

TOWN OF JONESBORO, LOUISIANA

Annual Financial Report

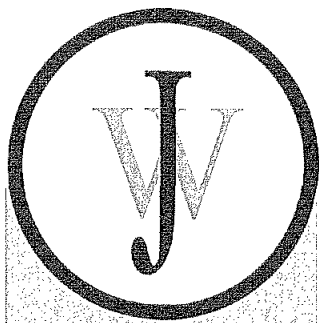
For the Year Ended June 30, 2013

TOWN OF JONESBORO, LOUISIANA
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J. WALKER & COMPANY_{APC}

ACCOUNTANTS AND ADVISORS

INDEPENDENT AUDITORS' REPORT

Kenneth Folden, Fiscal Administrator
and Members of the Board of Aldermen
Town of Jonesboro, Louisiana
Jonesboro, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Jonesboro, Louisiana as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OFFICES:

949 RYAN ST. STE.100
LAKE CHARLES
LOUISIANA 70601
(O) 337-478-7902
(F) 337-478-3345

WWW.JWALKERCO.COM

MEMBER OF:

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

Basis for Qualified Opinion on Enterprise Fund

Accounts receivable and revenue for the water and sewer activities were not properly recorded on a monthly basis. Due to adjustments made by management to the proprietary software, the auditor was prevented from reasonably determining a year-end balance for the accounts receivable and revenue amounts for activities relating to water and sewer activities. The Town's failure to maintain their accounting records relating to the accounts receivable and revenues for water and sewer activities resulted in a departure from accounting principles generally accepted in the United States of America. The amount by which this departure would affect the assets, fund balance, and revenues of the Enterprise Fund has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Enterprise Fund" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Enterprise Fund of the Town of Jonesboro, Louisiana, as of June 30, 2013, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

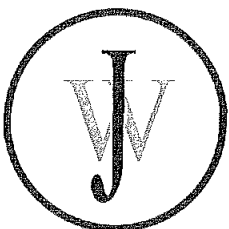
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund other than the Enterprise Fund of the Town of Jonesboro, Louisiana, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 37 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Town of Jonesboro, Louisiana has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

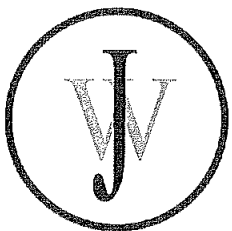


In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2013 on our consideration of the Town of Jonesboro, Louisiana's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grant 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.

J. Walker & Company, APC

Lake Charles, Louisiana

December 2, 2013



BASIC FINANCIAL STATEMENTS

TOWN OF JONESBORO, LOUISIANA

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

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 24,820	\$ 420,113	\$ 444,933
Restricted assets	514,030	99,990	614,020
Investments	-	34,340	34,340
Taxes receivable	142,783	-	142,783
Interfund receivables	341,962	32,394	374,356
Other receivables	53,277	37,324	90,601
Prepaid insurance	59,747	-	59,747
Inventory	55,677	39,614	95,291
Accounts receivable - franchise	42,758	-	42,758
Capital assets, net of accumulated depreciation	2,370,163	7,207,190	9,577,353
Total Assets	\$ 3,605,217	\$ 7,870,965	\$ 11,476,182
<u>LIABILITIES</u>			
Accounts, salaries, and other payables	\$ 406,314	\$ 328,916	\$ 735,230
Payable from restricted assets - meter deposits	-	134,330	134,330
Long-term liabilities:			
Portion due within one year	15,002	123,884	138,886
Portion due after one year	15,002	2,553,959	2,568,961
Total Liabilities	436,318	3,141,089	3,577,407
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	2,340,158	4,235,724	6,575,882
Restricted for:			
Public safety fire	29,163	-	29,163
Street maintenance	514,030	-	514,030
Street maintenance - ad valorem	65,226	-	65,226
Customer deposits	-	134,330	134,330
Unrestricted	220,322	359,822	580,144
Total Net Position	3,168,899	4,729,876	7,898,775
Total Liabilities and Net Position	\$ 3,605,217	\$ 7,870,965	\$ 11,476,182

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

TOWN OF JONESBORO, LOUISIANA

Government-Wide Statement of Activities June 30, 2013

Functions/Programs	Program Revenues			Net (Expenses), Revenues, and Changes Primary Government		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government Government Activities:	Expenses					
	\$ 822,967	\$ -	\$ -	\$ (570,404)	\$ -	\$ (570,404)
	538,928	-	-	(535,427)	-	(535,427)
	1,138,697	-	27,952	(1,110,745)	-	(1,110,745)
Interest expense	2,015	-	-	(2,015)	-	(2,015)
Total Government Activities	2,502,607	-	27,952	(2,218,591)	-	(2,218,591)
Business-Type Activities:						
Water and sewer	1,533,385	-	95,810	-	(638,434)	(638,434)
Total Business-Type Activities	1,533,385	-	95,810	-	(638,434)	(638,434)
Total	\$ 4,035,992	\$ -	\$ 123,762	\$ (2,218,591)	\$ (638,434)	\$ (2,857,025)
General revenues:						
Taxes:						
Property taxes				\$ 322,053	\$ -	\$ 322,053
Franchise tax				134,568	-	134,568
Sales tax revenue				1,604,433	-	1,604,433
Other taxes for general purposes				5,796	-	5,796
Licenses and permits				105,093	-	105,093
Earnings on investments				607	-	607
Intergovernmental				47,121	-	47,121
Miscellaneous				14,250	-	14,250
Total general revenues				\$ 2,233,921	\$ -	\$ 2,233,921
Changes in net assets						
				15,330	(638,434)	(623,104)
Net position - July 01, 2012				3,153,569	5,368,310	8,521,879
Net position - June 30, 2013				\$ 3,168,899	\$ 4,729,876	\$ 7,898,775

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

TOWN OF JONESBORO, LOUISIANA

**Governmental Funds
Balance Sheet
June 30, 2013**

	SPECIAL REVENUE FUNDS				TOTAL GOVERNMENTAL FUNDS
	FIRE AD		STREET AD		
	VALOREM TAX	VALOREM TAX	STREET SALES TAX	STREET SALES TAX	
<u>ASSETS</u>					
Cash and cash equivalents	\$ 56,893	\$ 25,154	\$ 13,110	\$ 443,693	\$ 538,850
Taxes receivable	70,337	507	1,602	70,337	142,783
Other receivables	53,277	-	-	-	53,277
Accounts receivable- franchise	-	42,758	-	-	42,758
Interfund receivables	260,058	-	81,904	-	341,962
Inventory	55,677	-	-	-	55,677
Prepaid insurance	59,748	-	-	-	59,748
Total Assets	\$ 555,990	\$ 68,419	\$ 96,616	\$ 514,030	\$ 1,235,055
<u>LIABILITIES</u>					
Accounts, salaries and other payables	\$ 322,256	\$ -	\$ -	\$ -	\$ 322,256
Interfund payables	13,412	39,256	31,390	-	84,058
Total Liabilities	335,668	39,256	31,390	-	406,314
<u>FUND BALANCES</u>					
Assigned	-	29,163	65,226	514,030	608,419
Unassigned	220,322	-	-	-	220,322
TOTAL FUND BALANCES	220,322	29,163	65,226	514,030	828,741
TOTAL LIABILITIES AND FUND BALANCES	\$ 555,990	\$ 68,419	\$ 96,616	\$ 514,030	\$ 1,235,055

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

TOWN OF JONESBORO, LOUISIANA

Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balances June 30, 2013

SPECIAL REVENUE FUNDS					
	GENERAL	FIRE AD VALOREM TAX	STREET AD VALOREM TAX	STREET SALES TAX	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Taxes:					
Ad valorem	\$ 127,804	\$ 91,157	\$ 103,092	\$ -	\$ 322,053
Franchise	134,568	-	-	-	134,568
Sales tax	802,217	-	-	802,217	1,604,434
Other taxes	5,796	-	-	-	5,796
Licenses and permits	105,093	-	-	-	105,093
Fines, forfeitures and court costs	3,501	-	-	-	3,501
Intergovernmental revenues	47,121	-	-	-	47,121
Fees and charges for services	235,730	-	-	-	235,730
Rents and royalties	16,831	-	-	-	16,831
Earnings on investments	122	96	-	390	608
State revenue	5,340	-	-	-	5,340
Federal revenue	22,612	-	-	-	22,612
Miscellaneous revenues	14,250	-	-	-	14,250
Total Revenues	1,520,985	91,253	103,092	802,607	2,517,937
EXPENDITURES					
Current:					
General government	822,967	-	-	-	822,967
Public safety	538,928	-	-	-	538,928
Public works	1,138,697	-	-	-	1,138,697
Capital outlay	-	-	-	-	-
Debt service:					
Principal	22,263	-	-	-	22,263
Interest	2,015	-	-	-	2,015
Total Expenditures	2,524,870	-	-	-	2,524,870
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,003,885)	91,253	103,092	802,607	(6,933)
OTHER FINANCING SOURCES (USES)					
Transfers in	1,173,380	-	802,113	-	1,975,493
Transfers out	(246,174)	(91,948)	(874,402)	(673,194)	(1,885,718)
TOTAL OTHER FINANCING SOURCES (USES)	927,206	(91,948)	(72,289)	(673,194)	89,775
NET CHANGE IN FUND BALANCES	(76,679)	(695)	30,803	129,413	82,842
FUND BALANCES - BEGINNING	297,001	29,858	34,423	384,617	745,899
FUND BALANCES - ENDING	\$ 220,322	\$ 29,163	\$ 65,226	\$ 514,030	\$ 828,741

