**Town of Jonesboro  
Jonesboro, Louisiana**

**Annual Financial Report**

**As of and for the Year Ended June 30, 2012**

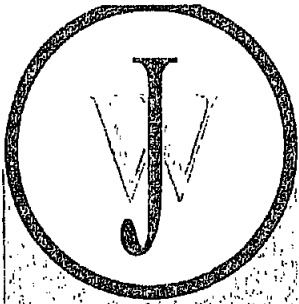
Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the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

Release Date JUN 05 2013

**Town of Jonesboro, Louisiana  
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JONALD J. WALKER III CPA

LLC

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

## INDEPENDENT AUDITORS' REPORT

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

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Jonesboro as of for the year ended June 30, 2012, 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.

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

Our responsibility is to express opinion on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matters described in the paragraph below; however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Because of inadequacies in the Town's accounting records, we were unable to form an opinion regarding the amounts recorded as opening balances. The Town's accounting personnel did not possess sufficient knowledge and skills in financial reporting resulting in numerous misstatements in the Town's computerized accounting system. We were unable to confirm or verify by alternative means accounts payable and other payables of the Town. As of the date of our audit report, management was still in the process of rectifying issues with its financial reporting and correcting the misstatements. As a result of these matters, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded receivables, payables and other liabilities, and the elements making up the statements of revenues, expenditures and changes in fund balances.

Because of the significance of the matters described in the paragraph above, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

949 RYAN ST. STE. 100.

LAKE CHARLES

LOUISIANA 70601

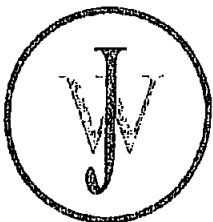
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In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2013 on our consideration of the Town of Jonesboro, Louisiana's internal control over financial reporting and our test of its compliance with certain 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.

*Gonald J. Walker III, CPA, LLC*

Lake Charles, Louisiana  
April 10, 2013



## BASIC FINANCIAL STATEMENTS

**TOWN OF JONESBORO, LOUISIANA**

**Governmental Funds  
Statement of Net Assets  
For the Year Ended June 30, 2012**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 90,952	\$ 348,310	\$ 439,262
Restricted assets	398,258	90,062	488,320
Investments	-	34,340	34,340
Taxes receivable	2,109	-	2,109
Receivables, net	51,271	404,088	455,359
Other receivables, prepaids and inventory	845,301	90,483	935,784
Accounts receivable - franchise	24,071	-	24,071
Capital assets, net of accumulated depreciation	<u>2,690,440</u>	<u>7,467,007</u>	<u>10,157,447</u>
<b>Total Assets</b>	<b><u>\$ 4,102,402</u></b>	<b><u>\$ 8,434,290</u></b>	<b><u>\$ 12,536,692</u></b>
 <b><u>LIABILITIES</u></b>			
Accounts payable and other payables	223,500	47,587	271,087
Interest payable	2,015	126,297	128,312
Payable from restricted assets - meter deposits	-	124,402	124,402
Other payables	203,898	502,943	706,841
Long-term liabilities			
Portion due within one year	59,769	129,595	189,364
Portion due after one year	<u>30,343</u>	<u>2,678,507</u>	<u>2,708,850</u>
<b>Total Liabilities</b>	<b>519,525</b>	<b>3,609,331</b>	<b>4,128,856</b>
 <b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	2,681,313	4,408,205	7,089,518
Restricted for			
Public Safety Fire	5,763	-	5,763
Street Maintenance	384,617	-	384,617
Street Maintenance - Ad Valorem	7,878	-	7,878
Customers Deposits	-	124,402	124,402
Unrestricted	<u>503,306</u>	<u>292,352</u>	<u>795,658</u>
<b>Total Net Assets</b>	<b>3,582,877</b>	<b>4,824,959</b>	<b>8,407,836</b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 4,102,402</u></b>	<b><u>\$ 8,434,290</u></b>	<b><u>\$ 12,536,692</u></b>

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

**TOWN OF JONESBORO, LOUISIANA**

**Governmental Funds  
Statement of Activities  
June 30, 2012**

Functions/Programs	Expenses	Program Revenues			Net (Expenses), Revenues, and Changes Primary Government		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
<b>Primary government</b>							
<b>Government Activities</b>							
General government	\$ 591,465	\$ 256,912	\$ -	\$ -	\$ (304,552)	\$ -	\$ (304,552)
Public safety	948,502	50,587	-	-	(897,915)	-	(897,915)
Public works	1,160,649	-	-	569,904	(590,746)	-	(590,746)
Interest expense	3,054	-	-	-	(3,054)	-	(3,054)
<b>Total Government Activities</b>	<b>\$ 2,673,670</b>	<b>\$ 307,499</b>	<b>\$ -</b>	<b>\$ 569,904</b>	<b>\$ (1,796,267)</b>	<b>\$ -</b>	<b>\$ (1,796,267)</b>
<b>Business-Type Activities</b>							
Water and sewer	\$ 1,147,619	\$ 1,051,923	\$ -	\$ 128,723	\$ -	\$ 48,675	\$ 48,675
<b>Total Business-Type Activities</b>	<b>1,147,619</b>	<b>1,051,923</b>	<b>-</b>	<b>128,723</b>	<b>-</b>	<b>48,675</b>	<b>48,675</b>
<b>Total</b>	<b>\$ 3,821,289</b>	<b>\$ 1,359,422</b>	<b>\$ -</b>	<b>\$ 698,627</b>	<b>\$ (1,796,267)</b>	<b>\$ 48,675</b>	<b>\$ (1,747,591)</b>
<b>General revenues</b>							
<b>Taxes</b>							
Property taxes				\$ 299,768	\$ -	\$ 299,768	
Franchise tax				91,032	-	91,032	
Sales tax revenue				1,360,760	-	1,360,760	
Other taxes for general purposes				6,002	-	6,002	
Licenses and permits				92,663	-	92,663	
Earnings on investments				1,460	-	1,460	
Intergovernmental				51,644	-	51,644	
Miscellaneous				23,721	-	23,721	
<b>Total general revenues</b>				<b>\$ 1,983,700</b>	<b>\$ -</b>	<b>\$ 1,927,050</b>	
<b>Changes in net assets</b>					<b>130,783</b>	<b>48,675</b>	<b>179,458</b>
<b>Net assets - July 01, 2011</b>					<b>3,452,094</b>	<b>4,776,284</b>	<b>8,228,378</b>
<b>Net assets - June 30, 2012</b>					<b>\$ 3,582,877</b>	<b>\$ 4,824,959</b>	<b>\$ 8,407,836</b>

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



**TOWN OF JONESBORO, LOUISIANA**

**Governmental Funds  
Balance Sheet  
June 30, 2012**

	SPECIAL REVENUE FUNDS				TOTAL GOVERNMENTAL FUNDS
	GENERAL	FIRE DEPT AD VALOREM TAX	STREET AD VALOREM TAX	STREET SALES TAX	
<b><u>ASSETS</u></b>					
Cash and cash equivalents	\$ 3,765	\$ 42,605	\$ (2,050)	\$ 444,889	\$ 489,210
Taxes receivable	-	507	1,602	-	2,109
Receivables, net	51,271	-	-	-	51,271
Accounts receivable- franchise	-	24,071	-	-	24,071
Interfund receivables	701,856	1,897	81,904	-	785,657
Prepaid insurance	59,644	-	-	-	59,644
<b>Total Assets</b>	<b>\$ 816,526</b>	<b>\$ 69,080</b>	<b>\$ 81,456</b>	<b>\$ 444,889</b>	<b>\$ 1,411,951</b>
<b><u>LIABILITIES</u></b>					
Accounts, salaries and other payables	\$ 223,500	\$ -	\$ -	\$ -	\$ 223,500
Cash Insufficiency	-	-	2,050	-	2,050
Other liabilities	280,417	-	-	60,272	340,689
Interfund payables	15,608	39,222	44,983	-	99,813
<b>Total Liabilities</b>	<b>519,525</b>	<b>39,222</b>	<b>47,033</b>	<b>60,272</b>	<b>666,051</b>
<b><u>FUND BALANCES</u></b>					
Assigned	-	29,858	34,423	384,617	448,898
Unassigned	297,001	-	-	-	297,001
<b>TOTAL FUND BALANCES</b>	<b>297,001</b>	<b>29,858</b>	<b>34,423</b>	<b>384,617</b>	<b>745,900</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 816,526</b>	<b>\$ 69,080</b>	<b>\$ 81,456</b>	<b>\$ 444,889</b>	<b>\$ 1,411,951</b>

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

TOWN OF JONESBORO, LOUISIANA

GOVERNMENTAL FUNDS  
Statement of Revenue, Expenditures, and Changes in Fund Balances  
June 30, 2012

	SPECIAL REVENUE FUNDS				TOTAL GOVERNMENTAL FUNDS
	GENERAL	FIRE DEPT AD VALOREM TAX	STREET AD VALOREM TAX	STREET SALES TAX	
<b>REVENUES</b>					
Taxes					
Ad valorem	\$ 122,496	\$ 89,203	\$ 88,069	\$ -	\$ 299,768
Franchise	91,032	-	-	-	91,032
Sales tax	679,695	-	-	681,064	1,360,759
Other taxes	6,002	-	-	-	6,002
Licenses and permits	92,663	-	-	-	92,663
Fines, forfeitures and court costs	50,587	-	-	-	50,587
Intergovernmental revenues	51,644	-	-	-	51,644
Fees and charges for services	256,912	-	-	-	256,912
Rents and royalties	21,392	-	-	-	21,392
Earnings on investments	362	192	-	906	1,460
State revenue	238,321	-	-	-	238,321
Federal revenue	331,583	-	-	-	331,583
Parish Grants	-	-	-	-	-
Miscellaneous revenues	129,571	-	-	-	129,571
<b>Total Revenues</b>	<b>2,072,261</b>	<b>89,395</b>	<b>88,069</b>	<b>681,970</b>	<b>2,931,695</b>
<b>EXPENDITURES</b>					
Current					
General government	561,465	-	-	-	561,465
Public safety	948,502	-	-	-	948,502
Public works	1,160,649	-	-	-	1,160,649
Capital outlay	259,036	-	-	-	259,036
Debt service					
Principal	21,224	-	-	-	21,224
Interest	3,054	-	-	-	3,054
<b>Total Expenditures</b>	<b>2,953,930</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,953,930</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(881,669)</b>	<b>89,395</b>	<b>88,069</b>	<b>681,970</b>	<b>(22,235)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	1,131,477	-	740,571	-	1,872,048
Transfers out	(311,604)	(84,476)	(866,157)	(769,129)	(2,031,366)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>819,874</b>	<b>(84,476)</b>	<b>(125,586)</b>	<b>(769,129)</b>	<b>(159,318)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(61,796)</b>	<b>4,919</b>	<b>(37,517)</b>	<b>(87,159)</b>	<b>(181,522)</b>
<b>FUND BALANCES - BEGINNING</b>	<b>358,797</b>	<b>24,939</b>	<b>71,940</b>	<b>471,776</b>	<b>927,452</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 297,001</b>	<b>\$ 29,858</b>	<b>\$ 34,423</b>	<b>\$ 384,617</b>	<b>\$ 745,900</b>

