

**Town of Jonesboro
Jonesboro, Louisiana
Annual Financial Report
As of and for the Year Ended June 30, 2009**

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

Release Date

7/28/10

**Town of Jonesboro
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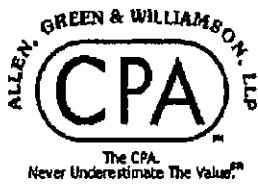
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(Concluded)



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INDEPENDENT AUDITORS' REPORT

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

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Jonesboro as of and for the year ended June 30, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management.

The Town did not maintain adequate records of disbursements, properly reconcile bank accounts or accounts receivable or payable, nor were all transactions entered into the accounting records. The Town's records did not permit the application of adequate auditing procedures.

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

In accordance with Government Auditing Standards, we have also issued our report dated June 30, 2010, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparison Information as listed in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying information identified in the table of contents as supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. We did not audit the information and express no opinion on it.

Allen, Green & Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
June 30, 2010

REQUIRED SUPPLEMENTAL INFORMATION:

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

Town of Jonesboro
Management's Discussion and Analysis (MD&A)
June 30, 2009

Our discussion and analysis of the Town of Jonesboro's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2009.

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

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

Governmental activities reported an increase in net assets of \$50,002 and business-type activities reported an increase of \$193,465. The governmental activities revenue decreased mainly due to intergovernmental revenues being greatly reduced. Governmental expenditures decreased due to reduced public works repairs and maintenance costs.

Business-type activities revenue increased mainly due to greater water charges billed to customers based on more correct readings obtained from the electronic meters installed.

Business-type expenses decreased due to reduced equipment repairs needed after leasing new equipment.

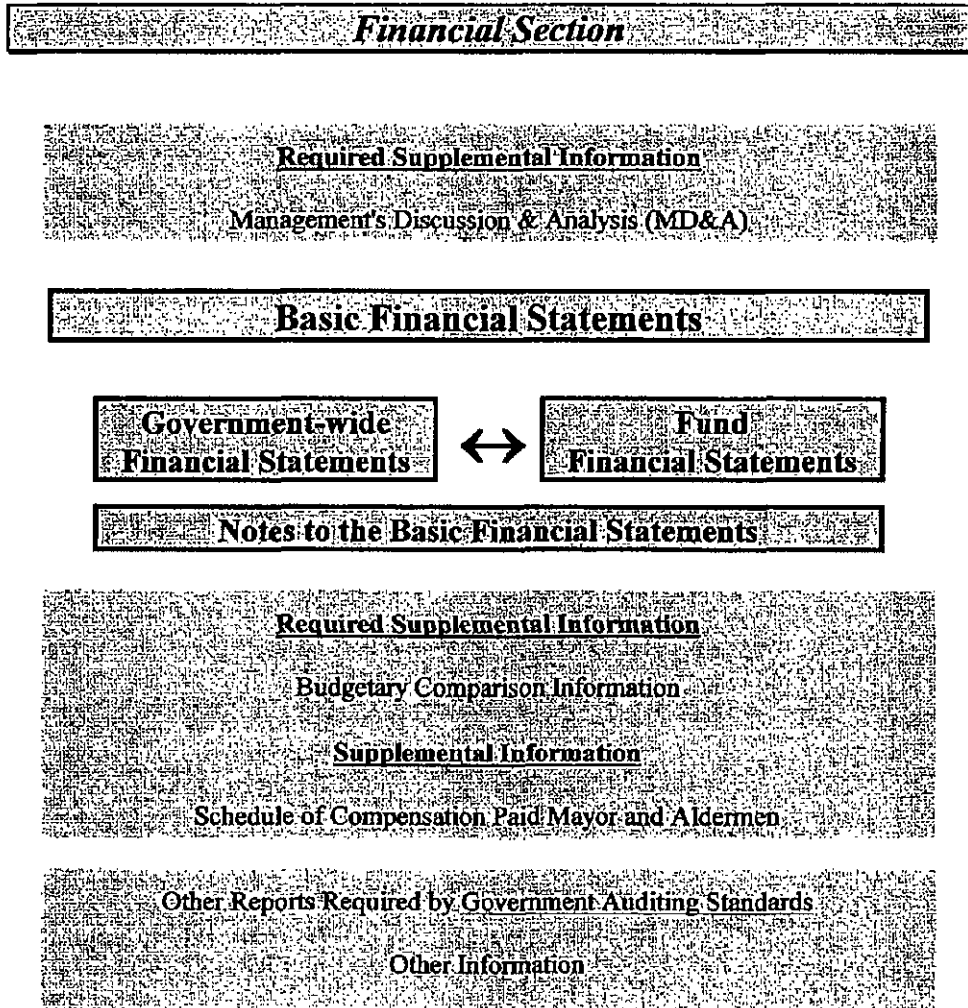
Total spending for our governmental activities was \$2,844,388. Most of the Town's property and sales taxes were used to support the net cost (after deducting restricted grants and fees charged to users) of these three areas: general and administrative of \$92,675, public safety of \$1,063,476 and the public works department of \$1,118,174.

USING THIS ANNUAL REPORT

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

Town of Jonesboro
Management's Discussion and Analysis (MD&A)
June 30, 2009

The following chart reflects the information included in this annual report.



Our auditor has provided assurance in the independent auditor's report, located immediately preceding this Management's Discussion and Analysis, that the Basic Financial Statements are fairly stated. Varying degrees of assurance are being provided by the auditor regarding the Required Supplemental Information, and the Supplemental Information identified above. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each of the other parts of this report.

Town of Jonesboro
Management's Discussion and Analysis (MD&A)
June 30, 2009

Reporting the Town as a Whole

The Statement of Net Assets and the Statement of Activities

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

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

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

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

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

Reporting the Town's Most Significant Funds

Fund Financial Statements

The Town's fund financial statements provide detailed information about the most significant funds - not the Town as a whole. Some funds are required to be established by State law. However, the Town establishes other funds to help it control and manage money for particular purposes (like the capital project fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The Town's two kinds of funds - governmental and proprietary - use different accounting approaches:

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

Town of Jonesboro
Management's Discussion and Analysis (MD&A)
June 30, 2009

describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in the reconciliations (Statements D and F).

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

THE TOWN AS A WHOLE

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

Table 1
Net Assets
June 30, 2009 and 2008

| | Governmental Activities | | Business-type Activities | | Total | |
|---|-------------------------|--------------------|--------------------------|--------------------|--------------------|--------------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Current and other assets | \$1,496,984 | \$1,689,088 | \$ 487,988 | \$ 557,659 | \$1,984,972 | \$2,246,747 |
| Restricted assets | - | - | 111,199 | 99,997 | 111,199 | 99,997 |
| Capital assets | 989,263 | 2,044,319 | 6,912,618 | 4,707,299 | 7,901,881 | 6,751,618 |
| Total assets | <u>2,486,247</u> | <u>3,733,407</u> | <u>7,511,805</u> | <u>5,364,955</u> | <u>9,998,052</u> | <u>9,098,362</u> |
| Current and other liabilities | 153,543 | 124,968 | 68,828 | 112,104 | 222,371 | 237,072 |
| Liabilities payable from restricted assets | - | - | 111,146 | 99,786 | 111,146 | 99,786 |
| Long-term liabilities | 103,756 | 1,229,876 | 3,089,079 | 826,761 | 3,192,835 | 2,056,637 |
| Total Liabilities | <u>257,299</u> | <u>1,354,844</u> | <u>3,269,053</u> | <u>1,038,651</u> | <u>3,526,352</u> | <u>2,393,495</u> |
| Net assets | | | | | | |
| Invested in capital assets, net of related debt | 909,083 | 828,965 | 3,824,429 | 3,880,537 | 4,733,512 | 4,709,502 |
| Restricted | 961,400 | 868,217 | - | 445,767 | 961,400 | 1,313,984 |
| Unrestricted | 358,465 | 681,381 | 418,323 | - | 776,788 | 681,381 |
| Total net assets | <u>\$2,228,948</u> | <u>\$2,378,563</u> | <u>\$ 4,242,752</u> | <u>\$4,326,304</u> | <u>\$6,471,700</u> | <u>\$6,704,867</u> |

Net assets of the Town's governmental activities decreased by 6.2% (\$2,228,948 compared to \$2,378,563). Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements was \$358,465 at the end of this year.

The net assets of our business-type activities decreased by 1.9% (\$4,242,752 compared to \$4,326,304) in 2009.

Town of Jonesboro
Management's Discussion and Analysis (MD&A)
June 30, 2009

Table 2
Changes in Net Assets
For the Years Ended June 30, 2009 and 2008

| | Governmental Activities | | Business-type Activities | | Total | |
|--|-------------------------|--------------------|--------------------------|--------------------|--------------------|--------------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Revenues: | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 419,668 | \$ 347,271 | \$1,089,585 | \$ 971,787 | \$1,509,253 | \$1,319,058 |
| Operating grants and contributions | 146,277 | 40,940 | - | 160,293 | 146,277 | 201,233 |
| General revenues | | | | | | |
| Property taxes | 267,005 | 241,633 | - | - | 267,005 | 241,633 |
| Sales tax | 1,710,993 | 1,706,785 | - | - | 1,710,993 | 1,706,785 |
| Franchise tax | 117,275 | 147,880 | - | - | 117,275 | 147,880 |
| Intergovernmental | 44,703 | 150,031 | 112,900 | - | 157,603 | 150,031 |
| Other Taxes | 3,652 | 13,486 | - | - | 3,652 | 13,486 |
| Licenses and permits | 105,873 | 111,509 | - | - | 105,873 | 111,509 |
| Earnings on investments | 14,462 | 22,945 | 6,804 | 11,335 | 21,266 | 34,280 |
| Miscellaneous | 69,327 | 65,648 | - | - | 69,327 | 65,648 |
| Total Revenues | 2,899,235 | 2,848,128 | 1,209,289 | 1,143,415 | 4,108,524 | 3,991,543 |
| Functions/Program Expenses: | | | | | | |
| Governmental Activities | | | | | | |
| General and administrative | 593,602 | 468,917 | - | - | 593,602 | 468,917 |
| Public safety | 1,128,494 | 1,012,406 | - | - | 1,128,494 | 1,012,406 |
| Public works | 1,118,174 | 1,379,679 | - | - | 1,118,174 | 1,379,679 |
| Interest Expense | 4,118 | - | - | - | 4,118 | - |
| Business-type Activities | | | | | | |
| Utility Enterprise | - | - | 1,020,669 | 1,088,324 | 1,020,669 | 1,088,324 |
| Total Functions/Program Expenses | 2,844,388 | 2,861,002 | 1,020,669 | 1,088,324 | 3,865,057 | 3,949,326 |
| Increase (decrease) in net assets | 54,847 | (12,874) | 188,620 | 55,091 | 243,467 | 42,217 |
| Transfers | (4,845) | 51,807 | 4,845 | (51,807) | - | - |
| | 50,002 | 38,933 | 193,465 | 3,284 | 243,467 | 42,217 |
| Net assets - beginning | 2,378,567 | 2,339,630 | 4,326,304 | 4,323,020 | 6,704,871 | 6,662,650 |
| Prior period adjustment | (199,621) | - | (277,017) | - | (476,638) | - |
| Net assets- beginning as restated | 2,178,946 | 2,339,630 | 4,049,287 | 4,323,020 | 6,228,233 | 6,662,650 |
| Net assets, ending | \$2,228,948 | \$2,378,563 | \$4,242,752 | \$4,326,304 | \$6,471,700 | \$6,704,867 |

**Town of Jonesboro
Management's Discussion and Analysis (MD&A)
June 30, 2009**

Governmental Activities

The cost of all governmental activities this year was \$2,844,388, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through town taxes was only \$2,098,925 because some of the cost was paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions.