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 Position June 30, 2013

Total fund balances - governmental funds	\$	828,741
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The cost of capital assets (land, buildings, furniture and equipment and infrastructure) purchased or constructed is reported as an expenditure in governmental funds. The Statement of Net Position includes those capital assets among the assets of the Town as a whole. The cost of those capital assets is allocated over their estimated useful lives (as depreciation expense) to the various programs reported as governmental activities in the Statement of Activities. Because depreciation expense does not affect financial resources, it is not reported in governmental funds.

Costs of capital assets	5,863,225	
Depreciation expense to date	<u>(3,493,062)</u>	2,370,163

Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long term - are reported in the Statement of Net Position.

Balances at June 30, 2013 are:

Long-term liabilities		
Capital lease payable	<u>(30,005)</u>	
Net increase (decrease) in cash and cash equivalents		<u>(30,005)</u>
Net Position	\$	<u>3,168,899</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, 2013

Total net change in fund balances - governmental funds \$ 82,842

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 outlay exceeds depreciation expense in the period:

Capital outlay	-	
Depreciation expense	(155,373)	(155,373)

Repayment of capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position 22,263

Transfer of governmental funds to proprietary funds 54,559

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 \$11,039. 11,039

Change in net assets of governmental activities \$ 15,330

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

TOWN OF JONESBORO, LOUISIANA

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

ASSETS

Current assets:

Cash and cash equivalents	\$ 420,113
Other receivables	37,324
Interfund receivable	32,394
Inventory	39,614

Restricted assets:

Cash and cash equivalents	99,990
Investments	34,340

Total current assets	663,775
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Non current assets:

Capital assets, net of depreciation	7,207,190
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Total Assets	\$ 7,870,965
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LIABILITIES

Current liabilities:

Accounts, salaries, and other payables	\$ 89,007
Interfunds payable	239,909
Capitalized lease obligation	97,933
Bonds payable	25,951

Current liabilities payable from restricted assets

Customer deposits	134,330
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Total current liabilities	587,130
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Non-current liabilities

Capitalized lease obligation	360,277
Bonds payable	2,193,682

Total non-current liabilities	2,553,959
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Total Liabilities	3,141,089
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NET POSITION

Invested in capital assets, net of related debt	4,235,724
Restricted - Deposits	134,330
Unrestricted	359,822

Total Net Position	4,729,876
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TOTAL LIABILITIES AND NET POSITION	\$ 7,870,965
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The notes to the basic financial statements are an integral part of this statement

TOWN OF JONESBORO, LOUISIANA

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

OPERATING REVENUES

Charges for services:

Water sales	\$ 527,365
Sewer fees	259,217
Other services	<u>12,043</u>

Total operating revenues 798,625

OPERATING EXPENSES

Personnel services	408,284
Supplies	4,341
Utilities	104,228
Repairs and maintenance	94,632
Capital outlay	100,049
Bad debt	395,697
Other supplies and charges	233,859
Depreciation	<u>279,876</u>

Total operating expenses 1,620,966

Operating income (loss) (822,341)

NON - OPERATING REVENUES (EXPENSES)

State and federal grants	95,810
Interest income	516
Interest expense	<u>(100,492)</u>

Total non - operating revenues (expenses) (4,166)

Income (loss) before transfers (826,507)

TRANSFERS IN/OUT

Transfers	<u>188,073</u>
Total transfers in (out)	<u>188,073</u>
Changes in net assets	<u>(638,434)</u>

NET POSITION - BEGINNING 5,368,310

NET POSITION - ENDING \$ 4,729,876

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

TOWN OF JONESBORO, LOUISIANA

Proprietary Fund Water and Sewer Utility Fund Statement of Cash Flows June 30, 2013

CASH FLOW FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 666,141
Payments to suppliers for goods and services	(389,553)
Payments to employees for services	(335,377)
Net cash provided (used) for operating activities	<u>(58,789)</u>
CASH FLOW (USED) FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers in	<u>188,073</u>
Net cash provided (used) for noncapital financing activities	<u>188,073</u>
CASH FLOW (USED) FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payments on capital leases	(93,261)
Payments on bonds	(24,812)
Grant receipts	95,810
Interest expense	(25,806)
Net cash provided (used) for capital and related financing activities	<u>(48,069)</u>
CASH FLOW FROM INVESTING ACTIVITIES	<u>516</u>
Net increase (decrease) in cash and cash equivalents	<u>81,731</u>
CASH AND CASH EQUIVALENTS - BEGINNING	438,372
CASH AND CASH EQUIVALENTS - ENDING	<u><u>\$ 520,103</u></u>
Cash and cash equivalents	\$ 385,773
Restricted deposits	<u>134,330</u>
TOTAL CASH AND CASH EQUIVALENTS	<u><u>\$ 520,103</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ (822,341)
Adjustments to reconcile operating income to net cash provided (used) for operating activities:	
Depreciation	279,876
(Increase) decrease in accounts receivable	366,764
(Increase) decrease in interfunds receivable	30,829
(Increase) decrease in inventory	(12,355)
Increase (decrease) in accounts payable	27,192
Increase (decrease) in payroll liabilities	5,886
Increase (decrease) in deposits due to others	63,932
Increase (decrease) in compensated absences	<u>1,428</u>
Net cash provided (used) by operating activities	<u><u>\$ (58,789)</u></u>

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

TOWN OF JONESBORO, LOUISIANA

Notes to the Basic Financial Statements June 30, 2013

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 4,680 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.

The accompanying financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Town’s reporting entity applies all relevant Government Accounting Standards Board (GASB) pronouncements. GAAP as applicable to governments also conforms to the requirements of Louisiana R.S. 214:517 and the guides set forth in the *Louisiana Municipal Audit and Accounting Guide* and to the industry guide, *Audits of State and Local Government Units*, published by the American Institute of Certified Public Accountants.

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).

In evaluating the Town as a reporting entity, Town’s management has addressed all potential component units (traditionally separate reporting entities) for which the Town may be financially accountable and, as such, should be included within the Town’s financial statements. The Town (primary government) is financially accountable if it appoints a voting majority of the organization’s

TOWN OF JONESBORO, LOUISIANA

Notes to the Basic Financial Statements June 30, 2013

Note 1 – Summary of Significant Accounting Policies (continued)

governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose a financial burden on the Town.

Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. There were no entities that were determined to be component units of the Town of Jonesboro, Louisiana.

Basis of Presentation

The accompanying basic financial statements of the Town have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Town's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information. Both the government-wide and the fund financial statements categorize activities and either governmental activities or business-type activities.

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 Position 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 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:

TOWN OF JONESBORO, LOUISIANA

Notes to the Basic Financial Statements June 30, 2013

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

Governmental funds are used to account for most of the 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 Ad Valorem Tax Fund is a special revenue fund used to account for the proceeds of Ad Valorem taxes restricted to expenditures.
- Street 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 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 enterprise 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 enterprise 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.

Activities accounted for in the Town's enterprise 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 and Financial Statement Presentation

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

TOWN OF JONESBORO, LOUISIANA

Notes to the Basic Financial Statements June 30, 2013

Note 1 – Summary of Significant Accounting Policies (continued)

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 requirement imposed by the provider have been met. Expenses are recorded when liabilities are incurred. The effect of most inter-fund activity is eliminated from these financial statements.

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.

Information contained in these statements reflects the “economic resources” measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets, deferred outflows or resources, liabilities, and deferred inflows of resources 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*. Property taxes are recognized as revenues in the year 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.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment of the Town’s activities is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. The Town does not allocate indirect expenses to functions in the Statement of Activities. Program revenues included in the Statement of Activities are (1) derived directly from charges to customer or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, (2) operating grants and contributions, and (3) capital grants and contributions. For identifying to which function a program revenue pertains, the determining factor for charges for services is which function generates the revenue. For grants and contributions, the determining factor is to which functions the revenue are restricted. Revenues not classified as program revenues are presented as general revenues, which included ad valorem taxes, sales taxes, franchise taxes, hotel occupancy taxes, rent and royalties, interest, and other items not properly included in program revenues.