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

**TOWN OF JONESBORO, LOUISIANA**

**Reconciliation of the Governmental Funds  
Balance Sheet to the Statement of Net Assets  
June 30, 2012**

Total fund balances - governmental funds		\$ 745,901
<p>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.</p>		
Costs of Capital assets		6,269,247
Depreciation expense to date		<u>(3,337,689)</u>
		2,931,558
<p>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.</p>		
Balance at June 30, 2012 are		
Long-term Liabilities		
Capital lease payable		(52,596)
Compensated absences payable		<u>(41,986)</u>
Net increase (decrease) in cash and cash equivalents		<u>(94,582)</u>
Net Assets		<u>\$ 3,582,877</u>

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

**TOWN OF JONESBORO, LOUISIANA**

**Reconciliation of the Governmental Funds  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
to the Statement of Activities  
June 30, 2012**

Total net change in fund balances - governmental funds \$ (181,522)

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	259,036	
Depreciation expense	<u>(167,718)</u>	91,318

Repayment of capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets 21,224

Principal payments on bonds		23,722
Transfers out in excess of transfers in		159,318

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 \$16,723. 16,723

Change in net assets of governmental activities \$ 130,783

TOWN OF JONESBORO, LOUISIANA

PROPRIETARY FUNDS  
 WATER AND SEWER UTILITY FUND  
 Statement of Net Assets  
 June 30, 2012

**ASSETS**

Current assets	
Cash and cash equivalents	\$ 348,310
Receivables, net	404,088
Interfund receivable	63,223
Inventory	27,260
Restricted assets	
Cash and cash equivalents	90,062
Investments	<u>34,340</u>
Total current assets	<u>967,283</u>
Non current assets	
Capital assets, net of depreciation	<u>7,467,007</u>
Total Assets	<u>\$ 8,434,290</u>

**LIABILITIES**

Current liabilities	
Accounts payable and other payables	\$ 47,587
Payroll liabilities payable	15,471
Interfund payable	614,466
Compensated absences payable	4,480
Capitalized lease obligation	100,303
Bonds payable	24,812
Current liabilities payable from restricted assets	
Customers security deposits	<u>124,402</u>
Total current liabilities	<u>931,522</u>
Non-current liabilities	
Capitalized lease obligation	458,176
Bonds payable	<u>2,219,633</u>
Total non-current liabilities	<u>2,677,809</u>
Total Liabilities	<u>\$ 3,609,331</u>

**NET ASSETS**

Invested in capital assets, net of related debt	4,408,205
Restricted - Deposits	124,402
Unrestricted	<u>292,352</u>
Total Net Assets	<u>4,824,959</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,434,290</u>

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

**TOWN OF JONESBORO, LOUISIANA**  
**PROPRIETARY FUNDS**  
**WATER AND SEWER UTILITY FUND**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**June 30, 2012**

<b><u>OPERATING REVENUES</u></b>	
Charges for services	
Water sales	\$ 756,222
Sewer fees	282,705
Other services	<u>12,996</u>
Total operating revenues	<u>1,051,923</u>
<b><u>OPERATING EXPENSES</u></b>	
Personnel services	386,226
Supplies	33,155
Utilities	126,666
Repairs and maintenance	151,295
Other supplies and charges	150,455
Depreciation	<u>301,406</u>
Total operating expenses	<u>1,149,203</u>
Operating income (loss)	<u>(97,280)</u>
<b><u>NON - OPERATING REVENUES (EXPENSES)</u></b>	
State and federal grants	98,126
Interest expense	<u>30,598</u>
Total non - operating revenues (expenses)	<u>128,724</u>
Income (loss) before transfers	<u>31,443</u>
<b><u>TRANSFERS IN/OUT</u></b>	
Transfers	<u>17,231</u>
Total transfers in (out)	<u>17,231</u>
Changes in Net Assets	48,675
<b>NET ASSETS - BEGINNING</b>	<u>4,776,284</u>
<b>NET ASSETS - ENDING</b>	<u>\$ 4,824,959</u>

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

**PROPRIETARY FUNDS**  
**WATER AND SEWER UTILITY FUND**  
**Statement of Cash Flows**  
**June 30, 2012**

<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 817,695
Payments to suppliers for goods and services	(404,390)
Payments to employees for services	<u>(325,792)</u>
Net cash provided (used) for operating activities	<u>87,513</u>
 <b>CASH FLOW (USES) FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers in	<u>17,231</u>
Net cash provided (used) for noncapital financing activities	17,231
 <b>CASH FLOW (USES) FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of capital assets	(192,566)
Payments on capital leases	(94,208)
Payments on bonds	(23,722)
Grant receipts	98,126
Interest expense	<u>(30,598)</u>
Net cash provided (used) for capital and related financing activities	<u>(242,969)</u>
 Net increase (decrease) in cash and cash equivalents	 <u>(138,224)</u>
 CASH AND CASH EQUIVALENTS - BEGINNING	 576,596
 CASH AND CASH EQUIVALENTS - ENDING	 <u>438,372</u>
 Cash and cash equivalents	 313,970
Restricted deposits	<u>124,402</u>
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b><u>\$ 438,372</u></b>
 <b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>	
Operating income (loss)	168,144
Adjustments to reconcile operating income to net cash provided (used) for operating activities	
Depreciation	301,406
(Increase) decrease in accounts receivable	(327,022)
(Increase) decrease in inventory	23,130
Increase (decrease) in accounts payable	55,480
Increase (decrease) in payroll liabilities	15,471
Increase (decrease) in deposits due others	3,964
Increase (decrease) in compensated absences	<u>990</u>
 Net cash provided (used) by operating activities	 <b><u>\$ 130,603</u></b>

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

Town of Jonesboro, Louisiana  
Notes to the Financial Statements  
June 30, 2012

**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" (Louisiana Revised Statutes (R S ) 33 321-481) of the constitution of the state of Louisiana.

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 terms, who are compensated as shown in this report. The Town serves 4,704 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 Accounting

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.

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, Louisiana  
Notes to the Financial Statements  
June 30, 2012

**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.

The various funds are grouped in the financial statements in this report as follows:

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.

The Town reports the following major governmental funds:

- General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.
- Fire Department Ad Valorem Tax Fund is a special revenue fund used to account for the proceeds of Ad Valorem taxes restricted to expenditures.
- Street Department Ad Valorem Tax Fund is a special revenue fund used to account for proceeds of Ad Valorem taxes to expenditures of the Street Department.
- Street Department Sales Tax Fund is a special revenue fund used to account for the proceeds of the special 1% sales and use tax levied for the purpose of construction, maintenance, repair and improvements of the Town's streets.

Proprietary Fund

The proprietary fund accounts for business type activities similar to those found in the private sector where the determination of net income is necessary or useful for 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 Water & Sewer 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.

Town of Jonesboro, Louisiana  
Notes to the Financial Statements  
June 30, 2012

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

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

Measurement Focus and Basis of Accounting

*Government-Wide Financial Statements (GWFS)*

The 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.

Town of Jonesboro, Louisiana  
Notes to the Financial Statements  
June 30, 2012

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

*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.

*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 is 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 recorded in the year the taxes are due and payable. Ad Valorem taxes are assessed on a calendar-year basis and attach as an enforceable lien and become due and payable on the date the tax rolls are filed with the recorder of mortgages. Louisiana Revised Statute 47:1994 requires that the tax roll be filed on or before November 15 of each year. Ad valorem taxes become delinquent if not paid by December 31. The taxes are normally collected in December, January, and February of the current year.

- 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.

Town of Jonesboro, Louisiana  
Notes to the Financial Statements  
June 30, 2012

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

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

*Expenditures*

When expenditures are incurred for the purposes for which both restricted and unrestricted amounts are available, the Town of Jonesboro reduces restricted amounts first, followed by unrestricted amounts. When expenditures are incurred for purposes for which committed, assigned and unassigned amounts are available, and the Town reduces committed amounts first, followed by assigned amounts and then unassigned amounts.

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.

Cash and Cash Equivalents

Under state law, the Town may deposit funds within a fiscal agent bank organized under the laws of the state of Louisiana, the laws of any other state in the union or the laws of the United States of America. The Town may invest in certificates and time deposits of state banks organized under Louisiana laws and national banks having principal offices in Louisiana.

For purposes of the statement of cash flows, cash equivalents include all highly liquid investments with a maturity date of three months or less when purchased.

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.

Town of Jonesboro, Louisiana  
Notes to the Financial Statements  
June 30, 2012

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

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

At June 30, 2012 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	\$ 34,340	\$ _____ -	\$ _____ -	\$ 34,340
Total	<u>\$ 34,340</u>	<u>\$ _____ -</u>	<u>\$ _____ -</u>	<u>\$ 34,340</u>

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses

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.

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.

Town of Jonesboro, Louisiana  
Notes to the Financial Statements  
June 30, 2012

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

Restricted Assets Sewer & Water Fund

Restricted assets were applicable to the following at June 30, 2012

Consumer deposits	\$ 124,402
Debt service	<u>125,304</u>
Total restricted assets	<u>\$ 249,706</u>

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.

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

Effective October 01, 2010 the Town adopted the provisions of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. The effect of this adoption was to establish new categories for fund balance reporting and revise the definitions of governmental fund types.

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.

Long-Term Debt

Long-term obligations, such as bonded debt and bank loans are recognized as liabilities of a governmental fund only when due.

Town of Jonesboro, Louisiana  
Notes to the Financial Statements  
June 30, 2012

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

Compensated Absences

The Town has implemented GASB Statement Number 16 *Accounting for Compensated Absences*. Under GASB Statement No. 16, a liability for unpaid vacation that is attributable to services already rendered and that is not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to benefits.

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

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

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

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

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

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

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

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

Town of Jonesboro, Louisiana  
Notes to the Financial Statements  
June 30, 2012

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

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

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

A An accrual for earned sick leave should be made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals

B Alternatively, a governmental entity should estimate its accrued sick leave liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments

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

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

Balance at the beginning of the year	\$ 32,989
Additions	34,847
Deductions	<u>25,850</u>
Balance at the end of the year	<u>\$ 41,986</u>

Operating and Non-operating Revenues and Expenses

The proprietary fund financial statements distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses are those that result from providing services associated with the principal activities of the respective fund. Primary examples of operating revenues are charges for water and sewer of the Water Utilities System. Operating expenses include the cost of sales and services, administrative costs, and depreciation expense. Non-operating revenues and expenses are those that do not meet the criteria described previously, and include interest and tax revenues and debt service expenses.