Table 3 presents the cost of each of the Town's governmental activities as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

**Table 3
Governmental Activities
For the Years Ended June 30, 2009 and 2008**

| | <u>Total Cost of Services</u> | | <u>Net Cost of Services</u> | |
|---|-------------------------------|---------------------|-----------------------------|---------------------|
| | 2009 | 2008 | 2009 | 2008 |
| Governmental Activities | | | | |
| General and administrative | \$ 593,602 | \$ 468,917 | \$ 92,675 | \$ 151,767 |
| Public safety | 1,128,494 | 1,012,406 | 1,063,476 | 941,345 |
| Public works | 1,118,174 | 1,379,679 | 1,118,174 | 1,379,679 |
| Interest expense | 4,118 | - | 4,118 | - |
| Total Functions/Program Expenses | <u>\$ 2,844,388</u> | <u>\$ 2,861,002</u> | <u>\$ 2,278,443</u> | <u>\$ 2,472,791</u> |

Business-type Activities

Revenues of the Town's business-type activities (see Table 2) increased by 5.8% (\$1,209,289 compared to \$1,143,415 in 2008) and expenses decreased by 6.2%. The factors driving these results include an increase in the amount collected for utility bills and based upon usage by customers and the expenses decreased due to fewer repairs, maintenance and equipment costs.

THE TOWN'S FUNDS

As the Town completed the year, its governmental funds reported a combined fund balance of \$1,343,441 which is a decrease of \$224,965 in fund balance from last year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The final budgeted expenditures exceeded the actual expenses which was mainly due to the reduced repairs necessary on equipment, since most equipment was newly leased for purchase.

Town of Jonesboro
Management's Discussion and Analysis (MD&A)
June 30, 2009

CAPITAL ASSET

Capital Assets At June 30, 2009 and 2008, the Town had invested in the following capital assets:

| | Governmental Activities | | Business-type Activities | | Total | |
|---------------------------------------|-------------------------|---------------------|--------------------------|--------------------|--------------------|---------------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Capital Assets Not Depreciated | | | | | | |
| Land | \$ 148,177 | \$ 147,487 | \$ - | \$ - | \$ 148,177 | \$ 147,487 |
| Construction in progress | 88,625 | 1,103,093 | 180,908 | - | 269,533 | 1,103,093 |
| Total Nondepreciated Assets | 236,802 | 1,250,580 | 180,908 | - | 417,710 | 1,250,580 |
| Depreciable Capital Assets | | | | | | |
| Buildings & Building Improvements | 343,901 | 360,684 | - | - | 343,901 | 360,684 |
| Furniture and equipment | 206,152 | 201,640 | - | - | 206,152 | 201,640 |
| Vehicles | 202,406 | 231,419 | - | - | 202,406 | 231,419 |
| Water System | - | - | 4,721,212 | 2,575,106 | 4,721,212 | 2,575,106 |
| Sewer System | - | - | 2,010,498 | 2,069,211 | 2,010,498 | 2,069,211 |
| Total Depreciated Assets | 752,459 | 793,743 | 6,731,710 | 4,644,317 | 7,484,169 | 5,438,060 |
| Total Capital Assets | \$ 989,261 | \$ 2,044,323 | \$6,912,618 | \$4,644,317 | \$7,901,879 | \$ 6,688,640 |

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

DEBT ADMINISTRATION At June 30, 2009, the Town had \$2,300,000 in bonds payable outstanding which was from the United States Department of Agriculture. Utility revenue bonds in the amount of \$2,300,000 were issued by the USDA and are being repaid over a forty-year period. The remaining bond payable for the Utility Revenue Bonds at June 30, 2009 was \$2,300,000. The funds were used to finance the cost of the construction of extensions, improvements, and additions to the existing waterworks system of the Town. Additional information on long-term debt can be found in Note 8 of the Notes to the Basic Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS Our elected and appointed officials and citizens consider many factors when setting the Town's budget and tax rates. One of the most important factors affecting the budget is our franchise, ad valorem, sales, and other assorted tax collections. Approximately 57% of total revenues in the general fund are franchise, sales, and ad valorem tax. We have budgeted very little change in franchise and ad valorem tax revenues for the year ending June 30, 2010.

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

Town of Jonesboro

**BASIC FINANCIAL STATEMENTS:
GOVERNMENT-WIDE
FINANCIAL STATEMENTS (GWFS)**

Town of Jonesboro

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TOWN OF JONESBORO
STATEMENT OF NET ASSETS
June 30, 2009

Statement A

| | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL |
|---|----------------------------|-----------------------------|---------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 1,165,341 | \$ 338,865 | \$ 1,504,206 |
| Taxes receivable | 292,166 | 0 | 292,166 |
| Receivables, net | 32,332 | 95,904 | 128,236 |
| Accounts receivable - Franchise | 7,145 | 0 | 7,145 |
| Inventory | 0 | 53,219 | 53,219 |
| Prepaid insurance | 0 | 0 | 0 |
| Restricted assets - deposits | 0 | 111,199 | 111,199 |
| Capital assets, net of accumulated depreciation | 989,263 | 6,912,618 | 7,901,881 |
| TOTAL ASSETS | 2,486,247 | 7,511,805 | 9,998,052 |
| LIABILITIES | | | |
| Accounts, salaries and other payables | 153,543 | 25,703 | 179,246 |
| Interest payable | 0 | 43,125 | 43,125 |
| Payable from restricted assets - meter deposits | 0 | 111,146 | 111,146 |
| Long term liabilities | | | |
| Due within one year | 27,591 | 83,809 | 111,400 |
| Due in more than one year | 76,165 | 3,005,270 | 3,081,435 |
| TOTAL LIABILITIES | 257,299 | 3,269,053 | 3,526,352 |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 909,083 | 3,824,429 | 4,733,512 |
| Restricted for: | | | |
| Public Safety - Fire | 36,532 | 0 | 36,532 |
| Street Maintenance | 889,082 | 0 | 889,082 |
| Street Maintenance Ad Valorem | 35,786 | 0 | 35,786 |
| Unrestricted | 358,465 | 418,323 | 776,788 |
| TOTAL NET ASSETS | \$ 2,228,948 | \$ 4,242,752 | \$ 6,471,700 |

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

TOWN OF JONESBORO
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2009

| FUNCTIONS/PROGRAMS | PROGRAM REVENUES | | | |
|---------------------------------------|---------------------|----------------------|------------------------------------|----------------------------------|
| | EXPENSES | CHARGES FOR SERVICES | OPERATING GRANTS AND CONTRIBUTIONS | CAPITAL GRANTS AND CONTRIBUTIONS |
| Governmental Activities: | | | | |
| General government | \$ 593,602 | \$ 354,650 | \$ 146,277 | \$ 0 |
| Public safety | 1,128,494 | 65,018 | | |
| Public works | 1,118,174 | 0 | | |
| Interest expense | 4,118 | 0 | | |
| Total Governmental Activities | 2,844,388 | 419,668 | 146,277 | 0 |
| Business-Type Activities: | | | | |
| Water and Sewer | 1,020,669 | 1,089,585 | 0 | 0 |
| Total Business-Type Activities | 1,020,669 | 1,089,585 | 0 | 0 |
| Total | \$ 3,865,057 | \$ 1,509,253 | \$ 146,277 | \$ 0 |

General revenues:

Taxes:

- Property taxes
- Franchise tax
- Sales tax revenue
- Other taxes for general purposes
- Licenses and permits
- Earnings on investments
- Intergovernmental
- Miscellaneous

Transfers

Total general revenues and transfers

Changes in net assets

Net assets - beginning, as originally stated

Prior period adjustment

Net assets - beginning, as restated

Net assets - ending

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Statement B

| <u>PRIMARY GOVERNMENT</u> | | |
|--|----------------------|-----------------------|
| <u>NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS</u> | | |
| <u>Governmental</u> | <u>Business-Type</u> | |
| <u>Activities</u> | <u>Activities</u> | <u>TOTAL</u> |
| \$ (92,675) | \$ 0 | \$ (92,675) |
| (1,063,476) | | (1,063,476) |
| (1,118,174) | | (1,118,174) |
| <u>(4,118)</u> | <u>0</u> | <u>(4,118)</u> |
| <u>(2,278,443)</u> | <u>0</u> | <u>(2,278,443)</u> |
| | <u>68,916</u> | <u>68,916</u> |
| | <u>68,916</u> | <u>68,916</u> |
| <u>\$ (2,278,443)</u> | <u>\$ 68,916</u> | <u>\$ (2,209,527)</u> |

| | | |
|---------------------|---------------------|---------------------|
| 267,005 | 0 | 267,005 |
| 117,275 | 0 | 117,275 |
| 1,710,993 | 0 | 1,710,993 |
| 3,652 | 0 | 3,652 |
| 105,873 | 0 | 105,873 |
| 14,462 | 6,804 | 21,266 |
| 44,703 | 112,900 | 157,603 |
| 69,327 | 0 | 69,327 |
| <u>(4,845)</u> | <u>4,845</u> | <u>0</u> |
| <u>2,328,445</u> | <u>124,549</u> | <u>2,452,994</u> |
| <u>50,002</u> | <u>193,465</u> | <u>243,467</u> |
| 2,378,567 | 4,328,304 | 6,704,871 |
| <u>(199,621)</u> | <u>(277,017)</u> | <u>(476,638)</u> |
| <u>2,178,946</u> | <u>4,049,287</u> | <u>6,228,233</u> |
| <u>\$ 2,228,948</u> | <u>\$ 4,242,752</u> | <u>\$ 6,471,700</u> |