TOWN OF JONESBORO, LOUISIANA

Notes to the Basic Financial Statements June 30, 2013

Note 1 – Summary of Significant Accounting Policies (continued)

The Statement of Net Position and the Statement of Activities display information about the reporting government as a whole. Fiduciary funds are not included in the GWFS.

The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 *Accounting and Financial Reporting for Non-exchange Transactions*.

Program Revenues

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

Allocation of Indirect Expenses

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

Governmental Funds

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

With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

TOWN OF JONESBORO, LOUISIANA

Notes to the Basic Financial Statements June 30, 2013

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Financial Statement (FFS)

The fund financial statement reports financial information by major and non-major funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each of which is displayed in a separate column. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least ten percent (10%) of the corresponding total for all funds of the category or type.
- b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least five percent (5%) of the corresponding total for all government and enterprise funds combined.
- c. The Town's management believes that the fund is particularly important to the financial statement users.

Government Fund Financial Statements

The amounts reflected in the governmental fund financial statements are accounted for using the "current financial resources" measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources are generally included on the balance sheet. When the "current financial resources" measurement focus is used, amounts recorded as assets exclude capital assets and the acquisition of capital assets is treated as an expenditure. Furthermore, long-term debts are excluded from amounts reported as liabilities. Proceeds from issuing long-term debt are reported as an other financing source and repayment of long-term debt is reported as an expenditure. The statement of revenues, expenditures, and changes in fund balance reports on the source (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach is then reconciled, through adjustment, to a government wide view of the Town's operations.

The amounts reflected in the governmental fund financial statements use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Town considers all revenues available if they are collected within 60 days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred, however, principle and interest on general obligation long-term debt is recognized when due.

TOWN OF JONESBORO, LOUISIANA

Notes to the Basic Financial Statements June 30, 2013

Note 1 – Summary of Significant Accounting Policies (continued)

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 recorded 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.

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.

Other Financing Sources (Uses)

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

TOWN OF JONESBORO, LOUISIANA

Notes to the Basic Financial Statements June 30, 2013

Note 1 – Summary of Significant Accounting Policies (continued)

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 Position, which includes restricted cash (customer deposits) that is collected by the water department.

Investments

Under state law, the Town may invest in United States bonds treasury notes or certificates. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

The investments are reflected at fair value except for the following which are permitted per GASB Statement No. 31:

- Investments in *non-participating* interest-earning contracts, such as non-negotiable certificates of deposit with redemption terms that do not consider market rates, are reported using a cost-based measure.
- The Town reported at amortized cost money market investments and participating interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less.
- Interest-earning investment contracts include time deposits with financial institutions (such as certificates of deposit), repurchase agreements, and guaranteed investment contracts.
- Money market investments are short-term, highly liquid debt instruments that include U.S. Treasury obligations.

TOWN OF JONESBORO, LOUISIANA

Notes to the Basic Financial Statements June 30, 2013

Note 1 – Summary of Significant Accounting Policies (continued)

At June 30, 2013 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	\$ 34,340	\$ -	\$ -	\$ 34,340

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 (average cost method). Inventories of the Enterprise fund consists of repair materials, spare parts, consumable supplies and fuel.

Restricted Assets Water & Sewer Fund

Restricted assets were applicable to the following at June 30, 2013:

Customer deposits	\$ 134,330
Debt service	125,304
Total restricted assets	<u>\$ 259,634</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 equipment is \$500. Estimated useful life is management's estimate of how long the asset is expected to meet service demands.

TOWN OF JONESBORO, LOUISIANA

Notes to the Basic Financial Statements June 30, 2013

Note 1 – Summary of Significant Accounting Policies (continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

In accordance with GASB Statement 34, because of the cost involved in retroactively capitalizing infrastructure, the Town has elected an exception for local governments with annual revenue of less than \$10 million and is prospectively capitalizing infrastructure from the date of implementation of GASB Statement 34 forward and will not retroactively capitalize infrastructure.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities. All capital assets, other than land and construction in progress, are depreciated using the straight-line method over the following useful lives, depending upon the expected durability of the particular asset:

<u>Description</u>	<u>Estimated Lives</u>
Computer and Peripheral Equipment	4-5 years
Machinery and Equipment	3-20 years
Vehicles	5-10 years
Portable Building	10 years
Water Meters	10 years
Water Pumping Station	20 years
Sewerage Treatment Plant	20 years
Sewerage Collection System	20 years
Streets and Sidewalks	20 years
Building Improvements	40 years
Water Distribution System	40 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 Position 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

The accounting treatment of long-term debt depends upon whether the assets are used in governmental fund operations or enterprise fund operations and whether they are reported in the government-wide or fund financial statements.

TOWN OF JONESBORO, LOUISIANA

Notes to the Basic Financial Statements June 30, 2013

Note 1 – Summary of Significant Accounting Policies (continued)

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide financial statements. Bond payables are reported net of applicable bond premium or discount. Bond issuance costs are reported as deferred outflows of resources and amortized over the term of the related debt.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The accounting for enterprise fund long-term debt is the same in the fund statements as it is in the government-wide statements.

Encumbrances

The Town does not utilize encumbrance accounting. Management does not believe that the use of encumbrance accounting would provide any significant benefit for budgetary purposes.

Ad Valorem Taxes

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Town in September or October and are actually billed to the taxpayers in November. Billed taxes become delinquent on January 1, of the following year. Revenues from ad valorem taxes are budgeted in the year billed.

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

TOWN OF JONESBORO, LOUISIANA

Notes to the Basic Financial Statements June 30, 2013

Note 1 – Summary of Significant Accounting Policies (continued)

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

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

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

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

TOWN OF JONESBORO, LOUISIANA

Notes to the Basic Financial Statements June 30, 2013

Note 1 – Summary of Significant Accounting Policies (continued)

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

Balance at the beginning of the year	\$ 41,986
Additions	71,429
Deductions	<u>(60,389)</u>
Balance at the end of the year	<u>\$ 53,026</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, tax revenues, and debt service expenses.

Restricted Net Position

Equity is classified as net position 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 position – consists of net position 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 position – all other assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

Fund Equity

The Town of Jonesboro, Louisiana has implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

In the government-wide financial statements, the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of liabilities is classified as net position and is reported in three components:

- a. Net investments in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

TOWN OF JONESBORO, LOUISIANA

Notes to the Basic Financial Statements June 30, 2013

Note 1 – Summary of Significant Accounting Policies (continued)

- c. Unrestricted net position - Consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

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 the government's fund balance more transparent. The Governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amount in the respective governmental funds can be spent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *Nonspendable*- resources which cannot be spent because they are either (a) not in spendable form (such as prepaid items) or ; (b) legally or contractually required to be maintained intact.
- *Restricted*- resources with constraints placed on the use of resources that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed*- resources which are subject to limitations or constraints to specific purposes the government imposed upon itself at its highest level of decision making (the Town Council). These amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.
- *Assigned*- resources neither restricted nor committed for which the Town has a stated intended use as established by the Town Council or a body or official (Mayor) to which the Town Council has delegated the authority to assign amounts for specific purposes.
- *Unassigned*- resources which cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports a positive unassigned fund balance amount.

The Town establishes (and modifies and rescinds) fund balances and assignments by passage of an ordinance or resolution.

The Town would typically use fund balances first, followed by committed resources and assigned resources as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first and to defer the use of these other classified funds.

TOWN OF JONESBORO, LOUISIANA

Notes to the Basic Financial Statements June 30, 2013

Note 1 – Summary of Significant Accounting Policies (continued)

The government-wide statement of net position reports \$742,749 of restricted net position, 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. Enterprise fund equity is classified the same as in the government-wide statements.

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 Balances (Due From to Other Funds)

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 a 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 enterprise funds are netted as part of the reconciliation to the government-wide financial statements.

Resources belonging to particular funds are commonly shared with other funds that need access to additional resources. When resources are provided without the expectation of repayment, the transaction is reported as a transfer and is treated as a source of income by the recipient fund and as an expenditure by the providing fund.

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 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 10 years commencing August 1, 1999. In July, 2008, the taxpayers of the Town renewed the one

TOWN OF JONESBORO, LOUISIANA

Notes to the Basic Financial Statements June 30, 2013

Note 1 – Summary of Significant Accounting Policies (continued)

percent sales and use tax for an additional 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 15 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 10 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 whole. The budget is then adopted through the passage of an ordinance during the June meeting.