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 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”



Town of Jonesboro, Louisiana  
Notes to the Financial Statements  
June 30, 2012

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

Beginning with the fiscal year 2011, the Town implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definition*. 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 government-wide statement of net assets reports \$522,660 of restricted net assets, all of which is restricted by enabling legislation.

In the street sales tax fund, amounts have been restricted for future repair and maintenance of streets.

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, Louisiana  
Notes to the Financial Statements  
June 30, 2012

**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 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 one percent 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 one percent 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 one percent sales and use tax for an additional ten (10) years commencing

August 1, 1999. In July, 2008, the taxpayers of the Town renewed the one percent 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, Louisiana  
Notes to the Financial Statements  
June 30, 2012

**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 a tool 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.

**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.

**Note 2 – Cash and Cash Equivalents**

The Town had the following cash balances as of June 30, 2012:

Demand Deposits	\$ 321,922
Reserved Funds	<u>605,660</u>
Total	<u>\$ 927,582</u>

**Note 3 – Concentration of Risk**

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of investments. 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 ratings; however, the Town does not have a policy addressing credit rate risk.

Custodial credit risk is the risk that in event of a bank failure, the government's deposits may not be returned to it. The Town's cash and investment policy, as well as state law, require that deposits be fully secured. As of June 30, 2012 of the Town's bank balances of \$1,356,706, there was \$35,201 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 No. 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.

Town of Jonesboro, Louisiana  
Notes to the Financial Statements  
June 30, 2012

**Note 3 – Receivables**

The following is a summary of receivables at June 30, 2012

<u>Class of Receivables</u>	<u>General</u>	<u>Utility Enterprise</u>	<u>Total</u>
Other Receivables	51,271	-	51,271
Utilities			
Billed utilities	-	432,986	432,986
Gross Receivables	51,271	432,986	484,257
Less allowance for un-collectables	-	(28,897)	(28,897)
Net total receivable	<u>\$ 51,271</u>	<u>\$ 404,089</u>	<u>\$ 455,360</u>

**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	\$ 84,476
General Fund	Street Ad Valorem Tax Fund	866,157
General Fund	Street Sales Tax Fund	<u>769,129</u>
		<u>\$ 1,719,762</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

Town of Jonesboro, Louisiana  
Notes to the Financial Statements  
June 30, 2012

**Note 5 – Capital Assets**

	Balance <u>Beginning</u>	<u>Additions</u>	<u>Deletion</u>	Balance <u>Ending</u>
Governmental activities				
Capital asset not being depreciated				
Land	\$ 148,177	\$ -	\$ -	\$ 148,177
Construction In Progress	<u>743,744</u>	<u>259,036</u>	<u>204,564</u>	<u>798,216</u>
Total capital assets not being depreciated	<u>891,921</u>	<u>259,036</u>	<u>204,564</u>	<u>949,393</u>
Capital assets being depreciated				
Land Improvements	1,054,366	204,564	-	1,258,930
Buildings & Building Improvements	919,137	-	-	919,137
Furniture and equipment	1,841,181	-	-	1,841,181
Vehicles	<u>1,062,488</u>	<u>-</u>	<u>-</u>	<u>1,062,488</u>
Total capital assets being depreciated	<u>4,877,172</u>	<u>204,564</u>	<u>-</u>	<u>5,081,736</u>
Less accumulated depreciation				
Land Improvements	28,826	54,461	-	83,287
Buildings	631,604	37,958	-	669,561
Furniture and equipment	1,627,673	40,283	-	1,667,956
Vehicles	<u>882,518</u>	<u>34,366</u>	<u>-</u>	<u>916,885</u>
Total accumulated depreciation	<u>3,170,621</u>	<u>167,068</u>	<u>-</u>	<u>3,337,689</u>
Total capital assets being depreciated, net	<u>1,706,551</u>	<u>37,496</u>	<u>-</u>	<u>1,744,047</u>
Governmental activities				
Capital assets, net	<u>\$ 2,598,472</u>	<u>\$ 296,532</u>	<u>\$ 204,564</u>	<u>\$ 2,690,440</u>

A schedule of changes in capital assets for the year ended June 30, 2012

Depreciation expense was charged to governmental activities as follows

General Government	\$ 51,178
Public Safety	72,665
Streets, Airport and Recreation	<u>43,875</u>
Total	<u>\$ 167,718</u>

Town of Jonesboro, Louisiana  
Notes to the Financial Statements  
June 30, 2012

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

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balances</u>
<b>Business Type Activities</b>				
Capital asset not being depreciated				
Construction In Progress	\$ 674,800	\$ 132,630	\$ -	\$ 807,430
Total capital assets not being depreciated	<u>674,800</u>	<u>132,630</u>	<u>-</u>	<u>807,430</u>
Capital assets being depreciated				
Water System	4,745,120	-	-	4,745,120
Sewer System	3,421,677	-	-	3,421,677
Equipment	1,316,870	7,070	-	1,323,940
Buildings	<u>125,411</u>	<u>-</u>	<u>-</u>	<u>125,411</u>
Total capital assets being depreciated	<u>9,609,078</u>	<u>7,070</u>	<u>-</u>	<u>9,616,148</u>
Less accumulated depreciation				
Water System	939,810	108,460	-	1,048,270
Sewer System	1,020,490	85,589	-	1,106,079
Equipment	638,621	104,350	-	742,971
Buildings	<u>50,215</u>	<u>3,008</u>	<u>-</u>	<u>53,223</u>
Total accumulated depreciation	<u>2,649,136</u>	<u>301,407</u>	<u>-</u>	<u>2,950,543</u>
Total capital assets being depreciated, net	<u>6,959,942</u>	<u>(294,337)</u>	<u>-</u>	<u>6,665,605</u>
<b>Business Type Activities</b>				
Capital assets, net	<u>\$ 7,634,742</u>	<u>\$ (161,707)</u>	<u>\$ -</u>	<u>\$ 7,437,035</u>

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

The payables at June 30, 2012, are as follows

	<u>General</u>	<u>Utility Enterprise</u>	<u>Total</u>
Accounts payable	\$ 223,500	\$ 47,587	\$ 271,087
Payroll liabilities	41,591	8,860	50,451
Compensated Absences	37,506	4,480	41,986
Accrued Wages	7,339	2,131	9,470
Due to Other Funds	15,608	502,941	518,549
Other Liabilities	<u>1,200</u>	<u>-</u>	<u>1,200</u>
Total	<u>\$ 326,744</u>	<u>\$ 565,999</u>	<u>\$ 892,743</u>

Town of Jonesboro, Louisiana  
Notes to the Financial Statements  
June 30, 2012

**Note 7 – Long-Term Liabilities**

The following is a summary of the long-term obligation transactions for the year ended June 30, 2012

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	Ending <u>Balance</u>	Amounts Duc Within <u>One year</u>
<b>Governmental activities</b>					
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>
Total governmental activities	90,807	64,797	52,275	103,329	50,429
<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>
Total business-type activities	<u>3,002,573</u>	<u>30,941</u>	<u>109,169</u>	<u>2,924,345</u>	<u>120,473</u>
Long-term liabilities	<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>						
USDA - Water Revenue Bonds Series 2008	1/22/2009	\$ 2,300,000	4.50%	1/22/2049	\$2,331,036	\$2,244,445

The annual requirements to amortize all bonds outstanding at June 30, 2012 are as follows

For the year ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 24,812	\$ 100,492	\$ 125,304
2014	25,591	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>\$ 2,244,445</u>	<u>\$ 2,331,036</u>	<u>\$ 4,575,481</u>

Town of Jonesboro, Louisiana  
Notes to the Financial Statements  
June 30, 2012

**Note 7 – Long-Term Liabilities (continued)**

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.

Type	Governmental or Business Type Activities	Cost	Accumulated Depreciation	Net Book Value
Water meters	Business Type	\$ 820,513	\$ 365,519	\$ 454,994
Dozer	Half governmental and half business type	93,965	70,477	23,488
Tractor and excavator	Business Type	69,082	49,492	19,590
Tractor and mower	Half governmental and half business type	88,945	66,712	22,233
Excavator	Half governmental and half business type	<u>49,545</u>	<u>9,909</u>	<u>39,636</u>
		<u>\$1,122,050</u>	<u>\$ 562,109</u>	<u>\$ 559,941</u>

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, 2012.

	Water Meters	Dozer	Tractor w/ Excavator	Tractor w/ Mower	Excavator	Total
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>190,936</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>190,936</u>
Net minimum lease payments	557,936	47,446	29,574	44,912	19,251	699,119
Less amounts representing interest	<u>79,409</u>	<u>3,319</u>	<u>1,929</u>	<u>3,145</u>	<u>531</u>	<u>87,802</u>
Present value of net minimum lease payments	<u>\$ 478,527</u>	<u>\$ 44,127</u>	<u>\$ 27,645</u>	<u>\$ 41,767</u>	<u>\$ 18,720</u>	<u>\$ 611,317</u>



Town of Jonesboro, Louisiana  
Notes to the Financial Statements  
June 30, 2012

**Note 8 – 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 plans 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, equal to three percent (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 percent of their annual covered salary and the Town of Jonesboro is required to contribute at an actuarially determined rate. The current rate is 16.75 percent of annual covered payroll. Contributions to the System also include one-fourth of 1 percent, 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, 2012, 2011, and 2010 were \$70,712, \$79,850, and \$80,668, respectively, equal to the required contributions for each year.

Town of Jonesboro, Louisiana  
Notes to the Financial Statements  
June 30, 2012

**Note 8 – Retirement Systems (continued)**

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 so 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 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 10 percent of their annual covered salary and the Town of Jonesboro is required to contribute at an actuarially determined rate. The current rate is 26.5 percent 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, 2012, 2011, and 2010 were \$23,076, \$24,117, and \$18,503 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 average salary over the 36 consecutive months that produce the highest average 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 at 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

Town of Jonesboro, Louisiana  
Notes to the Financial Statements  
June 30, 2012

**Note 8 – Retirement Systems (continued)**

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 10 percent of their annual covered salary and the Town of Jonesboro is required to contribute at an actuarially determined rate. The current rate is 23.25 percent 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, 2012, 2011, and 2010 were \$3,076, and \$18,503, respectively, equal to the required contributions for each year.

**Note 9 – 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 \$45,500 is recognized as intergovernmental revenue and public safety expenditures in the following departments:

<u>Department</u>	<u>Amount</u>
Police	\$ 34,625
Fire	<u>10,875</u>
Total	<u>\$ 45,500</u>

**Note 10 – Commitments and Contingencies**

*Litigation*

At June 30, 2012, 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.