Town of Jonesboro

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Town of Jonesboro

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

TOWN OF JONESBORO
GOVERNMENTAL FUNDS
Balance Sheet
June 30, 2009

| | GENERAL | FIRE DEPT AD VALOREM TAX | STREET AD VALOREM TAX |
|--|-------------------|---|--------------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 350,024 | \$ 36,532 | \$ 35,786 |
| Taxes receivable | 146,083 | 0 | 0 |
| Receivables, net | 32,332 | 0 | 0 |
| Accounts receivable - franchise | 7,145 | 0 | 0 |
| Due from other governments | 0 | 0 | 0 |
| Prepaid insurance | 0 | 0 | 0 |
| TOTAL ASSETS | 535,584 | 36,532 | 35,786 |
| LIABILITIES AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Accounts, salaries and other payables | 153,543 | 0 | 0 |
| Other liabilities | 0 | 0 | 0 |
| TOTAL LIABILITIES | 153,543 | 0 | 0 |
| FUND BALANCES: | | | |
| Unreserved and undesignated, reported in | | | |
| General fund | 382,041 | 0 | 0 |
| Special Revenue | 0 | 36,532 | 35,786 |
| Capital Project | 0 | 0 | 0 |
| TOTAL FUND BALANCES | 382,041 | 36,532 | 35,786 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 535,584 | \$ 36,532 | \$ 35,786 |

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Statement C

| | STREET SALES TAX | WATER CAPITAL PROJECTS | TOTAL |
|----|---------------------|------------------------------|------------------|
| \$ | 742,999 | \$ 0 | \$ 1,165,341 |
| | 146,083 | 0 | 292,166 |
| | 0 | 0 | 32,332 |
| | 0 | 0 | 7,145 |
| | 0 | 0 | 0 |
| | <u>0</u> | <u>0</u> | <u>0</u> |
| | <u>889,082</u> | <u>0</u> | <u>1,496,984</u> |
| | 0 | 0 | 153,543 |
| | <u>0</u> | <u>0</u> | <u>0</u> |
| | <u>0</u> | <u>0</u> | <u>153,543</u> |
| | 0 | 0 | 382,041 |
| | 889,082 | 0 | 961,400 |
| | <u>0</u> | <u>0</u> | <u>0</u> |
| | <u>889,082</u> | <u>0</u> | <u>1,343,441</u> |
| \$ | <u>889,082</u> | \$ <u>0</u> | <u>1,496,984</u> |

Town of Jonesboro

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TOWN OF JONESBORO

**Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Assets
June 30, 2009**

Statement D

Total fund balances - governmental funds \$ 1,343,441

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

| | | |
|------------------------------|--------------------|---------|
| Costs of capital assets | 3,886,559 | |
| Depreciation expense to date | <u>(2,897,296)</u> | |
| | | 989,263 |

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

Balances at June 30, 2009 are:

| | | |
|------------------------------|-----------------|------------------|
| Long-term liabilities | | |
| Capital lease payable | (80,180) | |
| Compensated absences payable | <u>(23,576)</u> | |
| | | <u>(103,756)</u> |

Net Assets \$ 2,228,948

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

TOWN OF JONESBORO

GOVERNMENTAL FUNDS
 Combined Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 For the Year Ended June 30, 2009

| | GENERAL | FIRE DEPT AD VALOREM TAX | STREET AD VALOREM TAX |
|--|--------------------|--------------------------------|-----------------------------|
| REVENUES | | | |
| Taxes: | | | |
| Ad valorem | \$ 112,297 | \$ 77,354 | \$ 77,354 |
| Franchise | 117,275 | 0 | 0 |
| Sales tax | 855,497 | 0 | 0 |
| Other taxes | 3,652 | 0 | 0 |
| Licenses and permits | 105,873 | 0 | 0 |
| Fines, forfeitures and court costs | 65,018 | 0 | 0 |
| Intergovernmental revenues | 47,013 | 0 | 0 |
| Fees and charges for services | 354,650 | 0 | 0 |
| Rents and royalties | 20,896 | 0 | 0 |
| Earnings on investments | 5,249 | 2,111 | 1,514 |
| State revenue | 107,327 | 0 | 0 |
| Federal revenue | 38,950 | 0 | 0 |
| Miscellaneous revenues | 48,431 | 0 | 0 |
| Total revenues | 1,882,128 | 79,465 | 78,868 |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 550,299 | 0 | 0 |
| Public Safety | 1,042,685 | 0 | 0 |
| Public Works | 1,153,844 | 0 | 0 |
| Capital outlay | 124,496 | 0 | 0 |
| Debt service: | | | |
| Principal | 11,275 | 0 | 0 |
| Interest | 4,118 | 0 | 0 |
| Total expenditures | 2,886,717 | 0 | 0 |
| EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES | (1,004,589) | 79,465 | 78,868 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 950,000 | 0 | 0 |
| Transfers out | 0 | (75,000) | (75,000) |
| TOTAL OTHER FINANCING SOURCES (USES) | 950,000 | (75,000) | (75,000) |
| NET CHANGE IN FUND BALANCES | \$ (54,589) | \$ 4,465 | \$ 3,868 |

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Statement E

| <u>STREET</u> <u>SALES TAX</u> | <u>WATER</u> <u>CAPITAL</u> <u>PROJECT</u> | <u>TOTAL</u> |
|-----------------------------------|--|------------------|
| \$ 0 | \$ 0 | \$ 267,005 |
| 0 | 0 | 117,275 |
| 865,496 | 0 | 1,710,993 |
| 0 | 0 | 3,652 |
| 0 | 0 | 105,873 |
| 0 | 0 | 65,018 |
| 0 | 0 | 47,013 |
| 0 | 0 | 354,650 |
| 0 | 0 | 20,896 |
| 5,588 | 0 | 14,462 |
| 0 | 0 | 107,327 |
| 0 | 0 | 36,950 |
| 0 | 0 | 48,431 |
| <u>861,084</u> | <u>0</u> | <u>2,901,546</u> |
| 0 | 0 | 550,299 |
| 0 | 0 | 1,042,885 |
| 0 | 0 | 1,153,844 |
| 0 | 0 | 124,496 |
| 0 | 0 | 11,275 |
| | 0 | 4,118 |
| <u>0</u> | <u>0</u> | <u>2,886,717</u> |
| <u>861,084</u> | <u>0</u> | <u>14,828</u> |
| 0 | 0 | 950,000 |
| <u>(800,000)</u> | <u>(4,845)</u> | <u>(954,845)</u> |
| <u>(800,000)</u> | <u>(4,845)</u> | <u>(4,845)</u> |
| \$ 61,084 | \$ (4,845) | \$ 9,983 |

TOWN OF JONESBORO

GOVERNMENTAL FUNDS
 Combined Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 For the Year Ended June 30, 2009

| | <u>GENERAL</u> | <u>FIRE DEPT AD VALOREM TAX</u> | <u>STREET AD VALOREM TAX</u> |
|--|-------------------|---|--------------------------------------|
| FUND BALANCES - BEGINNING as originally stated | \$ 682,792 | \$ 31,100 | \$ 31,918 |
| PRIOR PERIOD ADJUSTMENT | \$ (246,162) | \$ 987 | \$ 0 |
| FUND BALANCES - BEGINNING restated | \$ 436,630 | \$ 32,067 | \$ 31,918 |
| FUND BALANCES - ENDING | <u>\$ 382,041</u> | <u>\$ 36,532</u> | <u>\$ 35,786</u> |

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Statement E

| <u>STREET</u> <u>SALES TAX</u> | <u>WATER</u> <u>CAPITAL</u> <u>PROJECT</u> | <u>TOTAL</u> |
|-----------------------------------|--|--------------|
| \$ 817,751 | \$ 4,845 | \$ 1,568,406 |
| \$ 10,247 | \$ 0 | \$ (234,848) |
| \$ 827,998 | \$ 4,845 | \$ 1,333,458 |
| \$ 889,082 | \$ 0 | \$ 1,343,441 |

TOWN OF JONESBORO

Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities
For the Year Ended June 30, 2009

Statement F

Total net change in fund balances - governmental funds \$ 9,983

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

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

| | | |
|----------------------|------------------|--------|
| Capital outlay | 182,411 | |
| Depreciation expense | <u>(132,066)</u> | 50,345 |

In the Statement of Activities, scrapping of net assets are reported as a gain or loss net of the book value.

| | | |
|-------------------------|-------|---------|
| Cost of assets scrapped | 2,310 | |
| Net loss | | (2,310) |

Repayment of capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 11,275

In the Statement of Activities, certain operating expenses-compensated absences (vacations and sick leave) - are measured by the amounts earned 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 \$35,057 exceeded the amounts used (\$15,766) by \$19,291. (19,291)

Change in net assets of governmental activities. \$ 50,002

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

TOWN OF JONESBORO
PROPRIETARY FUNDS
WATER AND SEWER UTILITY FUNDS
Statement of Net Assets
June 30, 2009

Statement G

| | |
|--|----------------------------|
| ASSETS | |
| Current assets: | |
| Cash and cash equivalents | \$ 338,865 |
| Receivables, net | 95,904 |
| Inventory | 53,219 |
| Restricted assets: | |
| Cash and cash equivalents | <u>111,199</u> |
| Total current assets | <u>599,187</u> |
| Non current assets: | |
| Capital assets, net | <u>6,912,618</u> |
| TOTAL ASSETS | <u>7,511,805</u> |
| LIABILITIES | |
| Current liabilities: | |
| Accounts, salaries and other payables | 25,703 |
| Interest payable | 43,125 |
| Compensated absences payable | 890 |
| Capitalized lease obligation | 73,766 |
| Bonds payable | 9,163 |
| Current liabilities payable from restricted assets | |
| Tenant security deposits | <u>111,146</u> |
| Total current liabilities | <u>263,783</u> |
| Non-current liabilities: | |
| Capitalized lease obligation | 714,423 |
| Bonds payable | <u>2,290,847</u> |
| Total non-current liabilities | <u>3,005,270</u> |
| TOTAL LIABILITIES | <u>3,269,053</u> |
| NET ASSETS | |
| Invested in capital assets, net of related debt | 3,824,429 |
| Unrestricted | <u>418,323</u> |
| TOTAL NET ASSETS | <u>\$ 4,242,752</u> |

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

TOWN OF JONESBORO
PROPRIETARY FUNDS
WATER AND SEWER UTILITY FUNDS
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended June 30, 2009

Statement H

| | |
|--|---------------------|
| OPERATING REVENUES | |
| Water sales | \$ 691,834 |
| Sewer fees | 324,737 |
| Other services | <u>73,014</u> |
| Total operating revenues | <u>1,089,585</u> |
| OPERATING EXPENSES | |
| Personnel services | 331,916 |
| Supplies | 20,350 |
| Utilities | 117,040 |
| Repairs and maintenance | 51,285 |
| Other supplies and charges | 170,581 |
| Bad debt reserve | 29,499 |
| Depreciation | <u>188,776</u> |
| Total operating expenses | <u>909,447</u> |
| Operating income (loss) | <u>180,138</u> |
| NONOPERATING REVENUES (EXPENSES) | |
| Interest income | 6,804 |
| State and federal grants | 112,900 |
| Interest expense | <u>(111,222)</u> |
| Total nonoperating revenues (expenses) | <u>8,482</u> |
| INCOME (LOSS) BEFORE TRANSFERS | <u>188,620</u> |
| TRANSFERS IN/OUT | |
| Transfers in | <u>4,845</u> |
| Total transfers in/out | <u>4,845</u> |
| CHANGE IN NET ASSETS | <u>193,465</u> |
| NET ASSETS - BEGINNING, AS ORIGINALLY STATED | 4,326,304 |
| PRIOR PERIOD ADJUSTMENT | <u>(277,017)</u> |
| NET ASSETS - BEGINNING, AS RESTATED | <u>4,049,287</u> |
| NET ASSETS - ENDING | <u>\$ 4,242,752</u> |