During the year, the Board of Aldermen should receive monthly budget comparison statements, which are used as tools to control the operation of the Town. The Town Clerk presents necessary budget amendments to the Board when (s)he 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 Position 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.

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

TOWN OF JONESBORO, LOUISIANA

Notes to the Basic Financial Statements June 30, 2013

Note 1 – Summary of Significant Accounting Policies (continued)

are assessed for 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, 2013.

Note 2 – Cash and Cash Equivalents

The Town had the following cash balances as of June 30, 2013:

Demand Deposits	\$ 444,933
Reserved Funds	<u>614,020</u>
Total	<u>\$1,058,953</u>

Note 3 – Concentration of Risk

The cash equivalents and investments of the Town are subject to the following risks.

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 comply with Louisiana Statutes (LSA R.S. 33:2955). Under state law, the Town may deposit funds with a fiscal agent organized under the laws of Louisiana, the laws of any other state in the union, or the laws of the United States. The Town may invest in United States bonds, treasury notes and bills, government backed agency securities or certificates and time deposits of state banks organized under Louisiana law and national banks having principal officers in Louisiana.

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, 2013, of the Town's bank balances of \$1,080,444 there was \$716,511 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 Statue 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 Basic Financial Statements June 30, 2013

Note 4 – Receivables

As of June 30, 2013, receivables consist of the following:

<u>Class of Receivables</u>	<u>General Fund</u>	<u>Water & Sewer Fund</u>	<u>Total</u>
Other Receivables	\$ 53,277	\$ -	\$ 53,277
Utilities:			
Billed utilities	-	37,324	37,324
Gross Receivables	53,277	37,324	90,601
Less: allowance for un-collectibles	-	-	-
Net total receivables	<u>\$ 53,277</u>	<u>\$ 37,324</u>	<u>\$ 90,601</u>

Management believes all receivables to be collectible, therefore no allowance is recorded as of June 30, 2013.

Note 5 – Inter-fund Transactions

Amounts due from and to other funds as reported in the fund financial statements at June 30, 2013 are as follows:

Transfers:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Fire Ad Valorem Tax Fund	\$ 91,948
General Fund	Street Ad Valorem Tax Fund	874,402
General Fund	Street Sales Tax Fund	673,194
		<u>\$ 1,639,544</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.

In the ordinary course of business, the Town often transfers resources between its funds. Transfers are used to (1) move revenues from the fund required by statute or budget to collect them to the fund required by statute or budget to expend them, and (2) use unrestricted revenues to finance various programs accounted for in other funds in accordance with budgetary authorizations.

TOWN OF JONESBORO, LOUISIANA

Notes to the Basic Financial Statements June 30, 2013

Note 6 – Capital Assets

Capital assets and depreciation activity for the year ended June 30, 2013 for the Town is as follows:

	Balance <u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>Ending</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 148,177	\$ -	\$ -	\$ 148,177
Construction in progress	<u>798,216</u>	<u>-</u>	<u>-</u>	<u>798,216</u>
Total capital assets not being depreciated	<u>946,393</u>	<u>-</u>	<u>-</u>	<u>946,393</u>
Capital assets being depreciated:				
Land improvements	1,258,930	-	171,404	1,087,526
Buildings & building improvements	919,138	-	-	919,138
Furniture and equipment	1,841,181	6,499	-	1,847,680
Vehicles	<u>1,062,488</u>	<u>-</u>	<u>-</u>	<u>1,062,488</u>
Total capital assets being depreciated	<u>5,081,737</u>	<u>6,499</u>	<u>171,404</u>	<u>4,916,832</u>
Less accumulated depreciation:				
Land improvements	83,287	54,461	-	137,748
Buildings	669,561	37,826	-	707,387
Furniture and equipment	1,667,956	36,187	-	1,704,143
Vehicles	<u>916,885</u>	<u>26,899</u>	<u>-</u>	<u>943,784</u>
Total accumulated depreciation	<u>3,337,689</u>	<u>155,373</u>	<u>-</u>	<u>3,493,062</u>
Total capital assets being depreciated, net	<u>1,744,048</u>	<u>(148,874)</u>	<u>171,404</u>	<u>1,423,770</u>
Governmental activities:				
Capital assets, net	<u>\$ 2,690,441</u>	<u>\$ (148,874)</u>	<u>\$ 171,404</u>	<u>\$ 2,370,163</u>

Depreciation expense of \$155,373 for the year ended June 30, 2013 was charged to the following governmental functions:

General Government	\$ 59,187
Public Safety	56,000
Streets, Airport and Recreation	<u>40,186</u>
Total	<u>\$ 155,373</u>

TOWN OF JONESBORO, LOUISIANA

Notes to the Basic Financial Statements June 30, 2013

Note 6– Capital Assets (continued)

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balances</u>
Business-type activities:				
Capital asset not being depreciated:				
Construction in progress	\$ 807,430	\$ 14,031	\$ -	\$ 821,461
Total capital assets not being depreciated	<u>807,430</u>	<u>14,031</u>	<u>-</u>	<u>821,461</u>
Capital assets being depreciated:				
Water system	4,745,120	-	-	4,745,120
Sewer system	3,421,677	-	-	3,421,677
Equipment	1,323,940	-	-	1,323,940
Buildings	125,411	-	-	125,411
Total capital assets being depreciated	<u>9,616,148</u>	<u>-</u>	<u>-</u>	<u>9,616,148</u>
Less accumulated depreciation:				
Water system	1,048,270	106,009	-	1,154,279
Sewer system	1,106,079	82,598	-	1,188,677
Equipment	742,971	88,382	-	831,353
Buildings	53,223	2,887	-	56,110
Total accumulated depreciation	<u>2,950,543</u>	<u>279,876</u>	<u>-</u>	<u>3,230,419</u>
Total capital assets being depreciated, net	<u>6,665,605</u>	<u>(279,876)</u>	<u>-</u>	<u>6,385,729</u>
Business-type activities				
Capital assets, net	<u>\$ 7,473,035</u>	<u>\$ (265,845)</u>	<u>\$ -</u>	<u>\$ 7,207,190</u>

Note 7 – Accounts, Salaries, and Other Payables

The payables at June 30, 2013 are as follows:

	<u>General</u>	<u>Utility Enterprise</u>	<u>Total</u>
Accounts payable	\$ 240,494	\$ 63,272	\$ 303,766
Payroll liabilities	24,130	5,487	29,617
Compensated absences	47,118	5,908	53,026
Accrued wages	10,514	2,833	13,347
Due to other funds	84,058	239,909	323,967
Other Liabilities	-	11,506	11,506
Total	<u>\$ 406,314</u>	<u>\$ 328,916</u>	<u>\$ 735,230</u>

TOWN OF JONESBORO, LOUISIANA

Notes to the Basic Financial Statements June 30, 2013

Note 8 – Long-Term Liabilities

The following is a summary of the long-term obligation transactions for the year ended June 30, 2013:

	Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due Within One year
Governmental activities:					
Compensated absences	\$ 37,506	\$ 54,251	\$ 44,639	\$ 47,118	\$ 47,118
Capital leases	73,830	-	43,826	30,004	15,002
Total governmental activities	111,336	54,251	88,465	77,122	62,120
Business-type activities:					
Bonds payable	2,268,633	-	49,000	2,219,633	25,951
Compensated absences	4,480	17,177	15,749	5,908	5,908
Capital leases	652,687	-	194,477	458,210	97,933
Total business-type activities	2,925,800	17,177	259,226	2,683,751	129,792
Total long-term liabilities	<u>\$ 3,037,136</u>	<u>\$ 71,428</u>	<u>\$ 347,691</u>	<u>\$2,760,873</u>	<u>\$ 191,912</u>

The individual issue is as follows:

Bond Issue	Issue Date	Original Issue	Interest Rate	Final Payment Due	Interest to Maturity	Principal Outstanding
Business - type activities:						
USDA - Water Revenue Bonds						
Series 2008	1/22/2009	\$ 2,300,000	4.50%	1/22/2049	\$2,230,544	\$2,219,633

The annual requirements to amortize all bonds outstanding at June 30, 2013 are as follows:

For the year ended June 30,	Principal	Interest	Total
2014	\$ 25,951	\$ 99,353	\$ 125,304
2015	27,144	98,160	125,304
2016	28,391	96,913	125,304
2017	29,695	95,609	125,304
2018-2022	170,234	456,286	626,520
2023-2027	213,100	413,420	626,520
2028-2032	266,756	359,764	626,520
2033-2037	333,924	292,596	626,520
2038-2042	418,003	208,517	626,520
2043-2047	523,256	103,264	626,520
2048-2049	183,180	6,661	189,841
Total	<u>\$ 2,219,633</u>	<u>\$ 2,230,544</u>	<u>\$ 4,450,177</u>