*Grants Receivable*

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

Town of Jonesboro, Louisiana  
Notes to the Financial Statements  
June 30, 2012

**Note 11 – 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, 2012.

**Note 12 – Levied Taxes**

Town levies property taxes on real and business property located within the Town's boundaries. Property taxes are levied by the City on property values assessed by the Jackson Parish Tax Assessor and approved by the state of Louisiana Tax Commission. The Jackson Parish Tax Assessor prepared tax statements for the Town. Ad valorem taxes were levied on September 22, 2011 with a due date of December 31, 2011 and a lien date of January 1, 2012.

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

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 2011.

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 2011,

Town of Jonesboro, Louisiana  
Notes to the Financial Statements  
June 30, 2012

**Note 12 – Levied Taxes (continued)**

and January and February 2012 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, 2012) 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 2011-2012 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 13 – Stewardship, Compliance and Accountability**

Excess of Expenditures over Appropriations Individual Funds

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund	\$ 3,806,990	\$ 3,239,362	\$ 567,628

**Note 14 – 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	\$ 70,731
LaStevic Cottonham	6,000
Devin Flowers	6,000
Charla Mason- Melton	6,000
Samuel Lankin	6,000
Renee Stinger	<u>6,000</u>
	\$ 100,731

Town of Jonesboro, Louisiana  
Notes to the Financial Statements  
June 30, 2012

**Note 15 – 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 April 10, 2013 the date which the financial statements were available to be issued

The Legislative Auditors' Office is currently monitoring the Town's expenditures. In June 2012 Legislative Council recommended that a Financial Administrator be placed in the Town

In October 2012, the Fiscal Administrator appointed by the Legislative Auditor's Office to monitor the Town's expenditures resigned from the position. This matter is currently in pending litigation status as a Preliminary Injunction was rendered against the Town for contempt. The motion of contempt was placed against the Town due to noncompliance with the terms and conditions enacted by the Legislative council, and the adherence to guidelines established by the Fiscal Administrator. Conversely, the Town has a pending motion for contempt against the State and the former Fiscal Administrator for the reimbursement of taxpayer funds.

**REQUIRED SUPPLEMENTARY INFORMATION**

TOWN OF JONESBORO, LOUISIANA

General Fund  
Budgetary Comparison Schedule  
June 30, 2012

Exhibit I-1

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With
	Original	Final		Final Budget Positive (Negative)
Budgetary Fund Balances Beginning	\$ 448,813	\$ 448,813	\$ 448,813	\$ -
<b>Resources (inflows)</b>				
<b>Local sources</b>				
<b>Taxes</b>				
Ad valorem	295,000	295,000	122,496	(172,504)
Franchise tax	100,000	100,000	91,032	(8,968)
Sales and use	1,700,000	1,700,000	679,695	(1,020,305)
Other taxes	15,000	15,000	2,232	(12,768)
Chain store	2,500	2,500	3,771	1,271
Penalties and interest	2,000	8,500	8,159	(341)
Licenses and permits	101,500	101,540	92,663	(8,877)
Fines, forfeitures and court costs	45,700	35,700	50,587	14,887
<b>Intergovernmental revenues</b>				
<b>State funds</b>				
Federal revenue	56,000	322,930	331,583	8,653
State revenue	25,000	537,176	238,321	(298,855)
Other	194,800	223,594	40,898	(182,696)
Fees, charges and commissions for services	388,250	323,850	256,912	(66,938)
Use of money and property	-	-	178	178
Rents and royalties	36,500	43,200	23,997	(19,203)
Other revenues	87,000	98,000	86,362	(11,638)
Transfers from other funds	-	-	1,719,762	1,719,762
<b>Amounts available for appropriations</b>	<b>3,498,063</b>	<b>4,255,803</b>	<b>4,197,460</b>	<b>(58,343)</b>
<b>Charges to appropriations (outflows)</b>				
<b>General government</b>				
Legislative	63,300	64,490	59,974	4,516
Judicial	6,670	6,670	5,867	803
Executive	96,460	101,960	87,571	14,389
Election	10,000	-	-	-
Financial and administrative	503,818	494,586	415,429	79,157
<b>Public safety</b>				
Fire protection	342,000	417,364	373,804	43,560
Police protection	731,570	681,413	645,201	36,212
Animal control	47,150	12,605	12,749	(144)
<b>Public works</b>				
Sanitation and waste	204,550	213,600	205,619	7,981
Cultural and recreation	38,000	33,800	12,394	21,406
Transportation	935,000	1,003,828	841,994	161,834
Town development	7,500	5,500	475	5,025
Entertainment and marketing	10,500	13,000	3,841	9,159
Airport	37,732	747,874	281,431	466,443
Cemetery	15,000	10,300	9,700	600
Capital outlay	-	-	259,036	(259,036)
<b>Debt service</b>				
Principal	-	-	21,224	(21,224)
Interest	-	-	3,054	(3,054)
<b>Total charges to appropriations</b>	<b>3,049,250</b>	<b>3,806,990</b>	<b>3,239,362</b>	<b>567,628</b>
<b>Budgetary Fund Balances, Ending</b>	<b>\$ 448,813</b>	<b>\$ 448,813</b>	<b>\$ 958,099</b>	<b>\$ (625,971)</b>



TOWN OF JONESBORO, LOUISIANA

Fire Department Ad Valorem Tax  
Budgetary Comparison Schedule  
June 30, 2012

Exhibit I-2

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
Budgetary Fund Balances, Beginning	\$ 24,939	\$ 24,939	\$ 24,939	\$ -
Resources (inflows)				
Local sources				
Taxes				
Ad valorem	125,000	125,000	89,203	(35,797)
Use of money and property	-	-	192	16,095
Amounts available for appropriations	<u>149,939</u>	<u>149,939</u>	<u>114,334</u>	<u>(19,702)</u>
Charges to appropriations (outflows)				
Transfers to other funds	<u>85,000</u>	<u>85,000</u>	<u>84,476</u>	<u>(524)</u>
Total charges to appropriations	<u>85,000</u>	<u>85,000</u>	<u>84,476</u>	<u>(524)</u>
Budgetary Fund Balances, Ending	<u>\$ 64,939</u>	<u>\$ 64,939</u>	<u>\$ 29,858</u>	<u>\$ (19,178)</u>

TOWN OF IONESBORO, LOUISIANA

Street Ad Valorem Tax  
Budgetary Comparison Schedule  
June 30, 2012

Exhibit 1-3

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
Budgetary Fund Balances, Beginning	\$ 71,940	\$ 71,940	\$ 71,940	\$ -
Resources (inflows)				
Local sources				
Taxes				
Ad valorem	125,000	125,000	88,069	(36,931)
Use of money and property				
Transfers from other funds	-	-	740,571	-
Amounts available for appropriations	196,940	196,940	900,580	703,640
Charges to appropriations (outflows)				
Transfers to other funds	85,000	85,000	866,157	781,157
Total charges to appropriations	85,000	85,000	866,157	781,157
Budgetary Fund Balances, Ending	\$ 111,940	\$ 111,940	\$ 34,423	\$ (77,517)

TOWN OF JONESBORO, LOUISIANA

Street Sales Tax  
Budgetary Comparison Schedule  
June 30, 2012

Exhibit 1-4

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(Budgetary Basis)</u>	<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
Budgetary Fund Balances, Beginning	\$ 471,777	\$ 471,777	\$ 471,777	\$ -
Resources (inflows)				
Local sources				
Taxes				
Ad valorem	850,000	850,000	681,064	(168,936)
Use of money and property	1,500	1,500	905	(595)
Amounts available for appropriations	<u>1,323,277</u>	<u>1,323,277</u>	<u>1,153,746</u>	<u>(169,531)</u>
Charges to appropriations (outflows)				
Transfers to other funds	<u>850,000</u>	<u>850,000</u>	<u>769,129</u>	<u>(80,871)</u>
Total charges to appropriations	<u>850,000</u>	<u>850,000</u>	<u>769,129</u>	<u>(80,871)</u>
Budgetary Fund Balances, Ending	<u>\$ 473,277</u>	<u>\$ 473,277</u>	<u>\$ 384,617</u>	<u>\$ (88,660)</u>

Town of Jonesboro, Louisiana  
Notes to the Budgetary Comparison Schedules  
June 30, 2012

**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**

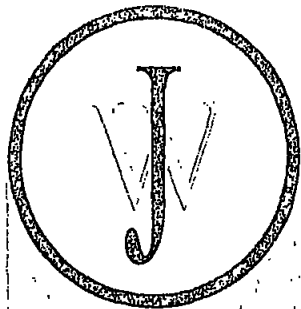
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund	\$ 3,806,990	\$ 3,329,362	\$ 567,628

TOWN OF JONESBORO, LOUISIANA

Notes to the Budgetary Comparison Schedules  
June 30, 2012

	General	Fire Dept Ad Valorem Tax	Street Ad Valorem Tax	Street Sales Tax
<b>Sources/inflows of resources</b>				
Actual amounts (budgetary basis) "available for appropriation" from the Budgetary Comparison Schedule	\$ 4,197,460	\$ 114,334	\$ 900,580	\$ 1,153,746
State and federal grants not included in the budget	569,904	-	-	-
The fund Balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(57,985)	(24,939)	(71,940)	(471,776)
Transfer from other funds are inflows for budgetary purposes but are not revenue for financial reporting purposes	(1,719,762)	-	-	-
<b>Total revenues as reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds</b>	<b>\$ 2,989,617</b>	<b>\$ 89,395</b>	<b>\$ 828,640</b>	<b>\$ 681,970</b>
<b>Uses/Outflows of resources</b>				
Actual amounts (budgetary basis) "Total charges to appropriations" from the Budgetary Comparison Schedule	3,239,362	84,476	866,157	769,129
State and federal grants not included in the budget	569,904	-	-	-
Transfers to other funds are outflows for budgetary purposes but are not expenditures for financial reporting purposes	(279,434)	(84,476)	(866,157)	(769,224)
<b>Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds</b>	<b>\$ 3,529,832</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**AGREED UPON PROCEDURES**



JONALD J. WALKER III CPA

LLC

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

INDEPENDENT ACCOUNTANTS' REPORT ON  
APPLYING AGREED-UPON PROCEDURES

Honorable Leslie Thompson Mayor  
and Members of the 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, 2012 included in the *Louisiana Compliance Questionnaire*.

949 RYAN ST STE 100

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LOUISIANA 70601

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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 employees of the Town, and reading of board minutes, it was determined that the Mayor and Town Council were provided with monthly financial statements for eight of the twelve months during the time period of the examination.