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

TOWN OF JONESBORO
PROPRIETARY FUND
Statement of Cash Flows
For the Year Ended June 30, 2009

Statement I

| | |
|---|-----------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | |
| Receipts from customers | \$ 1,142,981 |
| Payments to suppliers for goods and services | (456,333) |
| Payments to employees for services | <u>(328,664)</u> |
| Net cash provided (used) for operating activities | <u>359,984</u> |
| CASH FLOW (USES) FROM NONCAPITAL FINANCING ACTIVITIES: | |
| Transfers in | <u>4,845</u> |
| CASH FLOW (USES) FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | |
| Acquisition of capital assets | (2,638,784) |
| Payments on capital leases | (70,699) |
| Payments on bonds | (942,495) |
| Debt proceeds | 3,242,295 |
| Grant receipts | 112,900 |
| Interest expense | <u>(68,097)</u> |
| Net cash provided (used) for capital and related financing activities | <u>(364,880)</u> |
| CASH FLOW FROM INVESTING ACTIVITIES | |
| Earnings on investments | <u>6,804</u> |
| Net increase (decrease) in cash and cash equivalents | 6,753 |
| CASH AND CASH EQUIVALENTS - BEGINNING | <u>443,311</u> |
| CASH AND CASH EQUIVALENTS - ENDING | <u>450,064</u> |
| Cash and cash equivalents | 338,865 |
| Restricted deposits | <u>111,199</u> |
| TOTAL CASH AND CASH EQUIVALENTS | <u>450,064</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | |
| Operating income (loss) | 180,138 |
| Adjustments to reconcile operating income to net cash provided (used) for operating activities: | |
| Depreciation | 188,776 |
| (Increase) decrease in accounts receivable | 53,396 |
| (Increase) decrease in inventory | 11,825 |
| Increase (decrease) in accounts payable | (90,763) |
| Increase (decrease) in accrued expenses | 4,362 |
| Increase (decrease) in deposits due others | 11,360 |
| Increase (decrease) in compensated absences | <u>890</u> |
| Net cash provided (used) by operating activities | \$ <u>359,984</u> |

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Town of Jonesboro
Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

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Town of Jonesboro
Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

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 applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. REPORTING ENTITY The Town of Jonesboro is located in the southwest corner of Jackson Parish. Jonesboro was incorporated as a village on September 4, 1901, and as a town on May 14, 1903, under provisions of the Lawrason Act.

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

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

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

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

Fire Department Ad Valorem Tax Fund accounts for the proceeds of ad valorem taxes restricted to expenditures of the Fire Department.

Street Department Ad Valorem Tax Fund accounts for proceeds of ad valorem taxes to expenditures of the Street Department.

Street Department Sales Tax Fund accounts for proceeds of sales taxes restricted to expenditures of the Street Department.

Water Capital Projects Fund accounts for revenues related to water system capital improvements.

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

Town of Jonesboro
Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-Wide Financial Statements (GWFS) The Statement of Net Assets and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the GWFS.

The Statement of Net Assets and the Statement of Activities was prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange 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 a 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.

Fund Financial Statements (FFS)

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

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

Revenues

Ad valorem taxes are recognized when all applicable eligibility requirements are met and the resources are available.

Sales taxes are recognized when the underlying exchange transaction occurs and the resources are available.

Entitlements and shared revenues are recorded as unrestricted grants-in-aid at the time of receipt or earlier if

Town of Jonesboro
Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met.

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

Expenditures

Salaries are recorded as paid.

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

Proprietary Funds

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

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

Under state law, the Town may also invest in U. S. Government bonds, notes, or certificates. Those with maturities of 90 days or less would be classified as cash equivalents and all others reported as investments.

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

E. 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 *nonparticipating* interest-earning contracts, such as nonnegotiable certificates of deposit with redemption terms that do not consider market rates, are reported using a cost-based measure.

The Town reported at amortized cost money market investments and participating interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less.

Town of Jonesboro
Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

Definitions:

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.

F. SHORT-TERM INTERFUND 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 interfund loans are classified as interfund receivables/payables.

G. ELIMINATION AND RECLASSIFICATIONS In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

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

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

| | |
|----------------------------|-------------|
| Land | N/A |
| Buildings and improvements | 40-50 years |
| Water System | 25-40 years |
| Sewer System | 40 years |
| Machinery and equipment | 3-20 years |
| Vehicles | 5-10 years |

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

K. COMPENSATED ABSENCES Employees of the Town earn one week to three weeks vacation leave annually, depending upon length of service; with exceptions of two employees, vacation leave does not accumulate. Employees earn from one week to three weeks of sick leave annually, depending upon length of service; employees are allowed to accumulate 45 days of sick leave. All sick leave is forfeited upon termination of employment, except for appointed department heads. Liability for these compensated absences is recorded on long-term debt in the government-wide statements.

Town of Jonesboro
Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

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 employees' 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.

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

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments;

Imposed by law through constitutional provisions or enabling legislation. Restricted net assets in the statement of net assets are restricted by enabling legislation.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, the unrestricted resources as they are needed.

M. FUND BALANCES OF FUND FINANCIAL STATEMENTS Reservations of fund balance represent amounts that are not appropriate for expenditures or legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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

Town of Jonesboro
Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

O. SALES TAXES The voters of the Town of Jonesboro levied a 1% sales and use tax on April 1, 1980, to provide funds for any lawful activity of the Town. In January 1988, the taxpayers of the Town levied an additional 1% sales and use tax for a period of ten (10) years commencing August 1, 1989. In July, 1998, the taxpayers of the Town renewed the 1% sales and use tax for an additional ten (10) years commencing August 1, 1999. In July, 2008, the taxpayers of the Town renewed the 1% sales and use tax for an additional ten (10) years commencing August 1, 2009. The purpose of this tax is for the construction, maintenance, repair and improvements of the Town's streets.

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

NOTE 2 - CASH AND CASH EQUIVALENTS

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

Credit Risk: The Town's investments are in Certificates of Deposits which do not have credit ratings; however, the Town's policy does not address credit rate risk.

Custodial Credit Risk-Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2009 of the Town's bank balance of \$1,821,238, there was \$645,137 that was exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent, but not in the Town's name. Even though the pledged securities are considered uncollateralized under provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Town that the fiscal agent has failed to pay deposited funds upon request. The Town's policy does not address custodial credit risk.

NOTE 3 - RECEIVABLES The following is a summary of receivables at June 30, 2009:

| Class of Receivables | General | Utility Enterprise | Total |
|-----------------------------------|------------------|-----------------------|-------------------|
| Grant | | | |
| State | \$ 4,150 | \$ - | \$ 4,150 |
| Other | 6,088 | - | 6,088 |
| Utilities: | | | |
| Billed utilities | 16,852 | 90,609 | 107,461 |
| Unbilled utilities | 5,242 | 34,794 | 40,036 |
| Gross receivables | <u>32,332</u> | <u>125,403</u> | <u>157,735</u> |
| Less allowance for uncollectables | - | 29,499 | 29,499 |
| Net total receivables | <u>\$ 32,332</u> | <u>\$ 95,904</u> | <u>\$ 128,236</u> |

Town of Jonesboro
Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

NOTE 4 - INTERFUND TRANSACTIONS Interfund receivables and payables include the following:

Transfers

| <u>Transfer In</u> | <u>Transfer Out</u> | <u>Amount</u> |
|------------------------------|--------------------------------|-------------------|
| General Fund | Fire Dept. Ad Valorem Tax Fund | \$ 75,000 |
| General Fund | Street Ad Valorem Tax Fund | 75,000 |
| General Fund | Street Sales Tax Fund | 800,000 |
| Water and Sewer Utility Fund | Water Capital Projects Fund | 4,845 |
| | | <u>\$ 954,845</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. The water capital projects fund was closed out to the water and sewer fund because the bonds were sold this year.

NOTE 5 - CAPITAL ASSETS A schedule of changes in capital assets for the year ended June 30, 2009, follows:

| | <u>Balance- Beginning</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance Ending</u> |
|---|-------------------------------|------------------|---------------------|---------------------------|
| Governmental activities: | | | | |
| Capital asset not being depreciated: | | | | |
| Land | \$ 147,487 | \$ 3,000 | \$ 2,310 | \$ 148,177 |
| Construction In Progress | 1,103,093 | 88,625 | 1,103,093 | 88,625 |
| Total capital assets not being depreciated | <u>1,250,580</u> | <u>91,625</u> | <u>1,105,403</u> | <u>236,802</u> |
| Capital assets being depreciated: | | | | |
| Buildings & Building Improvements | 881,507 | 18,000 | - | 899,507 |
| Furniture and equipment | 1,684,750 | 65,034 | 10,919 | 1,738,865 |
| Vehicles | 1,041,951 | 7,752 | 38,319 | 1,011,384 |
| Total capital assets being depreciated | <u>3,608,208</u> | <u>90,786</u> | <u>49,238</u> | <u>3,649,756</u> |
| Less accumulated depreciation: | | | | |
| Buildings | 520,823 | 34,783 | - | 555,606 |
| Furniture and equipment | 1,483,110 | 60,520 | 10,919 | 1,532,711 |
| Vehicles | 810,532 | 36,765 | 38,319 | 808,978 |
| Total accumulated depreciation | <u>2,814,465</u> | <u>132,068</u> | <u>49,238</u> | <u>2,897,295</u> |
| Total capital assets being depreciated, net | <u>793,743</u> | <u>(41,282)</u> | <u>-</u> | <u>752,461</u> |
| Governmental activities | | | | |
| Capital assets, net | <u>\$2,044,323</u> | <u>\$ 50,343</u> | <u>\$ 1,105,403</u> | <u>\$ 989,263</u> |

The Construction in Progress deletion for \$1,103,903 is a transfer of Construction in Progress from the Water Capital Projects Fund to the Business Type Activities. This construction in progress is improvements to the water and sewer system financed by USDA bonds.