TOWN OF JONESBORO, LOUISIANA

Notes to the Basic Financial Statements June 30, 2013

Note 8 – 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	\$ 426,185	\$ 394,328
Dozer	Half governmental and half business type	93,965	78,306	15,659
Tractor and excavator	Business Type	69,082	56,865	12,217
Tractor and mower	Half governmental and half business type	88,945	74,124	14,821
Excavator	Half governmental and half business type	<u>49,545</u>	<u>14,864</u>	<u>34,682</u>
		\$ 1,122,050	\$ 650,344	\$ 471,706

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, 2013:

	Water Meters	Dozer	Tractor w/ Excavator	Tractor w/ Mower	Excavator	Total
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	95,000	-	-	-	-	95,000
2018	<u>95,936</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>95,936</u>
Net minimum lease payments	467,936	31,630	17,743	29,941	1,480	548,730
Less: amounts representing interest	<u>(56,732)</u>	<u>(1,518)</u>	<u>(722)</u>	<u>(1,438)</u>	<u>(6)</u>	<u>(60,416)</u>
Present value of net minimum lease payments	<u>\$ 411,204</u>	<u>\$ 30,112</u>	<u>\$ 17,021</u>	<u>\$ 28,503</u>	<u>\$ 1,474</u>	<u>\$ 488,314</u>

TOWN OF JONESBORO, LOUISIANA

Notes to the Basic Financial Statements June 30, 2013

Note 9 – Retirement Systems

Substantially all employees of the Town of Jonesboro are members of the Municipal Employees' Retirement System of Louisiana, Municipal Police Employees' Retirement System of Louisiana, or Firefighters' 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. 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 or at any age with at least 25 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:

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 17.00 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 tax 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 the System under Plan A for the years ending June 30, 2013, 2012, and 2011 were \$107,519, \$70,712, and \$79,850, respectively, equal to the required contributions for each year.

TOWN OF JONESBORO, LOUISIANA

Notes to the Basic Financial Statements June 30, 2013

Note 9 – 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 age 50 with at least 20 years of creditable service or at or after age 55 with at least 12 years of creditable service or at any age with at least 25 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, not to exceed 100 percent of their final average salary. 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:

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, 2013, 2012, and 2011 were \$2,956, \$23,076, and \$24,117 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 any age with at least 25 years of creditable services, provided that they have been a member of the system for at least one year. 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. Employees who terminate with at least 12 years of service stated, and do not withdraw their employee contributions, may retire at or after age 55 (or age 50 with at least 20

TOWN OF JONESBORO, LOUISIANA

Notes to the Basic Financial Statements June 30, 2013

Note 9 – Retirement Systems (continued)

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 may be obtained by writing to:

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 24.00 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, 2013, 2012, and 2011 were \$30,854, \$3,076, and \$18,503, respectively, equal to the required contributions for each year.

Note 10 – On Behalf Supplemental Pay

Certain employees meeting statutory qualifications in the fire and police department receive supplemental pay directly from the State of Louisiana. This Supplemental pay in the amount of \$17,625 is recognized as intergovernmental revenue and public safety expenditures in the following departments:

<u>Department</u>	<u>Amount</u>
Police	\$ 6,500
Fire	<u>11,125</u>
Total	<u>\$ 17,625</u>

Note 11 – Commitments and Contingencies

Litigation

At June 30, 2013, 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

TOWN OF JONESBORO, LOUISIANA

Notes to the Basic Financial Statements June 30, 2013

Note 11 – Commitments and Contingencies (continued)

may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

Note 12 – Related Party Transactions

Procedures, observations, and inquiries did not disclose any material related party transactions for the fiscal year ended June 30, 2013.

Note 13 – Levied Taxes

The Town levies property taxes on real and business property located within the Town's boundaries. Property taxes are levied by the Town 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, 2012 with a due date of December 31, 2012 and a lien date of January 1, 2013.

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

	Authorized	Levied
	<u>Millage</u>	<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 \$18,297,750 in calendar year 2012.

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 2012, and January and February 2013. 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, 2013) as the date an enforceable legal claim occurs for property taxes. Property tax revenue is recognized in the period for which the taxes are levied (budgeted). Accordingly, the property taxes are budgeted in the 2012-2013 fiscal year of the Town.

TOWN OF JONESBORO, LOUISIANA

Notes to the Basic Financial Statements June 30, 2013

Note 13 – Levied Taxes (continued)

Estimated uncollectible taxes are those taxes based on past experience which will not be collected in the subsequent year and are primarily due to subsequent adjustments to the tax roll. Historically, virtually all ad valorem taxes receivable were collected since they are secured by property. Therefore, there is no allowance for uncollectible taxes.

Note 14 – Restatement of Fund Balances

The Town made an adjustment to the beginning net position for the year ended June 30, 2013 to properly reflect inter-fund activities that should have been removed in prior periods. The following schedule summarizes the adjustments to the beginning net position:

	<u>General Fund</u>	<u>Proprietary Fund</u>
Net Position, Beginning of Year, as previously stated:	\$ 3,582,877	\$ 4,824,959
Restatements:		
Due to general fund from payroll fund	(340,410)	-
Due to payroll fund from water/sewer fund	-	(29,283)
Taxes receivable in the street sales tax fund	(60,272)	-
Other liabilities in the general fund	280,417	-
Due to general fund from water/sewer fund	(302,195)	572,634
Machinery and equipment	(6,848)	-
Net Position, Beginning of Year, as restated:	<u>\$ 3,153,569</u>	<u>\$ 5,368,310</u>

Note 15 – Compensation of the Governing Board

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

Leslie Thompson, Mayor	\$ 63,846
LaStevic Cottonham	6,000
Devin Flowers	6,000
Samuel Lamkin	6,000
Charla Mason-Melton	6,000
Renee Stringer	6,000
	<u>\$ 93,846</u>

TOWN OF JONESBORO, LOUISIANA

Notes to the Basic Financial Statements June 30, 2013

Note 16 – 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 December 2, 2013, the date which the financial statements were available to be issued.

Subsequent to the fiscal year end, Judge Jimmy Teat of the 2nd Judicial District Court (Division B) for Louisiana, on the recommendation of the Louisiana Legislative Council, appointed a Fiscal Administrator to run the Town and oversee the rebuilding of its financial reporting system.

In October of 2013, Mayor Leslie Thompson was convicted of malfeasance charges related to financial issues that were plaguing the Town. As a result of the three prior audit disclaimers and other financial matters received by the Town, Mayor Thompson was sentenced to eleven years in prison and ordered to make restitution payments to the Town in the amount of \$51,792.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF JONESBORO, LOUISIANA

General Fund Budgetary Comparison Schedule June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
Budgetary fund balances, beginning	\$ 1,108,748	\$ 756,378	\$ 297,001	\$ (459,377)
Resources (inflows):				
Local sources:				
Taxes:				
Ad valorem	295,000	325,000	127,804	(197,196)
Franchise tax	100,000	140,000	134,568	(5,432)
Sales and use	1,700,000	1,650,000	802,217	(847,783)
Other taxes	43,000	56,578	5,796	(50,782)
Chain store	4,000	5,000	-	(5,000)
Penalties and interest	8,300	16,300	-	(16,300)
Licenses and permits	91,500	91,570	105,093	13,523
Fines, forfeitures and court costs	5,500	5,500	3,501	(1,999)
Intergovernmental revenues:	1,233,300	412,300	47,121	(365,179)
State funds:				
Federal revenue	-	-	22,612	22,612
State revenue	-	-	5,340	5,340
Other	15,000	5,000	14,250	9,250
Fees, charges and commissions for services	296,650	266,172	235,730	(30,442)
Use of money and property	-	-	122	122
Rents and royalties	39,700	39,550	16,831	(22,719)
Other revenues	-	-	-	-
Transfers from other funds	-	-	1,173,380	1,173,380
Amounts available for appropriation	4,940,698	3,769,348	2,991,366	(777,982)
Charges to appropriations (outflows):				
General government:				
Legislative	67,346	67,346	56,205	11,141
Judicial	6,670	2,404	2,133	271
Executive	103,486	106,974	89,430	17,544
Election	10,000	8,000	7,984	16
Financial and administrative	678,826	713,036	667,215	45,821
Public safety:				
Fire protection	444,400	401,000	324,629	76,371
Police protection	95,000	162,067	170,194	(8,127)
Animal control	52,300	51,440	44,105	7,335
Public works:				
Sanitation and waste	219,800	214,650	270,990	(56,340)
Cultural and recreation	95,300	39,200	10,777	28,423
Transportation	1,000,672	1,000,672	782,025	218,647
Town development	3,250	1,750	400	1,350
Entertainment and marketing	24,500	5,892	-	5,892
Airport	1,059,400	432,300	49,614	382,686
Cemetery	-	-	24,891	(24,891)
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	22,263	(22,263)
Interest	-	-	2,015	(2,015)
Other Charges:				
Transfers out to other funds	-	-	246,174	(246,174)
Total charges to appropriations	3,860,950	3,206,731	2,771,044	(435,687)
Budgetary fund balances, ending	\$ 1,079,748	\$ 562,617	\$ 220,322	\$ (342,295)