However, it is not determined if the financial statements included budget-to-actual comparisons for the specific funds

2 If management had 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:

The Town experienced a period of deficit spending where it resorted to cashing in certificates of deposit in order to assist with operations. A deficit spending policy was supposed to be in development during the previous reporting period, but no formal plan was provided during this 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
- 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

The original budget for fiscal year beginning July 1, 2011 was voted on and adopted by the Board of Alderman on June 14, 2011. The budget was amended and reissued on February 29, 2012.

There are policies relating to purchasing, disbursements and receipts. 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 addressed in the contracting for services 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, are appropriately addressed in the policy.

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

A listing of credit cards was obtained which include 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 nine (9)

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

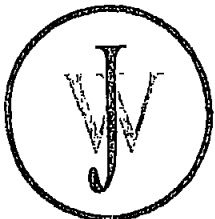
2. Obtain and review the entity's written policies and procedures for credit cards (and debit cards if applicable) and determine if the following is addressed:

- 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 address the following as noted

- |                                  |     |
|----------------------------------|-----|
| • How cards are to be controlled | Yes |
| • Allowable business uses        | Yes |
| • Documentation requirements     | Yes |
| • Required approvers             | Yes |
| • 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.)

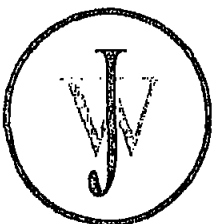
### Results

The Visa card examined involved transactions relating to lodging, interest and late fees. Eleven of the twelve hotel receipts/transactions listed on the statements examined were available for inspection. 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 was noted on any of the transactions examined. Each monthly statement examined contained an opening balance from the prior month. The travel policy contains no limit or restrictions to hotel rates, nor does it provide guidelines regarding approved or acceptable lodging based on cost.

The second card examined was a retail store credit card. 38 transactions were examined. Receipts were provided for each of the transactions. The transactions appear to be for business purposes. The transactions appear to have been properly authorized. Purchase orders were provided for each of the transactions. Written evidence of review and approval of the transaction was documented on the purchase orders.

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



### Results

Policies for credit cards and travel provided were effective January 02, 2012. The adopted travel policy contains no limit to hotel rates allowed.

An appropriate and necessary purpose was determined as the related expenses were for employees to travel to attend a conference.

- 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.

50 transactions were examined. 31 transactions appear to have an appropriate business use. In the case of 19 transactions, we were unable to determine, due to insufficient documentation, the purpose of the transaction. 1 transaction was for late charges assessed.

- 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

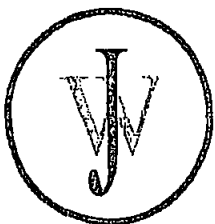
Of the 38 transactions examined, it appears that the Town's normal procurement/purchase process and/or the Louisiana Public Bid Law were followed for transactions on the Wal-Mart credit card. None of the purchases were large or numerous to have a cumulative effect consideration.

- 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

38 transactions were examined and written evidence of review and approval was lacking in all transactions on the store credit card. There were 12 transactions examined on two monthly statements of the Visa card, all for lodging, with no receipts for 1 transaction. None of the Visa card transactions displayed evidence of review or approval.

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



### Results

No interest or late fees was assessed on the months examined for the Visa card and a late fee was applied to one month of the store credit card. Late fees and interest for the months examined totaled \$20.89

### 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

The policies and procedures for the above areas are in place but fail to mention the dollar threshold by category of expense. The only expense which details a dollar threshold is meals. The policy for travel and expense reimbursement 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 mayor's travel expenses were selected for examination per the process stipulating the person having the largest dollar amount of reimbursement during the exam period.



The expense reimbursement reports that were examined were grouped together into two checks. One check was comprised of nine expense reports totaling \$461.30, and the other was three expense reports totaling \$108.03. Receipts and supporting documentation was provided for each expense report. The business purpose was documented for each of the reports examined. The travel and expense reimbursement policy of the Town stipulates *that all expense reports should be submitted to the Clerk no later than five business days after the occurrence*. However, of the reimbursed check totaling \$108.03, one expense report was dated April 09, 2011, one was dated August 23, 2012, and the other was dated August 28, 2012. The reimbursement was not processed until September 23, 2012. Of the other reimbursed check totaling \$461.30 which was processed on June 26, 2012, the expense reports were dated as far back as February 16, 2012, and none of the reports were submitted within the five day threshold.

- 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:

Copies of original receipts were provided for all expenses reports. The business purpose was documented for each of the reports examined on the report summary. No other documentation was required per the policy.

- 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

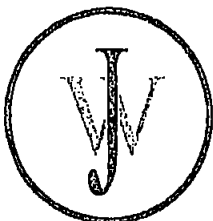
Of the transactions on the expense reports examined there were no exceptions noted. The purchases were for meals and expense reimbursements that were appropriate and necessary business purposes.

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

Results

We reviewed the documentation and found that the expense reports were reviewed and approved by someone other than the person receiving the reimbursement.

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



### Results

All transactions were reviewed, no exceptions noted on the 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

The Town has a *contracting for services* policy which was developed and became effective January 2, 2012. The *contracting for services policy* specifies that services are to be contracted according to Louisiana Public Bid Law. This policy states that payments are to be made in accordance with the terms and conditions of the contract. The policy also states that before any contract can be executed it must be reviewed by legal counsel and recommended for approval, and it must be presented to the board for approval and documented in the minutes. Management is to implement and monitor controls over contracts to ensure the services are necessary and the most cost-effective manner for accomplishing its objectives.

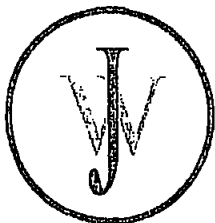
1 Determine if the entity has centralized control and oversight of contracts to ensure that services/deliverables received and payments made comply with the terms and conditions of the contracts

### Results

For the examination period there is no centralized control, or oversight of contracts in place. When requesting documentation regarding contracts there was no centralized system in place to store all contracts

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



We reviewed the accounting records and identified the five vendors that were paid the most money during the fiscal year. The Town has formal contracts with all five vendors. One of the contracts provided did not have any signatures to substantiate the document. Another contract contained only the signature of the Mayor and not that of any representative of the vendor.

- 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)

We determined the business legitimacy of each of the vendors.

#### 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. Written contracts were provided by the town for all five vendors. One of the contracts provided did not have any signatures to substantiate the document. Another contract contained only the signature of the Mayor and not that of any representative of the vendor.

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

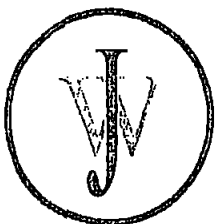
#### Results

We obtained a summary of expenses by vendors, however, the Town did not provide a listing of vendors with active contracts. We selected for detailed review the largest contracts in the services and public works categories. There were no contracts for materials and supplies.

- 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 activities were noted on the questionnaires returned to the auditor by Town 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:

We determined that the contracts were not subject to the Louisiana Public Bid Law. We believed the Town provided an open and competitive atmosphere for the work.

- 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 offeror whose proposal was the most advantageous taking into consideration price and other evaluation factors set forth in the *request for proposals*.

Results:

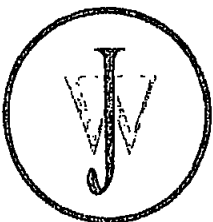
Per inquiry of the town clerk, there were no contracts awarded under the request for proposal method.

- 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

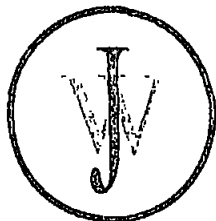
We reviewed the accounting records/documentation and determined the invoice and payments complied with the terms and conditions of the contract.

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

### Results

No evidence of review of contracts by the Town's legal advisor was made available.

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



Results

We reviewed the Town's records and determined the Town Council approved the contracts

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

The policies and procedures address the processing of payroll, it states that timesheets must be approved by supervisors. However, the policy fails to mention the processing of leave and overtime worked

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 employment contracts in force during the examination period

1. 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.)

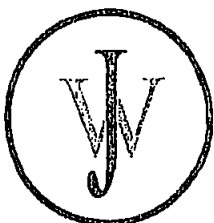
Results

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

48 transactions were selected for review. In 43 transactions, supervisors provided proper written approval of attendance and leave. In 5 transactions improper or no written approval was found



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

#### Results

Based upon the review of 48 transactions accurate written leave records are being maintained.

1. 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 received an increase in hourly pay rate during the period under review. There were no exceptions noted on the pay rate change form.

1. Select the five largest termination payments (c.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 were no termination payments during the period of examination

1. 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 exceptions were 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.

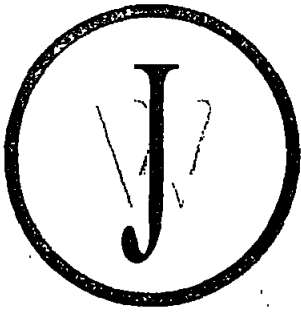
This report is intended solely for the use of management of the Town of Jonesboro and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised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

*Ronald J. Walker III, CPA, LLC*

Lake Charles, Louisiana  
April 10, 2013



**REPORTS ON INTERNAL CONTROL AND COMPLIANCE**



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, 2012, which collectively comprise the Town of Jonesboro, Louisiana's basic financial statements and have issued our report thereon dated April 10, 2013. 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.

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**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

will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies 2012-01, 2012-02, 2012-03, 2012-09, 2012-10, 2012-11, and 2012-17 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 2012-04, 2012-05, 2012-08, 2012-2012-13, 2012-18 and 2012-19 described in the accompanying schedule of findings and questioned costs to be significant deficiencies.

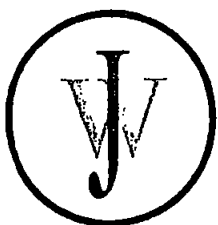
#### **Compliance and Other Matters**

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 2012-06, 2012-07, 2012-12, 2012-14, 2012-15, and 2012-16.

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.

*Ronald J. Walker III, CPA, LLC*  
Lake Charles, Louisiana  
April 10, 2013



Town of Jonesboro, Louisiana  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2012

I. Summary of Auditors' Results

a Financial Statements

- 1 The audit report issued was a disclaimer of opinion
- 2 There were nineteen (19) control deficiencies disclosed during the audit of the financial statements is reported in the *Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards* Seven (7) of these deficiencies reported as material weaknesses
- 3 There were six (6) instances of noncompliance considered material to the financial statements of the Town of Jonesboro, Louisiana is reported in the *Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements and Internal Control Performed in Accordance with Government Auditing Standards*

b Federal Awards

- 1 The Town of Jonesboro did not expend more than \$500,000 in federal awards during the year ended June 30, 2012, and therefore, is exempt from the audit requirements under the Single Audit Act and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations

Town of Jonesboro, Louisiana  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2012

**II. Findings – Financial Statement Audit**

**INTERNAL CONTROL AND COMPLIANCE FINDINGS**

**2012-01 General Accounting**

**Condition**

The Town began using QuickBooks software for its accounting functions and employees of the Town are still learning to utilize the software. The utility department uses a non-integrated software package to post revenues and receivables, and a manual entry is made to transfer the information into the QuickBooks accounting software.