Town of Jonesboro
Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

Depreciation expense was charged to governmental activities as follows:

| | |
|---------------------------------|------------|
| General Government | \$ 19,855 |
| Public Safety | 85,809 |
| Streets, Airport and Recreation | 26,404 |
| Total | \$ 132,068 |

| | Beginning Balance | Additions | Deletions | Ending Balance |
|---|----------------------|--------------|--------------|-------------------|
| Business Type Activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Construction in progress | \$ - | \$ 2,457,077 | \$ 2,276,169 | \$ 180,908 |
| Total capital assets not being depreciated | - | 2,457,077 | 2,276,169 | 180,908 |
| Capital assets being depreciated: | | | | |
| Water System | 3,649,414 | 2,276,169 | 58,865 | 5,866,718 |
| Sewer System | 2,932,129 | - | - | 2,932,129 |
| Total capital assets being depreciated | 6,581,543 | 2,276,169 | 58,865 | 8,798,847 |
| Less Accumulated Depreciation: | | | | |
| Water System | 1,074,308 | 130,063 | 58,865 | 1,145,506 |
| Sewer System | 862,918 | 58,713 | - | 921,631 |
| Total accumulated depreciation | 1,937,226 | 188,776 | 58,865 | 2,067,137 |
| Total capital assets, being depreciated, net | 4,644,317 | 2,087,393 | - | 6,731,710 |
| Business Type Activities | | | | |
| Capital assets, net | \$ 4,644,317 | \$ 4,544,470 | \$ 2,276,169 | \$6,912,618 |

NOTE 6 - ACCOUNTS, SALARIES, AND OTHER PAYABLES The payables at June 30, 2009, are as follows:

| | General | Utility Enterprise | Total |
|-----------------------------|------------|-----------------------|------------|
| Accounts payable | \$ 11,037 | \$ 21,341 | \$ 32,378 |
| Payroll liabilities payable | 121,570 | - | 121,570 |
| Wages payable | 20,936 | 4,362 | 25,298 |
| Total | \$ 153,543 | \$ 25,703 | \$ 179,246 |

NOTE 7 - COMPENSATED ABSENCES The following is a summary of the changes in compensated absences for the year:

| | |
|--------------------------------------|-----------|
| Balance at the beginning of the year | \$ 4,285 |
| Additions | 36,381 |
| Deductions | 16,200 |
| Balance at the end of the year | \$ 24,466 |

Town of Jonesboro
Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

NOTE 8 - LONG-TERM LIABILITIES The following is a summary of the long-term obligation transactions for the year ended June 30, 2009:

| | Beginning Balance | Additions | Deletions | Ending Balance | Amounts Due Within One year |
|---------------------------------------|----------------------|--------------------|--------------------|--------------------|--------------------------------------|
| Governmental activities | | | | | |
| Bonds payable | \$ - | \$ - | \$ - | \$ - | \$ - |
| Compensated absences | 4,285 | 35,057 | 15,766 | 23,576 | 15,766 |
| Capital leases | 91,455 | - | 11,275 | 80,180 | 11,825 |
| Total governmental activities | <u>95,740</u> | <u>35,057</u> | <u>27,041</u> | <u>103,756</u> | <u>27,591</u> |
| Business-type activities | | | | | |
| Bonds payable | 1,107,000 | 3,242,295 | 2,049,295 | 2,300,000 | 9,153 |
| Compensated absences | - | 1,324 | 434 | 890 | 890 |
| Capital leases | 858,888 | - | 70,699 | 788,189 | 73,766 |
| Total business-type activities | <u>1,965,888</u> | <u>3,243,619</u> | <u>2,120,428</u> | <u>3,089,079</u> | <u>83,809</u> |
| Long-term liabilities | <u>\$2,061,628</u> | <u>\$3,278,676</u> | <u>\$2,147,469</u> | <u>\$3,192,835</u> | <u>\$111,400</u> |

The individual issue is as follows:

| <u>Bond Issue</u> | <u>Issue Date</u> | <u>Original Issue</u> | <u>Interest Rate</u> | <u>Final Payment Due</u> | <u>Interest to Maturity</u> | <u>Principal Outstanding</u> |
|--|-------------------|-----------------------|--------------------------|----------------------------------|---------------------------------|----------------------------------|
| Business-type activities: USDA-Water Revenue Bonds Series 2008 | 1/22/2009 | \$2,300,000 | 4.500% | 1/22/2049 | \$2,681,799 | \$2,300,000 |

The annual requirements to amortize all bonds outstanding at June 30, 2009 are as follows:

| <u>For the year ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------------------------------|--------------------|--------------------|--------------------|
| 2010 | \$ 9,153 | \$ 146,557 | \$ 155,710 |
| 2011 | 22,680 | 102,624 | 125,304 |
| 2012 | 23,722 | 101,582 | 125,304 |
| 2013 | 24,812 | 100,492 | 125,304 |
| 2014 | 25,951 | 99,353 | 125,304 |
| 2015-2019 | 148,774 | 477,746 | 626,520 |
| 2020-2024 | 186,235 | 440,285 | 626,520 |
| 2025-2029 | 233,128 | 393,392 | 626,520 |
| 2030-2034 | 291,828 | 334,692 | 626,520 |
| 2035-2039 | 365,309 | 261,211 | 626,520 |
| 2040-2045 | 561,733 | 190,091 | 751,824 |
| 2045-2049 | 406,675 | 33,774 | 440,449 |
| Total | <u>\$2,300,000</u> | <u>\$2,681,799</u> | <u>\$4,981,799</u> |

Town of Jonesboro
Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

The capital leases are paid using resources from the 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 general fund and 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 |
|-----------------------|--|------------|--------------------------|
| Water meters | Business type | \$ 820,513 | \$ 162,077 |
| Dozer | Half governmental and half business type | 93,965 | 19,404 |
| Tractor and excavator | Business type | 69,082 | 19,736 |
| Tractor and mower | Half governmental and half business type | 89,945 | 18,366 |

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, 2009:

| | Water Meters | Dozer | Tractor & Excavator | Tractor w/ Mower | Total |
|---|-------------------|------------------|------------------------|---------------------|-------------------|
| 2010 | \$ 86,000 | \$ 15,816 | \$ 9,854 | \$ 14,971 | \$ 126,641 |
| 2011 | 87,000 | 15,816 | 11,831 | 14,971 | 129,618 |
| 2012 | 88,000 | 15,816 | 11,831 | 14,971 | 130,618 |
| 2013 | 90,000 | 15,816 | 11,831 | 14,971 | 132,618 |
| 2014 | 91,000 | 15,816 | 11,831 | 14,971 | 133,618 |
| 2015-2018 | 376,936 | 15,814 | 5,916 | 14,969 | 413,635 |
| Net minimum lease payments | 818,936 | 94,894 | 63,094 | 89,824 | 1,066,748 |
| Less amounts representing interest | 165,797 | 12,513 | 8,224 | 11,845 | 198,379 |
| Present value of net minimum lease payments | <u>\$ 653,139</u> | <u>\$ 82,381</u> | <u>\$ 54,870</u> | <u>\$ 77,979</u> | <u>\$ 868,369</u> |

NOTE 9 - RETIREMENT SYSTEMS Substantially all employees of the Town of Jonesboro are members of the Municipal Employees Retirement System of Louisiana, Municipal Police Employees Retirement System of Louisiana, or Firefighter Retirement System of Louisiana. These systems are cost-sharing, multiple-employer-defined benefit pension plan administered by separate boards of trustees.

The Municipal Employees Retirement System of Louisiana (System)

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

Plan Description All permanent employees working at least 35 hours per week who are not covered by another pension plan are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service and at or after age 55 with at least 25 years of creditable service or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3% of their final-average salary for each year of creditable service. Final average salary is the employees' average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified

Town of Jonesboro
Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 925-4810.

Funding Policy Under Plan A, members are required by state statute to contribute 9.25% of their annual covered salary and the Town of Jonesboro is required to contribute at an actuarially determined rate. The current rate is 13.5% of annual covered payroll. Contributions to the System also include one-fourth of 1%, except for Orleans Parish and East Baton Rouge Parish, of the taxes 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, 2009, 2008, and 2007 were \$78,503, \$77,377, and \$79,961, respectively, equal to the required contributions for each year.

The Municipal Police Employees Retirement System of Louisiana (System)

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

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8550 United Plaza Boulevard, Suite 501, Baton Rouge, LA 70809-0200 or by calling (225) 929-7411.

Funding Policy Plan members are required by state statute to contribute 7.5% of their annual covered salary and the Town of Jonesboro is required to contribute at an actuarially determined rate. The current rate is 13.75% 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, 2009, 2008, and 2007 were \$34,687, \$35,778, and \$44,547, respectively, equal to the required contributions for each year.

Town of Jonesboro
Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

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 from participation in the System. Employees are eligible to retire at or after age 55 with at least 12 years of creditable service or at or after age 50 with at least 20 years of creditable service. Upon retirement, members are entitle 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 12 years of service stated, and do not withdraw their employee contributions, may retire at or after age 55 (or age 50 with at least 20 years of creditable service at termination) and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

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

Funding Policy Plan members are required by state statute to contribute 8.0% of their annual covered salary and the Town of Jonesboro is required to contribute at an actuarially determined rate. The current rate is 13.75% 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, 2009, 2008, and 2007 were \$15,404, \$14,837, and \$19,012, 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 departments receive supplemental pay directly from the State of Louisiana. This supplemental pay in the amount of \$61,781 is recognized as intergovernmental revenue and public safety expenditures in the following departments:

| | |
|--------|----------|
| Police | \$39,001 |
| Fire | 22,780 |

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Litigation At June 30, 2009, 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.

Construction Projects There are certain construction projects in progress at June 30, 2009. These projects are for various infrastructure improvements throughout the Town. The construction commitment outstanding at June 30, 2009 is \$1,119,392.

NOTE 12 - RISK MANAGEMENT The Town is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties, except for general liability, law enforcement officers' liability, and public officials' liability coverages that were obtained from the Louisiana Municipal Risk Management Agency. The Louisiana Municipal Risk Management Agency is a municipal risk pool administered by the Louisiana Municipal Association. The Louisiana Municipal Risk Management Agency operates

Town of Jonesboro
Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

similar to a commercial insurance company. Premiums are assessed members of the Louisiana Municipal Association annually, based on past experience of claims. The Louisiana Municipal Risk Management Agency services all claims for risk of loss to which the Town is exposed and cannot assess additional amounts if losses exceed their premiums (the covered risks are transferred to the Louisiana Municipal Risk Management Agency). No claims were paid on any policies during the fiscal year that exceeded the policies' coverage amounts. There were no significant reductions in insurance coverage during the year ended June 30, 2009.

NOTE 13 - LEVIED TAXES

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

| | <u>Authorized Millage</u> | <u>Levied 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, 2008. Total assessed value was \$16,326,540 in calendar year 2008.

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 least 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 2008, and January and February 2009. 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, 2009) 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 2008-2009 fiscal year of the Town.

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

NOTE 14 - SUBSEQUENT EVENTS For the 2010-2011 fiscal year the Town is obligated to a 25% match of grant funds for the North East Street Bridge Project. The Town's portion of this project will be \$77,500.