TOWN OF JONESBORO, LOUISIANA

Fire Ad Valorem Tax Budgetary Comparison Schedule June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
Budgetary Fund Balances, Beginning	\$ 29,858	\$ 29,858	\$ 29,858	\$ -
Resources (inflows):				
Local sources:				
Taxes:				
Ad valorem	85,000	100,000	91,157	(8,843)
Transfers in from other funds	-	-	-	-
Use of money and property	-	-	96	96
Amounts available for appropriations	114,858	129,858	121,111	(8,747)
Charges to appropriations (outflows):				
Transfers to other funds	85,000	100,000	91,948	8,052
Total charges to appropriations	85,000	100,000	91,948	8,052
Budgetary Fund Balances, Ending	\$ 29,858	\$ 29,858	\$ 29,163	\$ (695)

TOWN OF JONESBORO, LOUISIANA

**Street Ad Valorem Tax
Budgetary Comparison Schedule
June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final	(Budgetary Basis)	
Budgetary Fund Balances, Beginning	\$ 34,423	\$ 34,423	\$ 34,423	\$ -
Resources (inflows):				
Local sources:				
Taxes:				
Ad valorem	85,000	100,000	103,092	3,092
Use of money and property	-	-	-	-
Transfers from other funds	-	-	802,113	802,113
Amounts available for appropriations	119,423	134,423	939,628	805,205
Charges to appropriations (outflows):				
Transfers to other funds	85,000	100,000	874,402	(774,402)
Total charges to appropriations	85,000	100,000	874,402	(774,402)
Budgetary Fund Balances, Ending	\$ 34,423	\$ 34,423	\$ 65,226	\$ 30,803

TOWN OF JONESBORO, LOUISIANA

**Street Sales Tax
Budgetary Comparison Schedule
June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final	(Budgetary Basis)	
Budgetary Fund Balances, Beginning	\$ 384,617	\$ 384,617	\$ 384,617	\$ -
Resources (inflows):				
Local sources:				
Taxes:				
Ad valorem	850,000	825,000	802,217	(22,783)
Use of money and property	2,000	10,000	390	(9,610)
Amounts available for appropriations	1,236,617	1,219,617	1,187,224	(32,393)
Charges to appropriations (outflows):				
Transfers to other funds	85,000	100,000	(673,194)	773,194
Total charges to appropriations	85,000	100,000	673,194	(573,194)
Budgetary Fund Balances, Ending	\$ 1,151,617	\$ 1,119,617	\$ 514,030	\$ (605,587)

TOWN OF JONESBORO, LOUISIANA

**Notes to the Budgetary Comparison Schedules
June 30, 2013**

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

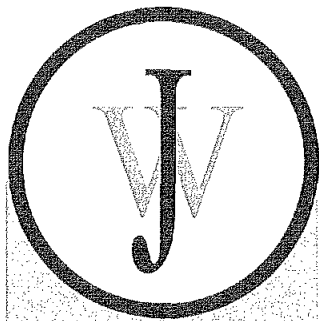
	<u>Amounts Available for Appropriations</u>	<u>Total Charges to Appropriations</u>	<u>Excess</u>
General Fund	\$ 1,817,986	\$ 2,524,870	\$ 706,884

TOWN OF JONESBORO, LOUISIANA

Notes to the Budgetary Comparison Schedules June 30, 2013

	<u>General</u>	<u>Fire Ad Valorem Tax</u>	<u>Street Ad Valorem Tax</u>	<u>Street Sales Tax</u>
Sources/Inflows of resources:				
Actual amounts (budgetary basis) "available for appropriation" from the Budgetary Comparison Schedule	\$ 2,991,366	\$ 121,111	\$ 939,628	\$ 1,187,224
Adjustments:				
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(297,001)	(29,858)	(34,423)	(384,617)
Transfers from other funds are inflows for budgetary purposes but are not revenue for financial reporting purposes	(1,173,380)	-	(802,113)	-
Total revenues as reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 1,520,985</u>	<u>\$ 91,253</u>	<u>\$ 103,092</u>	<u>\$ 802,607</u>
Uses/Outflows of resources:				
Actual amounts (budgetary basis) "Total charges to appropriations" from the Budgetary Comparison Schedule	\$ 2,771,044	\$ 91,948	\$ 874,402	\$ 673,194
Adjustments:				
Transfers to other funds are outflows for budgetary purposes but are not expenditures for financial reporting purposes	(246,174)	(91,948)	(874,402)	(673,194)
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 2,524,870</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**INTERNAL CONTROL, COMPLIANCE, AND
OTHER MATTERS**



J. WALKER & COMPANY_{APC}

ACCOUNTANTS AND ADVISORS

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

Kenneth Folden, Fiscal Administrator
and Members of the Board of Aldermen
Town of Jonesboro
Jonesboro, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Jonesboro, Louisiana, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Jonesboro, Louisiana's basic financial statements and have issued our report thereon dated December 2, 2013.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described as 2013-05 in the accompanying schedule of findings and questioned costs to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those

OFFICES:

949 RYAN ST. STE.100
LAKE CHARLES
LOUISIANA 70601
(O) 337-478-7902
(F) 337-478-3345

WWW.JWALKERCO.COM

MEMBER OF:

AMERICAN INSTITUTE OF
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SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

charged with governance. We consider the deficiencies described as 2013-01, 2013-02, 2013-04, 2013-06, and 2013-09 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2013-03, 2013-07, and 2013-08.

Town of Jonesboro, Louisiana's Response to Findings

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. The Town of Jonesboro, Louisiana's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

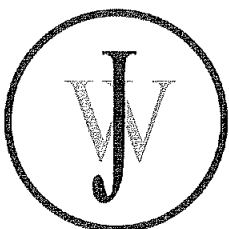
Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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 the Louisiana Legislative Auditor as a public document.

J. Walker & Company, APC

Lake Charles, Louisiana
December 2, 2013



TOWN OF JONESBORO, LOUISIANA

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2013

I. Summary of Auditors' Results

a. Financial Statements

1. The audit report issued was a qualified opinion.
2. There were nine (9) control deficiencies disclosed during the audit of the financial statements and reported in the *Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*. One (1) of these deficiencies is reported as a material weakness.
3. There were three (3) instances of noncompliance considered material to the financial statements of the Town of Jonesboro, Louisiana reported in the *Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.

b. Federal Awards

1. The Town of Jonesboro did not expend more than \$500,000 in federal awards during the year ended June 30, 2013, 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.

c. Management Letter

1. A management letter was issued in connection with the audit for the year ended June 30, 2013.

TOWN OF JONESBORO, LOUISIANA

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2013

II. Findings – Financial Statement Audit

INTERNAL CONTROL AND COMPLIANCE FINDINGS

2013 - 01 General Accounting

Condition:

Instances were noted where transactions were recorded on the cash rather than the accrual basis. These transactions were only entered into the accounting system when they were actually paid rather than when they were received. There were also instances noted where accounts were not properly closed at the year end.

Criteria:

Good controls over financial records of the Town should include monitoring procedures to ensure that controls are being followed on a consistent basis.

Cause:

The lack of performing generally accepted accounting principles is a result of inexperience and a lack of knowledge of governmental accounting.

Effect:

Fraudulent cash disbursements, as well as intentional or unintentional errors, could be processed without being detected on a timely basis.

Recommendation:

We suggest that the Town continues to educate and train its staff in the areas of proper accrual based accounting and the year-end closing of accounts.

Response:

See management's corrective action plan.

2013 - 02 Preparation of Financial Statements

Condition:

While significant improvements have occurred since the last reporting period, 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.

TOWN OF JONESBORO, LOUISIANA

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2013

The Town relies on its auditors to assist in the preparation of external financial statements and related footnote 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 footnotes, 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 footnotes, or supplementary information.

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:

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

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

Recommendation:

The Town should hire competent staff capable of preparing and maintaining records in a manner to adequately assist in preparation of external financial statements and related footnote 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 hiring more experienced personnel.

Response:

See management's corrective action plan.

TOWN OF JONESBORO, LOUISIANA

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2013

2013 - 03 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, 2013 separate annual budgets for the Town's special revenue funds (Fire Ad Valorem Tax, Street Ad Valorem Tax, and the Street Sales Tax) were not prepared and adopted by the Town.
- The budgets for fiscal year June 30, 2013 did not include budget messages for each special revenue fund as required by law.
- For fiscal years ended June 30, 2013 the required additional information of year-to-date actual and percentage change for all funds was not included in the budget.