A disclaimer of opinion was issued for fiscal year ending June 30, 2011. There is no evidence to indicate that the Town has been able to reconcile or address prior audit findings or opening balances.

Bank accounts are being reconciled but not all agreed to the general ledger at fiscal year end. Policies and procedures concerning most areas of the Town were under development at fiscal year end but not placed into effect for several months after fiscal year end. No evidence provided to show that current accounting staff was provided with policies and procedures relating to accounting and financial reporting issues.

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, were missing or there was insufficient documentation to substantiate transactions.

There are instances of improper posting of transactions. In one situation a journal entry was made which was supposed to remove the balance of a certificate of deposit that was cashed in. The entry debited the investment account and credited an account marked "due to pay/oil account". Instead of zeroing out the investment account for the cashed certificate of deposit it doubled the amount reflected in the general ledger. This error remained on the Town's financial records and wasn't detected by Town's accounting staff or supervisory staff of Town.

An ongoing control log of journal entries is not maintained noting reason for the journal entries and appropriate supervisor approval.

Transactions between the different funds were often found to be incomplete. In some instances transfers are reflected in one fund, but no corresponding entry in the other fund. We noted that duties involving cash receipts were combined during the year, whereby one employee is now completely responsible for the entire cash receipts process.



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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

The 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.

Effect

Auditor is unable to perform the work necessary to conduct audit in accordance with the standards applicable to audits and issue an opinion on the financial statements.

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.

The Town's records do not permit the application of adequate auditing procedures.

Recommendation

The Town should engage the services of an experienced certified public accountant to ensure among other things, 1) current transactions are properly recorded and reconciled, 2) daily and month-end accounting processes and controls are implemented, 3) bank reconciliations are brought (up-to-date) and prepared each month, 4) accurate financial statements with budget-to-actual comparisons are prepared monthly, and 5) prior years' financial records are reviewed and obtained accurate opening balances for upcoming reporting year.

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We also recommend that one employee, independent of the accounting department, such as the receptionist or office manager, open the mail and restrictively endorse all incoming checks. This person should keep a daily log of all incoming checks. Copies of the checks should be forwarded to the appropriate departments for processing and the checks should be forwarded to the accounting department for recording in the accounting system and timely deposit. A third person should periodically compare and contrast deposit slips to the daily log of incoming checks to ensure that all receipts were deposited. By segregating the cash handling, recording, and depositing functions, the Town will be able to more accurately track all incoming checks and strengthen the system of internal controls over cash receipts.

Response

See management's response letter.

**2012-02 Cash Controls**

Condition

While conducting cash disbursement testing, we noted that many checks were written out of sequence or the checks were dated to a previous period. Also, it was found that during the audit period check numbers and other check details of printed or written checks were altered in the accounting system after their initial creation.

The Town states that the police department has a petty cash balance of \$1,922.20. Records submitted by the police chief do not support this balance. A payment to the police department- petty cash account for \$1,522.20 was dated July 2, 2010. No support documents were provided to reconcile the petty cash accounts. The Chief of Police disputes that the police department never received this payment from the Town. There is currently not policy or procedure for reconciliation of the petty cash fund.

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.

Cause

The Town does not have monitoring procedures to ensure transactions are posted correctly.

Effect

The Town's internal controls over cash management are weakened and could possibly result in transactions not being properly classified.

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,

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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

Response:

The police chief disputes that the department received this payment from the Town

**2012- 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.

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. Complete accounting records are 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.

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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

See management's response letter.

**2012-04 Preparation of Financial Statements**

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.

The Town relies on its auditors to assist in the preparation of external financial statements and related disclosures.

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. Under the United States generally accepted auditing standards, the auditors cannot be considered part of the Town's internal control structure.

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.

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Cause

Because of limitations of the Town's accounting process, the design of the Town's internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements

Effect

Town is unable to prepare or assist in the preparation of external financial statements

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

Misstatements in the external 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

Town should hire competent staff capable of preparing and maintaining records in a manner to adequately assist in preparation of external financial statements and related disclosures.

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.

Response

See management's response letter.

**2012-05 Capital Asset Management**

Condition

The Town has not implemented procedures which requires an employee to maintain a listing of the Town's capital assets, or monitors the additions and deletions of assets. The lack of proper internal controls is still evident due to an untaken physical count of capital assets at year end, and the assets remain unnumbered and untagged.

Criteria

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

Cause

There was no oversight placed on documenting and maintaining the listing of capital assets.

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Effect:

The Town is in violation of state law and remains to have inadequate internal control over safeguarding capital assets

Recommendation

Management of the Town should appoint an employee as the property manager who will maintain a comprehensive listing of all capital assets as additions and deletions occur 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. The Town created policies and procedures for identifying, recording, and coordinating an annual inventory of all capital assets, however, the policies and procedures still are not being implemented.

Response

See management's response letter

**2012- 06 Noncompliance with Local Government Budget Act**

Condition

The Town failed to comply with the Local Government Budget Act in the following ways

- For fiscal year June 30, 2012 and June 30, 2013 separate annual budgets for the Town's special revenue funds (Fire Department Ad Valorem Tax, Street Department Ad Valorem Tax, and the Street Sales Tax) were not prepared and adopted by the Town
- The budgets for fiscal year June 30, 2012 and June 30, 2013 did not include budget messages for each special revenue fund as required by law
- For fiscal years ended June 30, 2012 and June 30, 2013 estimated beginning and end of year fund balances were not presented for the general fund and each special revenue fund as required by R S 39§1305(C)(2)(a)
- For fiscal years ended June 30, 2012 and June 30, 2013 the required additional information of year-to-date actual and estimated fund balances at end of year and percentage change for all funds was not included in the budget

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Criteria

Louisiana State law (R S 39§1305) requires

- Each political subdivision shall cause to be prepared a comprehensive budget presenting a complete financial plan for each fiscal year for the general fund and each special revenue fund
- The chief executive or administrative officer of the political subdivision or, in the absence of such positions, the equivalent thereof shall prepare the proposed budget
- The budget document setting forth the proposed financial plan for the general fund and each special revenue fund shall include the following
  - a A budget message signed by the budget preparer which shall include a summary description of the proposed financial plan, policies, and objectives, assumptions, budgetary basis, and a discussion of the most important features.
  - b A statement for the general fund and each special revenue fund showing the estimated fund balances at the beginning of the year, estimates of all receipts and revenues to be received, revenues itemized by source, recommended expenditures itemized by agency, department, function, and character, other financing sources and uses by source and use, and the estimated fund balance at the end of the fiscal year. Such statements shall also include a clearly presented side-by-side detailed comparison of such information for the current year, including the fund balances at the beginning of the year, year-to-date actual receipts and revenues received and estimates of all receipts and revenues to be received the remainder of the year, estimated and actual revenues itemized by source, year-to-date actual expenditures and estimates of all expenditures to be made the remainder of the year itemized by agency, department, function, and character, other financing sources and uses by source and use, both year-to-date actual and estimates for the remainder of the year, the year-to-date actual and estimated fund balances as of the end of the fiscal year, and the percentage change for each item of information

Cause

The Town did not follow all instructions of the Local Government Budget Act

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)

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Response

See management's response letter

**2012- 07 Noncompliance with Contracting for Professional Services Laws**

Condition

Town has entered into agreements for professional services without following guidelines for entering into contracts for services

During the fiscal period under review it was revealed that the Town utilized landscaping services for the maintenance of the Town's cemetery without obtaining a contract

There was no centralized control over contracts or grants therefore when requested, a list of contracts and grants could not be provided

Criteria

The Louisiana revised statute 38§2212.1 states that at least three telephone or fax quotes, a written confirmation of the accepted offer, and a reason for the rejection of the lowest quote are required for purchases of \$10,000 but less than \$30,000. The Town's contracting for services policy states that written contracts should be executed for any arrangement entered into by the municipality for services performed by a third-party. Before any contract can be executed, the contract must be (1) reviewed by legal counsel and recommended for approval in writing, and (2) presented to the board for approval and documented in the minutes

Cause

The actions of the Town are not in accordance with providing an open and competitive atmosphere for the contracting of services

Effect

It is undeterminable whether services are being provided by a related party. Furthermore, it is undeterminable if the services are being provided in a timely and cost-effective manner

Recommendation

Management should seek to secure contracts or agreements for all third-party affiliations for professional services, as well as, for the purchase of supplies and materials. Management should also consult with the Town's legal advisor to ensure compliance with state laws before securing services

Response

See management's response letter



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**2012- 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 the 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

In July, 2008, the taxpayers of the Town renewed a 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 improvement of the Town's streets

**Cause**

The majority of the funds collected in these special revenue funds were transferred to the General Fund where the amounts dedicated to specific purposes could not be verified as to their use. Without clear accounting, the Town is unable to determine a reserve amount dedicated to the streets as defined by the purpose of the levied sales and use tax

**Effect**

The intended purpose for the use of certain dedicated tax revenues may have been circumvented and used for other purposes. Without accurate records of what funds are available for the maintenance of the streets, there is a risk that misappropriation of funds may occur

**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**

See management's response letter

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**2012-09 Traffic Tickets**

Condition

The written procedures for maintaining, issuing, and accounting for traffic tickets are not being properly implemented. The separation between the Town and the police department has led to an improper system for recognizing funds that are owed and outstanding. The absence of maintaining accurate records has reduced the Town's revenues from citations, and may have also negated significant actions from being taken against those who have violated the law.

Criteria

Properly accounting for traffic tickets is important to ensure (1) collection of traffic fees and appropriate action for non-payment is taken, (2) compliance with Louisiana laws, and (3) misappropriation of assets or fraud does not occur. The policy of the Town states that traffic tickets/citations represent an asset of the municipality. Management is to implement controls that (1) safeguard the supply/inventory of blank ticket books, (2) Ensure that ticket books are issued only after previously issued books have been returned, (3) Ensure that issued citations are turned in by police officers on a timely basis for processing and collection; (4) Ensure upon termination, police officers return ticket books to the police chief and account for all tickets showing as being in their possession, (5) Account for the numerical sequence of all citations issued and the final disposition (e.g., received payment, dismissed, bench warrant issued, etc.) of those citations on a monthly basis, and (6) Ensure that all traffic violations, except parking violations, are reported to the Louisiana Department of Public Safety no later than 30 days after the date of the person's conviction and sentencing or the final disposition of the case as required by law.