NOTE 15 - PRIOR PERIOD ADJUSTMENT The Government-Wide Financial Statements include prior period adjustments decreasing net assets of governmental activities by \$199,621 and decreasing net assets of business type activities \$277,017. These are numerous adjustments to balance sheet accounts to adjust the balances for the current year. The governmental funds statements reflect a prior period adjustment decreasing fund balance by \$234,948. These are numerous adjustments to balance sheet accounts to adjust the balances for the current year.

REQUIRED SUPPLEMENTAL INFORMATION

TOWN OF JONESBORO

GENERAL FUND
Budgetary Comparison Schedule
For the Year Ended June 30, 2009

Exhibit 1-1

| | BUDGETED AMOUNTS | | ACTUAL | VARIANCE WITH |
|---|------------------|------------|-------------------|------------------------|
| | ORIGINAL | FINAL | AMOUNTS | FINAL BUDGET |
| | | | (BUDGETARY BASIS) | POSITIVE (NEGATIVE) |
| BUDGETARY FUND BALANCES, BEGINNING | \$ 423,065 | \$ 423,065 | \$ 436,630 | \$ 13,565 |
| Resources (inflows) | | | | |
| Local sources: | | | | |
| Taxes: | | | | |
| Ad valorem | 100,500 | 100,500 | 112,297 | 11,797 |
| Franchise tax | 150,000 | 150,000 | 117,275 | (32,725) |
| Sales and use | 800,000 | 800,000 | 855,497 | 55,497 |
| Other taxes | 13,500 | 13,500 | 3,652 | (9,848) |
| Licenses and permits | 80,500 | 80,500 | 105,873 | 25,373 |
| Fines, forfeitures and court costs | 70,000 | 70,000 | 65,018 | (4,982) |
| Intergovernmental revenues: | | | | |
| State funds: | | | | |
| State revenue | 116,300 | 116,300 | 47,013 | (69,287) |
| Other | 0 | 0 | 107,327 | 107,327 |
| Fees, charges, and commissions for services | 348,000 | 348,000 | 354,650 | 6,650 |
| Use of money and property | 5,000 | 5,000 | 5,249 | 249 |
| Rents and royalties | 20,800 | 20,800 | 20,896 | 96 |
| Federal revenues | 0 | 0 | 38,950 | 38,950 |
| Other revenues | 3,500 | 3,500 | 48,431 | 44,931 |
| Transfers from other funds | 1,010,000 | 1,010,000 | 950,000 | (60,000) |
| Amounts available for appropriations | 3,141,165 | 3,141,165 | 3,268,758 | 127,593 |
| Charges to appropriations (outflows) | | | | |
| General government | 569,780 | 569,780 | 550,299 | 19,481 |
| Public safety | 1,035,925 | 1,035,925 | 1,042,685 | (6,760) |
| Public works | 1,349,950 | 1,349,950 | 1,153,844 | 196,106 |
| Capital outlay | 151,500 | 151,500 | 124,496 | 27,004 |
| Debt service: | | | | |
| Principal | 24,000 | 24,000 | 11,275 | 12,725 |
| Interest | 0 | 0 | 4,118 | (4,118) |
| Transfers to other funds | 0 | 0 | 0 | 0 |
| Total charges to appropriations | 3,131,155 | 3,131,155 | 2,886,717 | 244,438 |
| BUDGETARY FUND BALANCES, ENDING | \$ 10,010 | \$ 10,010 | \$ 382,041 | \$ 372,031 |

TOWN OF JONESBORO

FIRE DEPARTMENT AD VALOREM TAX
Budgetary Comparison Schedule
For the Year Ended June 30, 2009

Exhibit 1-2

| | BUDGETED AMOUNTS | | ACTUAL | VARIANCE WITH |
|--------------------------------------|------------------|------------------|-------------------|------------------------|
| | ORIGINAL | FINAL | AMOUNTS | FINAL BUDGET |
| | | | (BUDGETARY BASIS) | POSITIVE (NEGATIVE) |
| BUDGETARY FUND BALANCES, BEGINNING | \$ 32,067 | \$ 32,067 | \$ 32,067 | \$ 0 |
| Resources (Inflows) | | | | |
| Local sources: | | | | |
| Taxes: | | | | |
| Ad valorem | 67,500 | 67,500 | 77,354 | 9,854 |
| Use of money and property | 250 | 250 | 2,111 | 1,861 |
| Transfers from other funds | 0 | 0 | 0 | 0 |
| Amounts available for appropriations | <u>99,817</u> | <u>99,817</u> | <u>111,532</u> | <u>11,715</u> |
| Charges to appropriations (outflows) | | | | |
| Transfers to other funds | <u>80,000</u> | <u>80,000</u> | <u>75,000</u> | <u>5,000</u> |
| Total charges to appropriations | <u>80,000</u> | <u>80,000</u> | <u>75,000</u> | <u>5,000</u> |
| BUDGETARY FUND BALANCES, ENDING | <u>\$ 19,817</u> | <u>\$ 19,817</u> | <u>\$ 36,532</u> | <u>\$ 16,715</u> |

TOWN OF JONESBORO

STREET AD VALOREM TAX
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2009

Exhibit 1-3

| | BUDGETED AMOUNTS | | ACTUAL | VARIANCE WITH |
|--------------------------------------|------------------|-----------|-------------------|------------------------|
| | ORIGINAL | FINAL | AMOUNTS | FINAL BUDGET |
| | | | (BUDGETARY BASIS) | POSITIVE (NEGATIVE) |
| BUDGETARY FUND BALANCES, BEGINNING | \$ 31,918 | \$ 31,918 | \$ 31,918 | 0 |
| Resources (inflows) | | | | |
| Local sources: | | | | |
| Taxes: | | | | |
| Ad valorem | 67,500 | 67,500 | 77,354 | 9,854 |
| Use of money and property | 250 | 250 | 1,514 | 1,264 |
| Transfers from other funds | 0 | 0 | 0 | 0 |
| Amounts available for appropriations | 99,668 | 99,668 | 110,786 | 11,118 |
| Charges to appropriations (outflows) | | | | |
| Transfers to other funds | 80,000 | 80,000 | 75,000 | 5,000 |
| Total charges to appropriations | 80,000 | 80,000 | 75,000 | 5,000 |
| BUDGETARY FUND BALANCES, ENDING | \$ 19,668 | \$ 19,668 | \$ 35,786 | 16,118 |

TOWN OF JONESBORO

STREET SALES TAX
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2009

Exhibit 1-4

| | <u>BUDGETED AMOUNTS</u> | | <u>ACTUAL</u> | <u>VARIANCE WITH</u> |
|--------------------------------------|-------------------------|-------------------|--------------------------|--------------------------------------|
| | <u>ORIGINAL</u> | <u>FINAL</u> | <u>AMOUNTS</u> | <u>FINAL BUDGET</u> |
| | | | <u>(BUDGETARY BASIS)</u> | <u>POSITIVE</u> <u>(NEGATIVE)</u> |
| BUDGETARY FUND BALANCES, BEGINNING | \$ 827,998 | \$ 827,998 | \$ 827,998 | 0 |
| Resources (inflows) | | | | |
| Local sources: | | | | |
| Taxes: | | | | |
| Sales and use | 768,000 | 768,000 | 855,496 | 87,496 |
| Use of money and property | 5,000 | 5,000 | 5,588 | 588 |
| Transfers from other funds | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Amounts available for appropriations | <u>1,600,998</u> | <u>1,600,998</u> | <u>1,689,082</u> | <u>88,084</u> |
| Charges to appropriations (outflows) | | | | |
| General government | 0 | 0 | 0 | 0 |
| Transfers to other funds | <u>850,000</u> | <u>850,000</u> | <u>800,000</u> | <u>50,000</u> |
| Total charges to appropriations | <u>850,000</u> | <u>850,000</u> | <u>800,000</u> | <u>50,000</u> |
| BUDGETARY FUND BALANCES, ENDING | \$ <u>750,998</u> | \$ <u>750,998</u> | \$ <u>889,082</u> | <u>138,084</u> |

Town of Jonesboro
Notes to the Budgetary Comparison Schedules
For the Year Ended June 30, 2009

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. No amendments were 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.

Town of Jonesboro
Notes to the Budgetary Comparison Schedules
For the Year Ended June 30, 2009

| | <u>General</u> | <u>Fire Dept. 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 | \$ 3,268,758 | \$ 111,532 | \$ 110,786 | \$ 1,689,082 |
| The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes | (436,630) | (32,067) | (31,918) | (827,998) |
| Transfer from other funds are inflows for budgetary purposes but are not revenue for financial reporting purposes | <u>(950,000)</u> | - | - | - |
| Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds | <u>\$ 1,882,128</u> | <u>\$ 79,465</u> | <u>\$ 78,868</u> | <u>\$ 861,084</u> |
| Uses/Outflows of resources: | | | | |
| Actual amounts (budgetary basis) "Total charges to appropriations" from the Budgetary Comparison Schedule | \$ 2,886,717 | \$ 75,000 | \$ 75,000 | \$ 800,000 |
| Transfers to other funds are outflows for budgetary purposes but are not expenditures for financial reporting purposes | - | <u>(75,000)</u> | <u>(75,000)</u> | <u>(800,000)</u> |
| Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds | <u>\$ 2,886,717</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

Town of Jonesboro

SUPPLEMENTAL INFORMATION

Town of Jonesboro

**Schedule of Compensation Paid Mayor and Aldermen
For the Year Ended June 30, 2009**

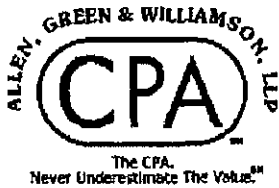
Exhibit 2

The schedule of compensation paid to the Mayor and Aldermen 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 | \$35,000 |
| Carroll R. Layfield | 6,000 |
| Randy Shows | 6,000 |
| Aaron Stringer | 6,000 |
| Terry Wiley | 6,000 |
| Rene Stringer | <u>6,000</u> |
| TOTAL | <u>\$65,000</u> |

Town of Jonesboro

**OTHER REPORTS REQUIRED BY GOVERNMENT
AUDITING STANDARDS**



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Cindy Thomason, CPA
Angie Williamson, CPA

Ernest L. Allen, CPA
(Retired) 1963 - 2000

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

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

We were engaged to audit the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Jonesboro, (the Town) as of and for the year ended June 30, 2009, which collectively comprise the Town's basic financial statements and have issued our report thereon dated June 30, 2010. We did not express an opinion on the financial statements because the Town did not maintain adequate records of disbursements, properly reconcile bank accounts, accounts receivable and accounts payable, nor were all transactions entered in the accounting records.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as 09-F1, 09-F2, 09-F3, 09-F4, 09-F5 and 09-F6 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that 09-F1, 09-F3, and 09-F4 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and questioned costs as items 09-F6 and 09-F7.

We noted certain matters that we reported to management of the Town in separate letter dated June 30, 2010.