Criteria:

Louisiana state law (R.S. 39§1305) requires:

- 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.

TOWN OF JONESBORO, LOUISIANA

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2013

Effect:

The Town is in violation of the Local Government Budget Act.

Recommendation:

Management should comply with all provisions of the Local Government Budget Act. The budget should contain all required information (R.S.33§406.A 3).

Response:

See management's corrective action plan.

2013 - 04 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.

TOWN OF JONESBORO, LOUISIANA

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2013

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 corrective action plan.

2013 - 05 Water & Sewer Utility Fund Accounting

Condition:

Instances were noted where information between the Town's utility department software was not reconciled to the accounting software to accurately reflect the revenues and accounts receivable for sewer and water charges.

Criteria:

The Town has no formal procedures in place for the reconciliation of the proprietary software to the general accounting software.

Cause:

Management response indicated incorrect meter readings as the cause but we noted that there were adjustments made to sewer charges as well for the same periods as water charges. When the staff of Jonesboro was questioned about this issue there were no consistent records available to come to a conclusion about what happened nor did the staff have an understanding of why this had occurred. The staff has also consistently recorded the receivables and revenues on a cash basis rather than on an accrual basis.

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 should have monthly reconciliations between billings and deposits. To have accurate records, the water and sewer accounts receivable and customer deposits recorded in the general ledger should be reconciled daily with reports generated by the billing software on an accrual basis. 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 its approval documented. As a measure to have accurate reading, the Town should perform monthly tests on meter equipment and proactively investigate any abnormal readings.

TOWN OF JONESBORO, LOUISIANA

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013**

Response:

See management's corrective action plan

2013 - 06 Interagency Accounts (Transfers)

Condition:

The Town's inter-fund activity accounts were not reconciled throughout the entire fiscal period. It was not until the later portion of the fiscal period that the Town began to reconcile their inter-agency funds. Prior to the reconciliations, transactions were identified as being recorded in one fund, but the offsetting entries were not posted in the other transfer fund. The noted discrepancies were primarily identified within the Town's Due To and Due From accounts.

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 its recording of transfers and inter-fund activities throughout the entire fiscal period. Inadequate monitoring controls were in place to identify and address errors within the accounting system.

Effect:

Audit entries were required to adjust inter-fund activities in the general ledger. Failure to accurately record, review, and monitor transfers can result in potential misstatements within the financial statements.

Recommendation:

We recommend that inter-fund activity and transfers between funds be posted consistently. 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.

We also believe that the Town should refrain from recording payables and expenses within their Special Revenue Funds. Stopping the recordings of these erroneous transactions should reduce the number of inter-fund activities being made and create a more efficient reconciliation/monitoring process.

Response:

See management's corrective action plan.

TOWN OF JONESBORO, LOUISIANA

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2013

2013 - 07 Improper Treatment of Town Vehicles

Condition:

The 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 vehicles are not marked in accordance with state law.

The Mayor, Town Clerk, and Compliance Officer 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 vehicle 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 corrective action plan.

TOWN OF JONESBORO, LOUISIANA

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2013

2013 - 08 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 the Board of Aldermen the 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.

Effect:

The total salary paid to the Mayor by the Town from July 1, 2012 through June 30, 2013 was \$63,876. The amount paid in excess of Ordinance #538 was \$25,846.

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 corrective action plan.

2013 - 09 Insufficient Effort to Collect Delinquent Fines and Forfeitures

Condition:

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

TOWN OF JONESBORO, LOUISIANA

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2013

Criteria:

The Louisiana state 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.

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 corrective action plan.

TOWN OF JONESBORO, LOUISIANA

Summary of Prior Year Findings For the Year Ended June 30, 2013

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 payroll 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.

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.

TOWN OF JONESBORO, LOUISIANA

Summary of Prior Year Findings For the Year Ended June 30, 2013

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.

Current Status:

Partially resolved, see finding 2013-01 and comment to management 2013-M1.

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.

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.

Current Status:

Partially resolved, see comments to management 2013-M1.

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.

TOWN OF JONESBORO, LOUISIANA

Summary of Prior Year Findings For the Year Ended June 30, 2013

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).

Current Status:

Resolved.

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.

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.

Current Status:

Unresolved, see finding 2013-02.

TOWN OF JONESBORO, LOUISIANA

Summary of Prior Year Findings For the Year Ended June 30, 2013

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.

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.

Current Status:

Partially resolved, see comments to management 2013-M2.

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 Ad Valorem Tax, Street 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.

TOWN OF JONESBORO, LOUISIANA

Summary of Prior Year Findings For the Year Ended June 30, 2013

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:

Partially unresolved, see finding 2013-03.

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.

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.

Current Status:

Resolved.

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 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.

TOWN OF JONESBORO, LOUISIANA

Summary of Prior Year Findings For the Year Ended June 30, 2013

Current Status:

Unresolved, see finding 2013-04.

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.

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) 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.

Current Status:

Resolved.

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.

TOWN OF JONESBORO, LOUISIANA

Summary of Prior Year Findings For the Year Ended June 30, 2013

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 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.

Current Status:

Unresolved, see finding 2013-05.

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.

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.

Current Status:

Partially resolved, see finding 2013-06.

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.

TOWN OF JONESBORO, LOUISIANA

Summary of Prior Year Findings For the Year Ended June 30, 2013

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.

Current Status:

Unresolved, see finding 2013-07.

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.

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.

Current Status:

Resolved.

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.

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

TOWN OF JONESBORO, LOUISIANA

Summary of Prior Year Findings For the Year Ended June 30, 2013

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.

Current Status:

Resolved.

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).

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.

Current Status:

Unresolved, see finding 2013-08.

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.

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.

Current Status:

Unresolved see finding 2013-09.

TOWN OF JONESBORO, LOUISIANA

Summary of Prior Year Findings For the Year Ended June 30, 2013

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 teams 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.

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.

Current Status:

Resolved.

2012 - 18 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.

Current Status:

Resolved.

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.

TOWN OF JONESBORO, LOUISIANA

Summary of Prior Year Findings For the Year Ended June 30, 2013

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.

Current Status:

Resolved.

TOWN OF JONESBORO, LOUISIANA

Management's Corrective Action Plan For the Year Ended June 30, 2013

2013-01 General Accounting

Recommendation:

We suggest that the Town continues to educate and train its staff in the areas of proper accrual based accounting and the year-end closing of accounts.

Corrective Action:

Staff will continue to receive training in governmental accounting. The Town will also seek assistance of an external CPA to monitor accounting and financial reporting.

Implementation Date:

January 1, 2014

Contact Information:

Kenneth Folden, Fiscal Administrator
Town of Jonesboro
128 Allen Avenue
Jonesboro, Louisiana 71251
(318) 259-2358
(318) 259-4177

2013-02 Preparation of Financial Statements

Recommendation:

The 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 footnote 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 hiring more experienced personnel.

Corrective Action:

The Town has evaluated the cost versus benefit of establishing internal controls over the preparation of financial statement in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its independent auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation.

Implementation Date:

January 1, 2014

TOWN OF JONESBORO, LOUISIANA

Management's Corrective Action Plan For the Year Ended June 30, 2013

Contact Information:

Kenneth Folden, Fiscal Administrator
Town of Jonesboro
128 Allen Avenue
Jonesboro, Louisiana 71251
(318) 259-2358
(318) 259-4177

2013- 03 Noncompliance with Local Government Budget Act

Recommendation:

Management should strictly comply with all provisions of the Local Government Budget Act. The budget should contain all required information. (R.S.33§406.A 3).

Corrective Action:

Management will ensure that 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) are prepared and adopted by the Town. Management will also ensure that the budget message is included with each special revenue fund and that there will be percentage change, actual, and budget columns included with the budget report for each fund.

Implementation Date:

January 1, 2014

Contact Information:

Kenneth Folden, Fiscal Administrator
Town of Jonesboro
128 Allen Avenue
Jonesboro, Louisiana 71251
(318) 259-2358
(318) 259-4177

2013- 04 No Clear Accounting of Dedicated Taxes

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.

TOWN OF JONESBORO, LOUISIANA

Management's Corrective Action Plan For the Year Ended June 30, 2013

Corrective Action: The Town will continue to work with the Fiscal Administrator, a CPA, and provide additional training to the Town accountant to improve the accuracy and reliability of financial information.