Cause

The Town was unable to maintain an adequate control environment over traffic tickets and citations due to the lack of compliance with the Police Department. The supply of ticket books should be safeguarded with the clerk at City Hall since the Police Department is not in use. There is no record of the ticket books issued to police officers and no accounting for the numerical sequence of the traffic tickets issued. There is no record of traffic ticket violations being reported to the Louisiana Department of Public Safety (DPS). There is also no record of monthly accounting for the final disposition (received payment, reduced fine, dismissed, bench warrant issued, etc.) of citations issued.

Effect

The lack of adequate internal controls relating to traffic tickets and citations increases the risk that theft or misappropriation of funds may occur. The lack of oversight significantly increases the risk that the Town will not receive payments for fines, and the lack of an enforced penalty for noncompliance may encourage disobedience or neglect for the Town's traffic ordinances.

Recommendation

The Town implemented a procedural policy according to the recommendations of the previous audit. The Town was encouraged to (1) Secure a receipt book that has pre-numbered receipts in triplicate. One copy 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, (2) 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)

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by number in a holding file until the ticket is paid (3) 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 (4) 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 In order for the system to work successfully, the Town must consistently practice these procedures

Response

See management's response letter

2012- 10 Water Sewer Collections

Condition

During our audit, we noticed that the activities pertaining to the water and sewer billings were similar to findings contained in the audit of the prior year Procedures which were established as guidelines for water and sewer accounts receivable, adjustments to billings, and collections of customer deposits were not accurately reflected in the daily work and general ledger

Auditor was provided with a list of properties that were listed in the Town's system as "Inactive" with no activity (billing) occurring at the properties Auditor selected fifteen properties and did an "drive by" of the properties In five (5) instances auditor observed activities at the addresses that would indicate the properties were inhabited and as such would consume water and sewage services

Criteria

Internal controls should be in place to adequately account for water and sewer accounts receivable and customer deposit collections Internal controls should also ensure that services are disconnected once a residence is vacated

Cause

Meter readings were often inaccurate and produced unreliable results Some customers incurred vast fluctuations in their billing usage from one cycle to the next and refused to pay until the issue was resolved There are numerous instances where customers were receiving services without paying a deposit or incurring a monthly bill

Effect

The lack of internal controls to adequately account for funds receivable to the Town promotes the possibility of revenues being either unrecorded or uncollected This lack of oversight also provides the potential for theft or misappropriation of the Town's assets

Recommendation

The Town implemented a system of making daily bank deposits The Town also stated that monthly reconciliations between billings and deposits were being made Replacement water meters were being ordered to produce more accurate readings As a measure to have accurate records daily, the water and

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sewer accounts receivable and customer deposits recorded in the general ledger should be reconciled with reports generated by the billing software. The daily work generated by the billing software should be reconciled to the actual bank deposits made. The journal entry into the accounting software should be made by the accountant and reviewed by the town clerk and documented with an approval. As a measure to have accurate readings, the town should perform monthly tests on meter equipment.

Response

See management's response letter.

**2012- 11 Interagency Accounts (Transfers)**

Condition

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

In some instances postings were completed in one fund, but no offsetting entry posted in another (transfer) fund. Some transactions reflected different amounts in transfers from one fund to another.

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. Because of a lack of knowledgeable personnel available to review the activity, errors were not observed and addressed in a timely manner.

Effect

Significant audit entries were required to adjust 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, loss of town assets and potential misstatement of financial statements.

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 should 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

See management's response letter.

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**2012-12 Improper Treatment of Town Vehicles**

Condition:

Town may have violated Town Ordinance #574 by using vehicles owned by the Town for purposes unrelated to activities beneficial to the Town. Also, certain Town's vehicles are not marked in accordance with state law.

Both the Mayor and the Town Clerk are provided with vehicles owned by the Town.

Criteria:

Town Ordinance #574 prohibits personal usage of Town vehicles and requires employees to log their mileage into a daily log book to track the number of miles traveled for personal use. Louisiana state law requires any vehicle belonging to the state or any subdivisions to have the Town's logo inscribed, painted, decaled, or stenciled on the outside of the door on each side of every automobile, truck, or other vehicle.

Cause:

Town officials are not in compliance with Town Ordinance #574 because of failure to utilize the daily log book to record mileage driven and fuel usage in Town vehicles. Also, the use of magnetic decals for vehicles markings does not meet state requirements as the removal of the logo is a violation of state law.

Effect:

Personal mileage, which should be reimbursed monthly to the Town, has not been remitted for at least the past fiscal year. This lack of remittance constitutes funds outstanding to the Town and understates receivables and revenue due to the Town.

Recommendation:

The Town should develop and implement policies and procedures for the use of vehicles to ensure proper usage. Mileage logs should be maintained in accordance with Town Ordinance #574. Documentation should be provided for all fuel purchased for all Town vehicles. Policies and procedures should be implemented to ensure that all vehicles are marked in accordance with state law. Town should seek legal advice as to the appropriate actions to be taken, including possible recovery of funds related to the fuel purchased for personal use.

Response:

See management's response letter.

**2012 -13 Town Improperly Provided Insurance and Other Employee Benefits to Ineligible Individuals**

Condition:

The Town improperly used public funds to provide health insurance benefits to ineligible Town employees and health insurance benefits to former employees after termination.

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Criteria

According to the Town employee handbook, part-time employees are those who consistently work fewer than 35 hours per week and are not afforded any benefits other than wages. Any employees who have been terminated and received temporarily continued health insurance coverage by the Town are required to reimburse the Town of any expense in a timely manner.

Cause

The Town made payments for health insurance premiums for two employees who consistently worked less than 35 hours per week during the audit period.

The Town made payments for health insurance coverage for five terminated employees without collecting reimbursement from the individuals for the health insurance coverage.

Effect

By providing these benefits to employees who either did not consistently work 35 hours per week or were no longer an employee or elected official of the Town, the Town may have violated Louisiana state law, which prohibits the donation of public funds or assets.

Recommendation

The Town should adopt detailed policies and procedures to ensure that public funds are spent in accordance with state law. The Town should seek reimbursement for improper benefits provided to ineligible and/or former employees and officials, classify employees as full-time or part-time based on actual hours worked and periodically review employee time sheets to ensure that employees classified as full-time have maintained the appropriate number of hours, reconcile health insurance invoices to an active list of full-time employees and officials, and implement written policies and procedures for adding and removing employees and officials from the health insurance provider's invoice in a timely manner.

Response

See management's response letter.

**2012-14 Town Improperly Paid Retirement Contributions for Ineligible Employees**

Condition

The Town improperly used public funds to pay the employer portion of retirement contributions for ineligible employees.

Criteria:

According to LA R.S. 11:1751, membership of the Municipal Employees Retirement System of Louisiana (MERS) shall be composed of all employees not specifically excluded. LA R.S. 11:1732 (13) defines employee as *a person including an elected official, actively employed by a participating employer on a permanent, regularly scheduled basis of at least an average of thirty-five hours per week*.

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Cause

The Town made payments for the employer portion of retirement contributions for employees who consistently worked less than 35 hours per week during the audit period

Effect

By providing these benefits to employees who did not consistently work 35 hours per week, the Town may have violated Louisiana state law, which prohibits the donation of public funds or assets

Recommendation

The Town should adopt detailed policies and procedures to ensure that public funds are spent in accordance with state law. The Town should seek reimbursement for improper benefits provided to ineligible and/or former employees and officials, and classify employees as full-time or part-time based on actual hours worked and periodically review employee time sheets to ensure that employees classified as full-time have maintained the appropriate number of hours

Response

See management's response letter.

**2012 –15 Town Improperly Paid Compensation to the Mayor**

Condition

The Town may have violated Town Ordinance and state law by continuing to pay the Mayor's salary at the amount established by Town Ordinance #701. An injunction was passed by the Second Judicial District Court of Jackson Parish on August 17, 2011, which enjoined the Mayor and the Town Council from operating under Ordinance #701 retroactive back to March 28, 2011. Ordinance #701 increased the Mayor's annual salary to \$70,000. The Mayor's salary was previously set at \$38,000 per year for the second term served by Ordinance #538 (adopted July 11, 2000)

Criteria

All expenditures of money for any purpose should be properly budgeted and approved by Board of Aldermen. Budget should be approved according to Louisiana Law as outlined in the Local Government Budget Act (R.S. 39:1301 *et seq.*)

Cause

The injunction passed on August 17, 2011 required the Town to pay the Mayor an annual salary of \$38,000 established by Ordinance #538. Despite the injunction, the Town continued to pay the Mayor based on an annual salary of \$70,000 as set by Town Ordinance #701

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Effect

The total salary paid to the Mayor by the Town from July 1, 2011 through June 30, 2012 was \$70,731. The amount paid in excess of Ordinance #538 was \$32,731. The Mayor continued to be paid at the rate outlined in Town Ordinance #701 through the date of this report.

Recommendation

The Town should consult with the Town's legal advisor and the Louisiana Attorney General to determine what steps should be taken as it relates to the compensation paid to the Mayor while the injunction was in place. The Town should also implement adequate internal controls to ensure compliance with all Town ordinances, state and federal laws, and regulations.

Response

See management's response letter.

**2012-16 Insufficient Effort to Collect Delinquent Fines and Forfeitures**

Condition

The Town has not made sufficient effort to collect delinquent court fines and penalties.

Criteria

The Louisiana law and Louisiana Attorney General Interpretations of the law require the following:

1. Article 7, Section 14(A) of the Louisiana Constitution of 1974 provides that funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation.
2. Louisiana Attorney General Opinion 75-1660 provides that delinquent accounts receivable may not be forgiven and that all steps must be taken to collect the delinquent accounts, including the reduction of said accounts to judgment.

Cause

The Town has no formal policies and procedures for the collection of outstanding fines.

Effect

By not collecting fines and penalties on a timely basis, the Town is losing revenues. At the end of the fiscal period, an estimated \$33,381 was due to the Town from court fines.



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Recommendation

The Town should adopt and implement procedures that will ensure all delinquent fines and forfeiture receivables are collected on a timely basis and action should be taken to collect delinquent amounts. The Town should also consider seeking the services of a collection agency to collect outstanding balances.

Response

See management's response letter.

**2012 - 17 Unclaimed Property**

Condition

The Town regularly receives unclaimed property when refunds of water meter deposits are returned as undeliverable. The Town appears to have an unrecorded liability owed to the state as it is currently in possession of unclaimed property. This issue was discovered by the audit team upon visit in September 2012 when a sizable amount of returned checks were discovered. Upon the audit team's return visit in November of 2012 the returned checks were still in possession of the Town, however, there was a substantial reduction in the quantity of checks.

Criteria

State law (R.S. 9§159-160) requires that unclaimed property be reported and remitted to the state treasurer on an annual basis.

Cause

The Town does not have written policies and procedures to report unclaimed property, such as returned refund checks, to the state to ensure compliance with state law.