The Town's responses to the findings identified in our audit are described in the accompanying corrective action plan for current year audit findings. We did not audit the Town's responses and, accordingly, we express no opinion on it.

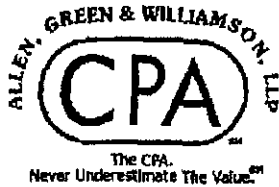
This report is intended solely for the information and use of the Council, management, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of these reports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

Allen, Green & Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana

June 30, 2010



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(Retired) 1963 - 2000

Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

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

Compliance

We have audited the compliance of the Town of Jonesboro, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. The Town's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on Town's compliance based on our audit.

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

In our opinion the Town complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with these requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 09-F8 and 09-F9.

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 09-F8 and 09-F9 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

The Town's responses to the findings identified in our audit are described in the accompanying corrective action plan for current year audit findings and questioned costs. We did not audit the Town's responses and accordingly, we express no opinion on it.

Schedule of Expenditures of Federal Awards

We were engaged to audit the financial statements of the governmental activities, the business-type activities, and each major fund of the Town, as of and for the year ended June 30, 2009, and have issued our report thereon dated June 30, 2010. We did not express an opinion on the financial statements because the Town did not maintain adequate records of disbursements, properly reconcile bank accounts, account receivable and accounts payable, nor were all transactions entered in the accounting records. We express no opinion on the schedule of expenditures of federal awards.

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

Allen, Green & Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
June 30, 2010

Town of Jonesboro
Schedule of Federal Expenditures of Federal Awards
June 30, 2009

| FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM NAME | CFDA <u>Number</u> | Pass Through <u>Grantor No.</u> | <u>Expenditures</u> |
|--|-----------------------|------------------------------------|---------------------|
| CASH FEDERAL AWARDS | | | |
| United States Department of Agriculture | | | |
| Direct: | | | |
| Water and Waste Disposal Systems for Rural Communities | 10.760 | N/A | \$2,300,000 |
| United States Department of Transportation: | | | |
| Airport Improvement | 20.106 | N/A | 38,950 |
| TOTAL FEDERAL AWARDS | | | <u>\$2,338,950</u> |

Town of Jonesboro
Notes to Schedule of Expenditures of Federal Awards
June 30, 2009

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

NOTE 2 - BASIS OF ACCOUNTING The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 of the Notes to the Financial Statements to the Town's financial statements.

NOTE 3 - RELATIONSHIP TO FINANCIAL STATEMENTS Federal awards revenues are reported in the Town's financial statements as follows:

| | |
|------------------------------|--------------------|
| General fund federal revenue | \$ 38,950 |
| Enterprise fund: | |
| Bonds payable | <u>2,300,000</u> |
| Total | <u>\$2,338,950</u> |

NOTE 4 - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for changes made to reflect amounts in accordance with accounting principles generally accepted in the United States of America.

NOTE 5 - WATER AND WASTE WATER SYSTEMS The \$2,300,000 amount on the schedule of expenditures of federal awards is the balance of USDA Water Revenues Bonds, Series 2008. The construction project was completed in the fiscal year.

Town of Jonesboro
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009

PART I - Summary of the Auditors' Results

Financial Statement Audit

- i. The type of audit report issued was a disclaimer.
- ii. There were six significant deficiencies required to be disclosed by Government Auditing Standards, issued by the Comptroller General of the United States of America. Three of these significant deficiencies were reported as material weaknesses.
- iii. There were two instances of noncompliance considered material, as defined by the Government Auditing Standards, to the financial statement.

Audit of Federal Awards

- iv. There were two significant deficiencies required to be disclosed by OMB Circular A-133. The significant deficiencies were not considered to be a material weakness.
- v. The type of report the auditor issued on compliance for major programs was unqualified.
- vi. The audit disclosed two audit findings which the auditor is required to report under OMB Circular A-133, Section .510(a).
- vii. The major federal program is:

| | |
|--------------|--|
| CFDA #10.760 | Water and Waste Disposal Systems for Rural Communities |
|--------------|--|
- viii. The dollar threshold used to distinguish between Type A and Type B programs as described in OMB Circular A-133, Section .520(b) was \$300,000.
- ix. The auditee does not qualify as a low-risk auditee under OMB Circular A-133, Section .530.

Town of Jonesboro
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009

Part II – Findings related to financial statements which are required to be reported in accordance with Governmental Auditing Standards generally accepted in the United States of America:

Reference # and title: 09-F1 General Accounting

Entity-Wide or program /department specific: This finding is entity wide.

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

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

Bank accounts were not reconciled timely. Bank reconciliations for the June 30, 2009 fiscal year were not completed until February 2010 when a CPA firm was hired to do the reconciliations. The June 2009 bank reconciliation has over 300 outstanding checks that are over one year old. These old outstanding checks date back to 1996 through the present. An unauthorized withdrawal from the bank account was made during the fiscal year and was not detected in a timely manner because bank reconciliations were not performed. Also, there was a sales tax deposit in November 2008 which was not recorded on the general ledger for \$136,896 and a franchise tax deposit of \$6,149 in December 2008 which was not recorded on the general ledger.

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

Adequate and accurate financial statements were not being provided to the Town Council. For the months of July through November 2008 the Council was provided with a typed listing of checks. For the months December 2008 through June 2009 the Council was provided an accounts payable distribution journal, which does present all transactions posted to the general ledger.

Manual journal entries made by the Town for July and August of 2008 were unavailable. In June 2009 an entry was made to record the grant revenue and expense for the USDA grant for the whole year. The revenue was recorded in the general fund and the expenses were recorded in the water and sewer fund. The total recorded in June was \$3,243,192.80.

Auditors were not provided a listing of accounts receivable and accounts payable. The receivables and payables on the books at June 30, 2009 were the 2007 receivable and payable balances. These balances had to be reversed and the 2008 receivables and payables had to be recorded and reversed also. Then the 2009 receivable and payable balances were recorded. Checks written after June 30th for June 30th fiscal year expenditures were not properly dated.

For utility customers, no entries are made to accounts receivable during the year. An audit adjustment is made at year end to record the June billings and to record the unbilled receivables. There was no attempt to record balances due on delinquent accounts.

**Town of Jonesboro
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009**

Part II – Findings related to financial statements which are required to be reported in accordance with Governmental Auditing Standards generally accepted in the United States of America:

Vendor payments were often made late including payroll deductions. The following payroll related liabilities were not paid timely:

The only federal income tax withholding that was paid to the IRS was for the months of February 2009, March 2009, and May 2009. The remaining months in the fiscal year were not paid by June 30th. A total of \$86,971.95 in federal tax withholding was due to the IRS at June 30, 2009.

Medicare and Social Security withholdings and employer taxes were paid to the IRS for only the months of February 2009, March 2009 and May 2009. The remaining months in the fiscal year were not paid by June 30th. The amount due to the IRS for Medicare and Social Security at June 30th was \$44,551.59.

State income tax withholding was paid to the state in December 2008 for the first six months of the year. Subsequent payments were made in February 2009, March 2009, and May 2009. Total state withholdings for the year was \$28,859.43 and total payments to the state were \$18,091.42. This deduction account had a beginning overpayment balance of \$7,368.59 leaving a balance due the state at June 30th of \$3,399.42.

The Christmas Club deductions for November 2008 were not transferred to employee's accounts. Some employees were paid the withholdings directly when the employee discovered the transfer had not been made.

The group health insurance was not paid timely during the year. Payments for November 2008 and December 2008 were late and the payments for March 2009 and April 2009 were late. The health insurance for employees was canceled twice during the year for non-payment.

There were poor internal controls over the cashier functions, resulting in the theft of funds during the year by one of the cashiers. In addition, there were numerous days where daily cash collections were over or short with no reconciliation of the differences. The over and short amounts ranged up to \$500. The daily collections for June 11, 2009 were \$9,345.25 per the daily receipts summary. The deposit was made on two separate days - \$7,822.88 was deposited on June 18th and the remainder was deposited on June 19th. The deposits were made a week after the collections.

The Council's W'2s for the 2008 year were incorrect when mailed and had to be corrected.

There are no standard procedures for settling up of travel advances to employees.

When the trial balances were given to the auditors at year end all of the funds were out of balance. The following were the out of balance amounts:

| | |
|-----------------------------|-----------|
| General fund | \$392,929 |
| Fire Dept. Ad Valorem Tax | 15,014 |
| Street Dept. Ad Valorem Tax | 15,014 |
| Street Dept. Sales Tax | 144,348 |
| Water and Sewer | 162,077 |

Town of Jonesboro
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009

Part II – Findings related to financial statements which are required to be reported in accordance with Governmental Auditing Standards generally accepted in the United States of America:

Possible asserted effect (cause and effect):

Cause: There has been a large turnover in administrative staff during the past several years. There appears to be a lack of defined job descriptions and accounting policies and procedures. We were not provided with any written accounting procedures. We requested policies and procedures for purchasing, travel, check signing and capital assets and were not provided with any of these policies or procedures. We requested a policy manual on several occasions and were not provided with one.

Effect: The Town cannot establish strong controls over processes if access is not limited.

Bank account reconciliations provide an opportunity for checks and deposits clearing the bank to be reviewed. The reconciliation process also provides assurance that all deposits and checks are recorded. Most banks require any mistakes or unauthorized use of funds be reported in a timely manner to receive reimbursement. Monthly financial statements may be inaccurate if bank accounts have not been reconciled.

Federal and state grants must be identified as such at the start of the grant so that applicable compliance requirements are identified. Grant receipts and disbursements must be recorded in a timely manner to ensure that grant records are complete. Incomplete grant records could endanger the receipt of future grants.

Timely and accurate financial information is needed to make financial decisions. The absence of this information puts management and the Council at a disadvantage when making financial or budget decisions.

Financial records for journal entries are not complete. Manual journal entries should be recorded monthly as needed. Financial statements are not complete if entries are not included.

Recording of receivables and payables should be a part of the year end close. Financial statements are not accurate if receivables and payables are not recorded. Checks written after June 30th for June 30th expenditures should be dated the date the checks are written and recorded as accounts payable. If not, cash is understated and payables are understated.

Accounts receivable should be recorded each month for services rendered during the month. Collections should be recorded as a reduction of accounts receivable so the Town knows at any given time the amount that is due from customers. The general ledger balance should be reconciled to the sub ledger generated from the utility program each month and any differences should be resolved. When this procedure is not followed the accuracy of utility accounts receivable is questionable.

Non-payment of payroll taxes results in penalties and interest being paid to the IRS or the state. Cancellation of group health insurance could leave the Town with a liability if insurance is not reinstated.

Poor controls over the cashier functions provide for opportunities for misappropriation of funds.