Implementation Date:

January 1, 2014

Contact Information:

Kenneth Folden, Fiscal Administrator
Town of Jonesboro
128 Allen Avenue
Jonesboro, Louisiana 71251
(318) 259-2358
(318) 259-4177

2013- 05 Water & Sewer Utility Fund Accounting

Recommendation:

The Town should have monthly reconciliations between billings and deposits. To have accurate records, the water and sewer accounts receivable and customer deposits recorded in the general ledger should be reconciled daily with reports generated by the billing software on an accrual basis. 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 its approval documented. As a measure to have accurate reading, the Town should perform monthly tests on meter equipment and proactively investigate any abnormal readings.

Corrective Action:

The Town will establish procedures and provide additional training for the accounting personnel to improve the accuracy and reliability of financial information.

Implementation Date:

January 1, 2014

Contact Information:

Kenneth Folden, Fiscal Administrator
Town of Jonesboro
128 Allen Avenue
Jonesboro, Louisiana 71251
(318) 259-2358
(318) 259-4177

TOWN OF JONESBORO, LOUISIANA

Management's Corrective Action Plan For the Year Ended June 30, 2013

2013- 06 Interagency Accounts (Transfers)

Recommendation:

We recommend that inter-fund activity and transfers between funds be posted consistently. 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.

We also believe that the Town should refrain from recording payables and expenses within their Special Revenue Funds. Stopping the recordings of these erroneous transactions should reduce the number of inter-fund activities being made and create a more efficient reconciliation/monitoring process.

Corrective Action:

The Town's Clerk will review inter-fund transactions on a routine basis for completeness and accuracy. Procedures will be implemented to require that all inter-fund transactions be approved by either the Mayor or Council before the transfer occurs

Implementation Date:

January 1, 2014

Contact Information:

Kenneth Folden, Fiscal Administrator
Town of Jonesboro
128 Allen Avenue
Jonesboro, Louisiana 71251
(318) 259-2358
(318) 259-4177

2013-07 Improper Treatment of Town Vehicles

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.

Corrective Action:

The Town will enforce the policies it has created to uphold Town Ordinance #574.

TOWN OF JONESBORO, LOUISIANA

Management's Corrective Action Plan For the Year Ended June 30, 2013

Implementation Date:

January 1, 2014

Contact Information:

Kenneth Folden, Fiscal Administrator
Town of Jonesboro
128 Allen Avenue
Jonesboro, Louisiana 71251
(318) 259-2358
(318) 259-4177

2013 –08 Town Improperly Paid Compensation to the Mayor

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.

Corrective Action: In a trial held in October, 2013, the former Mayor was ordered to pay restitution to the Town of Jonesboro in the amount of \$51,792.

Implementation Date:

January 1, 2014

Contact Information:

Kenneth Folden, Fiscal Administrator
Town of Jonesboro
128 Allen Avenue
Jonesboro, Louisiana 71251
(318) 259-2358
(318) 259-4177

2013 –09 Insufficient Effort to Collect Delinquent Fines and Forfeitures

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.

TOWN OF JONESBORO, LOUISIANA

**Management's Corrective Action Plan
For the Year Ended June 30, 2013**

Corrective Action:

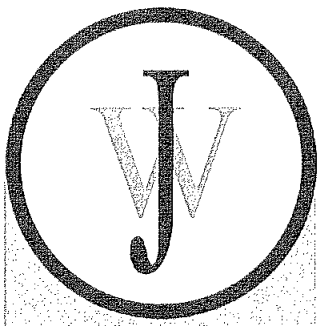
The Town has already begun the task of implementing procedures to collect delinquent fines and forfeitures and will continue to maintain a focus on collections in the future.

Implementation Date:

January 1, 2014

Contact Information:

Kenneth Folden, Fiscal Administrator
Town of Jonesboro
128 Allen Avenue
Jonesboro, Louisiana 71251
(318) 259-2358
(318) 259-4177



J. WALKER & COMPANY_{APC}

ACCOUNTANTS AND ADVISORS

COMMENTS TO MANAGEMENT

Kenneth Folden, Fiscal Administrator
and Members of the Board of Aldermen
Town of Jonesboro
Jonesboro, Louisiana

In planning and performing our audit of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Jonesboro, Louisiana (the "Town"), in accordance with auditing standards generally accepted in the United States of America, as of and for the year ended June 30, 2013, which collectively comprise the Town's basic financial statements, we considered the Town's internal control to plan our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control.

However, during our audit, we noted certain matters involving internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated December 02, 2013 on the basic financial statements of the Town. We will review the status of these comments during our next audit engagement. Our comments and recommendations, which have been discussed with appropriate members of management, are intended to improve internal control or result in other operating efficiencies. Also included are management's responses to our current-year management letter items. We have performed no audit work to verify the content of the responses. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

2013 – M1 Cash Controls

First Reported as a Finding: 2012-01 & 2012-02

OFFICES:

949 RYAN ST. STE.100
LAKE CHARLES
LOUISIANA 70601
(O) 337-478-7902
(F) 337-478-3345

WWW.JWALKERCO.COM

MEMBER OF:

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

Comment: Bank accounts are being reconciled monthly, but not all agreed to the general ledger. The reconciliations are being performed by an employee who is also responsible for other cash functions. It was also noted that some bank reconciliations showed 'uncleared' transactions and journal entries which dated back to 2010 that were being carried over.

The Town stated 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 supporting documentation was 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 no policy or procedure for reconciliation of the petty cash fund.

Recommendation: An employee independent of cash controls receipt and disbursement activities should review the bank reconciliations for any unusual items and document their approval by initialing the form.

The Town should design sufficient controls to monitor and maintain petty cash accounts.

Management response: The Town Clerk or Fiscal Administrator will review all bank reconciliations for completeness and accuracy. A review of records indicates the police department petty cash account has a zero balance. The Town will implement and maintain strong petty cash controls.

2013 – M2 Capital Asset Management

First Reported as a Finding: 2012-05

Comment: Our review of certain fixed asset records reveals that there may be assets that have not been correctly recorded in the Town's records and/or there may be assets recorded on the Town's records that are no longer in use. We believe that this indicates the need for a complete physical inventory of the Town's fixed assets, which will be the best and most efficient method for developing an accurate listing of all fixed assets. Additionally, this will allow the Town to develop procedures whereby the fixed asset listing is reconciled to the general ledger, which will ensure an accurate accounting for assets. Maintaining complete information on all fixed assets would provide excellent controls for the safeguarding of these assets, which are a significant cost. A better assessment and evaluation could also be made regarding the reliability of certain fixed assets, the need for replacements, and so on.

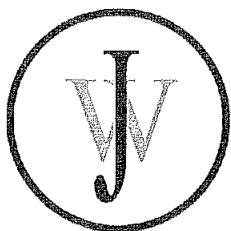
Recommendation: Management of the Town should appoint an employee as the property manager who will maintain a comprehensive listing of all capital assets as additions and deletions occur during the year. Department heads should be given addition and deletion forms and be required to complete the forms 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. The 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 assets 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 fully implemented.

Management response: The Town has appointed an employee as property manager and will continue to implement and improve policies and procedures relating to the identification, recording, and annual inventory of capital assets.

2013 – M3 Inventory Controls

Comment: On the weekends or holidays supervisors remove inventory without leaving written record of removal. The warehouse and street department employees also noted that they have not been given policies for supply or fuel inventory.

It was also discovered that the fuel assets were improperly recorded in the general ledger.



Recommendation: Inventory and fuel policies should be established and implemented. A log sheet should be created which shows the items removed from inventory, date of removal, and name of the person removing the inventory. This should be filled out every time that inventory is used when the warehouse clerk is unavailable to record inventory usage. The log should be kept at the office where the clerk and supervisors have ready access to it. There also needs to be a written policy put in place to ensure that the inventory is properly recorded in the general ledger. This policy should be communicated and made available to all responsible staff and monitored by management to ensure compliance.

Management Response: Management will ensure that the warehouse employees are aware of the latest policies and that these policies are being followed correctly.

2013 – M4 Accounts Payable Controls

Comment: An analysis of the Town general ledger showed some transactions had been posted in future periods. There were also accounts payable which had gone unrecorded for the period. After examination, it was discovered that an accounts payable balance brought over from 2007 was still on the books. The auditors have presented an adjustment for this balance every audit year since 2010. Each period the entry was reversed after being adjusted off the books.

Recommendation: Do not create reversing entries for journal entries which are being made to adjust items off the book unless it is appropriate to do so. The accounts payable function should be periodically reviewed by management to ensure that entries are being made properly. The invoices sent in by vendors should be recorded on a timely basis to ensure that all accounts payable have been recorded on an accrual basis.

Management response: Accounts payable procedures for recording data will be reviewed and best practices established for the accounts payable function.

Our audit procedures are designed primarily to enable us to form an opinion on the financial statements and therefore, may not reveal all weaknesses in policies and procedures that may exist.

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

J. Walker & Company, APC

Lake Charles, Louisiana
December 2, 2013