Effect

The Town is in violation of state law (R.S. 9§159-160). The Town has an unrecorded liability. The Town submitted a schedule of unclaimed property professed liabilities to the state totaling \$6,409.

Recommendation

We recommend that the Town implement written policies and procedures to ensure that unclaimed property such as returned refund checks are properly maintained, reported, and remitted to the state in compliance with state law. The Town should also perform the appropriate reconciliations and reviews to attempt to determine the full amount owed to the state.

Response

See management's response letter.

Town of Jonesboro, Louisiana  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2012

**2012-18 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

See management's response letter

**2012-19 Untimely Reimbursement to Town for Unused Travel Expenses**

Conditions

The Mayor failed to reimburse the Town for the unused portion of travel advance

Criteria

The Town issues travel advances and requires employees to complete and expense form to account for the use of travel funds If actual expenses were less than the amount of the advance payment, the employee would then be required to reimburse the unused amount

Cause

The Mayor received \$4,050 in eight travel advances between September 25, 2010, and September 16, 2011 The actual expenses for these advances totaled \$1,080, resulting in \$2,970 of unused travel funds Town records indicate that Mayor Thompson did not reimburse these amounts in a timely manner On average, Mayor Thompson reimbursed the Town 143 days after he received the travel advance payments For example, travel records indicate that on June 25, 2011, the Town issued Mayor Thompson a \$1,000 advance payment for a meeting in Irving, Texas The corresponding expense report indicates that Mayor Thompson only incurred expenses totaling \$119 but did not reimburse the Town for the unused portion of \$881 until December 30, 2011 (189 days later) Further, these records do not provide any public purpose for the trip

Town of Jonesboro, Louisiana  
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The Mayor also received an advance in the amount of \$600.00 for travel to a Legislative Audit Advisory Council meeting which took place on July 21-22, 2011. A report was provided by the Town detailing expenses for gasoline, hotel lodging, and meals. However, the report fails to provide supporting documentation by the Mayor to substantiate the expenses. Furthermore, no documentation was provided to indicate that any unused funds were reimbursed to the Town.

Effect

The failure to timely reimburse the Town may have resulted in an illegal loan, which is prohibited by the Louisiana Constitution.

Recommendation

The Town should require that repayments of all advanced funds be submitted within a 30 day time frame. The returned funds should be accompanied by documentation such as detailed receipts to support the public purpose for which the funds were used. The Town should enforce its policies on the timely submission of travel reports and repayments of any advanced travel funds that were unused.

Response

See management's response letter.

Town of Jonesboro, Louisiana  
Summary of Prior Year Findings  
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**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.

**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.

**Current Status**

Partially resolved, see finding 2012-01

**2011-02 Cash 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.

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

Town of Jonesboro, Louisiana  
Summary of Prior Year Findings  
For the Year Ended June 30, 2012

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

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.

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.

Current Status

Unresolved, see finding 2012-02

**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.

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

Town of Jonesboro, Louisiana  
Summary of Prior Year Findings  
For the Year Ended June 30, 2012

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).

Current Status

Unresolved, see finding 2012-03

**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.

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.

Current Status

Unresolved, see finding 2012-04

**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.

Town of Jonesboro, Louisiana  
Summary of Prior Year Findings  
For the Year Ended June 30, 2012

Louisiana Revised Statute LSA-R S 24 515 requires the Town to maintain a comprehensive listing 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.

Current Status

Unresolved, see finding 2012-05

**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.

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).

Current Status

Unresolved, see finding 2012-06

**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.

Town of Jonesboro, Louisiana  
Summary of Prior Year Findings  
For the Year Ended June 30, 2012

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.

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.

Current Status

Unresolved, see finding 2012-07

**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.

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.

Current Status

Unresolved, see finding 2012-08

**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.



Town of Jonesboro, Louisiana  
Summary of Prior Year Findings  
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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.

Current Status

Partially resolved, see finding 2012-01

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.

Town of Jonesboro, Louisiana  
Summary of Prior Year Findings  
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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.
- 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.

Current Status

Unresolved, see finding 2012-09

**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.

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 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.

Current Status

Unresolved, see finding 2012-10

Town of Jonesboro, Louisiana  
Summary of Prior Year Findings  
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**2011- 12 Interagency Accounts**

Condition

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

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

Current Status

Unresolved, see finding 2012-11

**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

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

Current Status

Resolved

**2011-14 Timely Filing of Report**

Condition

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

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

Town of Jonesboro, Louisiana  
Summary of Prior Year Findings  
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Current Status

Unresolved, see finding 2012-18

**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.

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.

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.

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.

Town of Jonesboro, Louisiana  
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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.

Current Status

Items were not tested in current period because audit did not meet A-133 Single Audit Criteria

**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

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.

Current Status

Items were not tested in current period because audit did not meet A-133 Audit Criteria

## TOWN OF JONESBORO



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### Agreed Upon Procedures Town' Response

#### Financial Management

The Town Council and Mayor did receive monthly financials until the clerk resigned. The Town has replaced its clerk and accountant and management is now receiving the financials which includes budget to actual at each meeting.

The Mayor intends to present a deficit spending policy before the Council within the next few weeks for its consideration and adoption.

The Town has adopted written policies that are designed to strengthen the areas of budgeting, purchasing, disbursements and receipts.

#### Credit Cards

The Town has adopted written credit card policies and according to this finding there is room for improvement in the areas of monitoring usage. The Town will investigate how we might improve in this area.

The Town is very pleased with its ability to provide the travel support documentation required. Eleven of twelve were available for inspection and it appears that where documentation was not available, it was concluded that the expense was municipal-business related. The second card showed all 38 transactions examined, all supporting documentation was in place. The Town is proud of its progress in this area. One of our weaknesses in this area appears to be providing evidence of review and approval. The Town will make this an area of priority. A late fee total of \$20.89 for the year represents timely payments and improved monitoring on the town's part. However, we would hope to eliminate all late payments.

#### Travel and Expense Reimbursement

The Town is pleased to have adopted written policies in this area. The auditor states that the Town failed to mention a dollar threshold for lodging. This is an area that will be addressed. The auditor mentioned that all monies were reimbursed to the Town. The Mayor's reimbursements are shown to have been paid beyond the five day window. This is because the policy was not in force during that time.

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There has been no infraction of timely reimbursement since the policy's implementation. The auditor noted that all transactions were reviewed and no exceptions noted on the transactions examined. The Town is very proud of the progress shown in this area.

### **Contracts**

The Town has now appointed an employee as contract manager and has created a contract file and centralized control. The auditor was able to establish that of all vendors examined that the town could produce active contracts and could validate business legitimacy. The Town purchases its material and supplies on an as needed basis. We will look at a contract option to see how it may better serve the town.

### **Payroll and Personnel**

While the Town does have written policies and procedures, we will seek to include in its' language the processing of leave and over-time worked. The Town is pleased that of the pay period examined employees are properly documenting their attendance. However, a short fall is detected in the area of supervisor approval documentation. Of 48 transactions reviewed, 5 showed no written approval. The Town will immediately address this area of concern with staff and heads of departments.

# TOWN OF JONESBORO



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## Internal Control and Compliance Findings Town of Jonesboro's Response to Findings

- 2012-01 General Accounting**
- Vendor filing system has been modified to accommodate auditor's recommendation
- 2012-02 Cash Controls**
- Bill Ryder, the State Financial Administrator implemented a system of cash controls for the town and assisted the personnel in its establishment
- 2012-03 Inadequate Controls Over Financial Reporting**
- The Mayor and Council did receive monthly budget to actuals. These reports were interrupted momentarily when the town's clerk resigned. The receipt of these financial reports have resumed since the replacement and reinstatement of new personnel.
- 2012-04 Preparation of Financial Statements**
- Town has since hired an accountant whose possess the skill level required to address the areas of concerns that relate to preparation of financial statements
- 2012-05 Capital Asset Management**
- An employee has been assigned the position of asset manager. All properties have been identified and tagged. Department heads have met and have been notified of their duties and responsibilities
- 2012-06 Non-Compliance with Local Government Budget Act**
- The Mayor presented a budget message that was all inclusive. Our special revenue fund information is now being presented separately for more clarity and to meet the legal requirements of the Act.
- 2012-07 Non-Compliance with Contracting for Professional Services Laws**
- The Town has been of the opinion that if services rendered were less than \$10,000.00 in cost that an invoice was sufficient to satisfy, however, we certainly understand the need for contract and will require the production of one with all services rendered, henceforth.

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**2012-08 No Clear Accounting for Dedicated Taxes**

- The Town just recently spent \$100,000 in order to create a system that would address in part these very concerns. A contractual agreement was entered into with a CFO and the Legislative Auditor with the very intent to prevent any possible co-mingling of funds or misappropriations of funds. Both parties agreed that the creation of separate funds for the purpose of meeting this goal was sufficient. If the Town can do more or the auditor can suggest another method to meet these requirements, the Town will modify and certainly comply.

**2012-09 Traffic Tickets**

- The Town recognizes that the reduction of writing tickets led to the reduction of revenues from citations. However, this department is presently non-functional but, as noted, the town has implemented the recommended procedures for good internal control.

**2012-10 Water Sewer Collection**

- These recommendations have been implemented with reconcilable procedures being performed by the new accountant.

**2012-11 Interagency Accounts Transfer**

- The new accountant has been informed of the need to reconcile monthly and to post transfers consistently with required approval.

**2012-12 Improper Treatment of Town Vehicles**

- This matter is at present an issue of pending litigation and the town takes the position that it would be inappropriate to respond at the time.

**2012-13 Town Improperly Provided Insurance and Other Employee Benefits to Ineligible Individuals**

- This matter is at present an issue of pending litigation and the town takes the position that it would be inappropriate to respond at this time.

**2012-14 Town Improperly Paid Retirement Contributions for Ineligible Employees**

- This matter is at present an issue of pending litigation and the town takes the position that it would be inappropriate to respond at this time.

**2012-15 Town Improperly Paid Compensation to the Mayor**

- This matter is at present an issue of pending litigation and the town takes the position that it would be inappropriate to respond at this time.

**2012-16 Insufficient Effort to Collect Delinquent Fines and Forfeitures**

- The Mayor intends to bring, before the Council, the need to implement policy directed to collection of delinquent fines and fees. We will seek attorney advice and gather any needed training in order properly and most effectively attempt to recoup all funds owed to the town.

**2012-17 Unclaimed Property**

- The Town will present this matter to Council for adoption of policy and procedure. It's apparent that the Town has not addressed this issue for more than twenty years. This administration has already begun the process and is submitting the required funds to the Secretary of Treasury's office.

**2012-18 Timely Filing of Report**

- The Town is committed to begin the engagement process earlier this fiscal year in order to give the auditor more time to complete the process.