Recommendation to prevent future occurrences: Procedures and job descriptions must be established for maintenance of the accounting records. These procedures should include monthly reconciliations of bank accounts to the general ledger and accounts receivable sub ledger to the general ledger. Procedures should also include controls over the cashier functions and daily reconciliations of cash collected to general ledger recording and investigations of any over or short amounts. Procedures should be established to ensure that bills are paid on time including payroll

Town of Jonesboro
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009

Part II – Findings related to financial statements which are required to be reported in accordance with Governmental Auditing Standards generally accepted in the United States of America:

taxes and health insurance. Additional training should be provided to the accounting staff and a third party CPA should be contracted to assist with each monthly close out until the staff are adequately trained. Accounting duties should be further segregated and proper approval steps implemented. A clear chain of command should be established.

Reference # and title: **09-F2** **Utility Collections/Public Works**

Entity-Wide or program /department specific: This finding is for the Water and Sewer Utility Fund.

Criteria or specific requirement: Deposits should be traceable from the point of receipt to posting to the customer's account in the billing system. Good cash management requires that cash receipts be deposited in a timely manner. For purposes of the test, deposits within three banking days were considered timely. Cutoff fees should be charged on accounts in arrears and adjustments to customer accounts should be properly approved and documented.

The accounts receivable sub-ledger should be reconciled to the general ledger monthly. The utility deposits sub ledger should be reconciled to the general ledger monthly.

Condition found: While testing 4 days of utility cash receipts (435 individual payments) in the Water and Sewer Utility Fund, it was noted that one day's deposit was not made until 9 days later; there were 4 instances where a customer's payment was not posted to their account properly. Also noted in this test was that 22 customers were not disconnected after the cutoff date.

In testing of 15 accounts that were on the cutoff list for June 2009, 8 had not been charged the \$30.00 reconnect fee. Also, in 7 of these cases the person was allowed to pay a partial payment and services were turned back on even though full payment had not been made. One of these customers had a balance of \$496.11 at June 30th. One customer, whose husband is an employee of the Town, had a balance of \$592.75 after the payment and was not cut off. Per a review of this account, the customer has not had a zero balance since May of 2006 and was not cut off during that time.

In testing the adjustments given to customers on their utility bills, the support did not state the reason for the adjustment nor did it show who authorized the adjustment.

The utility deposits sub ledger has a balance of \$124,785 in utility deposits at June 30, 2009 while the general ledger has a balance of \$111,146 at June 30, 2009. There is no reconciliation of this difference.

Possible asserted effect (cause and effect):

Cause: It appears that there is no proofing of customer payments to ensure that their payment is applied to the proper account. The Town does not have staff assigned to monitor the cutoffs, deposits, and adjustments adequately.

Effect: The Town could be losing water and sewer revenue and internal controls are weakened.

Town of Jonesboro
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009

Part II – Findings related to financial statements which are required to be reported in accordance with Governmental Auditing Standards generally accepted in the United States of America:

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

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

Reference # and title: **09-F3** **Cash Deposits of Police Fines and Controls Over Ticket Books**

Entity-Wide or program /department specific: This finding is specific to the Police Department.

Criteria or specific requirement: Deposits should be traceable from the point of receipt to posting in the general ledger. Good cash management requires that cash receipts be deposited in a timely manner. For the purpose of testing, deposits within three banking days is considered as being timely. A reconciliation of the amount of collections per the police software monthly report to the revenue accounts in the general ledger should be prepared. There should be controls over the issuance of ticket books to officers.

Condition found: Ticket books were not issued to officers in the fiscal year ended June 30, 2009. The books were kept in a file room and the officers would get the books as they were needed. The officers were requested to keep the books in sequential order by the numbers on the packages of tickets but there was no reconciliation of tickets books issued. When the officers finished with a book they would complete a log sheet with the ticket numbers, offense, and name of the person receiving the ticket. This log was turned in to the Chief. There was no accounting for the sequential numbers of the books.

A sample of 37 police fines was selected to determine if the deposit was made timely. This included tracing the deposit to the bank statement, tracing the deposit to the ticket that was issued, agreeing the amount collected to the standard fine for that offense, and tracing to the general ledger account for proper posting. The results were as follows:

- 16 were not deposited timely.
- 12 of the tickets could not be found.
- 1 ticket was receipted twice on different receipts and neither was voided.
- 2 of the days police fines collected were incorrectly posted to incorrect general ledger accounts; one to oil & gas royalties and the other to fees and other charges.
- 4 tickets paid could not be traced to the bank statements.
- 15 tickets noted where the fine collected did not match the fine schedule with no explanation for the variance.

Town of Jonesboro
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009

Part II – Findings related to financial statements which are required to be reported in accordance with Governmental Auditing Standards generally accepted in the United States of America:

Possible asserted effect (cause and effect):

Cause: There are insufficient controls over the cashier functions at the Town. Deposits are not always made timely and there is no reconciliation of actual fines collected for a month to the general ledger posting to the fines account for the same month.

Effect: Since there was no accounting of the books issued to officers the police department does not have assurance that all of the tickets were turned in to the department.

Cash deposits of police fines were not made in a timely manner nor could all fines received by the Town be accounted for in either the bank statements or the general ledger. This could cause the Town to have a loss of ticket revenue.

Recommendation to prevent future occurrences: Ticket books should be issued to officers by one or two people in the department and a log should be maintained of all books issued and the return of the books after the tickets have been issued.

The Town should ensure that all cash receipts are deposited in a timely manner (within three banking days). There should be greater internal control over cash receipts. There should be a reconciliation of receipts to the actual deposits of all payments performed by an employee independent of the collection, posting, or bank deposit functions. Deposits should be recorded timely in the general ledger. A reconciliation of the amount of collections per month per the police software to the revenue accounts in the general ledger should be prepared. Filing procedures should provide for retention of tickets.

Reference # and title: **09-F4** **Billing and Collections of Ad Valorem Taxes**

Entity-Wide or program /department specific: This finding is entity-wide.

Criteria or specific requirement: Good internal control of tax collections requires accurate billings, collections and posting of those collections.

Condition found: The original billings mailed in late 2008 for ad valorem taxes were for the wrong tax year. A second billing had to be sent to all customers for the correct amount. A sample of 3 days of ad valorem tax receipts was selected for testing. A total of 163 receipts were tested for timely deposit, deposit in the bank account, proper recording in the general ledger, and proper recording on the customer's account. The following was noted:

- None of the receipts tested were deposited in a timely manner (3 business days). Collections from December 30, 2008 were deposited January 12, 2009; collections from April 15, 2009 were deposited April 23, 2009, and collections from April 14, 2009 were deposited April 23, 2009.
- Two exceptions noted where the interest and penalty amounts were not paid, but the accounts were cleared.

The Town had property tax software to account for each customer's account but Town employees did not feel comfortable that the balances of these customer accounts was correct. The tax sale for property with unpaid taxes was not held due to unreliable records.

Town of Jonesboro
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009

Part II – Findings related to financial statements which are required to be reported in accordance with Governmental Auditing Standards generally accepted in the United States of America:

Possible asserted effect (cause and effect):

Cause: Lack of control over ad valorem taxes billing and collections.

Effect: Inability to have a tax sale for property with unpaid taxes. Property tax sub ledger is not accurate, which could cause a loss of tax revenue.

Recommendation to prevent future occurrences: The Town should clean up the Property Tax sub ledger and ensure that it is accurate. The billing each year should be reviewed by a proper official before the bills are mailed to the customers. Collections of property tax payments should be deposited timely and posting to the sub ledger should be reviewed and reconciled. The sub ledger should be reconciled to the general ledger.

Reference # and title: **09-F5** **Internal Control Over Disbursements**

Entity-Wide or program /department specific: This finding is entity-wide.

Criteria or specific requirement: Effective internal control should include vendor disbursements having original documentation (invoices, etc.), proper approval, and paid timely. Payroll disbursements should have proper support, salary rates that match salary schedules, and overtime pay approved by appropriate personnel. Time cards or pay sheets should be signed by the employee and supervisor. The I-9 forms should be kept on all employees. Credit card and charge account payments should be supported by adequate receipts, and only used by authorized employees.

Condition found: The following exceptions were noted from a test of 65 vendor disbursements:

- Six instances noted where the purchase order was either not approved or was prepared after the date of the invoice.
- Six checks did not have proper support such as an invoice.
- Four of the checks were not paid timely.

The following exceptions were noted from a test of 24 payroll disbursements:

- Nine exceptions noted in which either the personnel files with missing the I-9 form or the I-9 form was incomplete.
- Thirteen exceptions where the overtime was not approved by an appropriate official.

Additionally:

- Neither the employee nor the supervisor is required to sign the time cards or pay sheets.
- There are no support documents in the personnel files for salary rates and the latest salary schedule provided was from 2005.

The following exceptions were noted from a test of three credit cards/charge accounts:

- The Town could not provide statements for 4 months on one of the cards and could not provide invoices for five months.
- The Town could not provide statements for 4 months on another card.

Town of Jonesboro
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009

Part II – Findings related to financial statements which are required to be reported in accordance with Governmental Auditing Standards generally accepted in the United States of America:

- One of the charge accounts was suspended by the vendor due to non-payment (account was delinquent over 90 days).

The following exceptions were noted from testing of 10 travel checks:

- Five of the checks had no documentation attached to support the check.
- One of the checks had partial documentation attached to support the check.

Possible asserted effect (cause and effect):

Cause: There is poor control over vendor and payroll disbursements and credit card usage.

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

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

Reference # and title: **09-F6** **Capital Asset Management**

Entity-Wide or program /department specific: This finding is entity-wide.

Criteria or specific requirement: Louisiana Revised Statue LSA-R.S.24:515 requires the Town to maintain a comprehensive listing of capital assets.

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

Possible asserted effect (cause and effect):

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

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

Recommendation to prevent future occurrences: Management of the Town should consider appointing an employee as property manager who will maintain a comprehensive listing of capital assets as additions and deletions are added during the year. Department heads should be given addition and deletion forms and required to complete the forms as purchases or deletions of capital assets are made and then given to the property manager. The property manager should perform an annual physical inventory of all capital assets and any missing assets identified should be

**Town of Jonesboro
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009**

Part II – Findings related to financial statements which are required to be reported in accordance with Governmental Auditing Standards generally accepted in the United States of America:

investigated. All assets should be tagged as property of the Town and serial numbers retained by the property manager.

Reference # and title: **09-F7 Late Submission of Audit Report to Legislative Auditor**

Entity-Wide or program /department specific: This finding is entity-wide.

Criteria or specific requirement: Louisiana Revised Statute 24:513A (5) (a) (I) requires that "...audits shall be completed within six months of the close of the entity's fiscal year".

Condition found: The Town requested an extension of time by the Legislative Auditor's Office and an extension was approved to March 31, 2010. An additional extension was requested to May 31, 2010.

Possible asserted effect (cause and effect):

Cause: The audit for the Town was not completed in time to meet the required deadline due to the Town's lack of adequate financial records. This was due to bank reconciliations not being performed and the financial records not being complete.

Effect: The Town's audit was not filed by the six month deadline.

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

Town of Jonesboro
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009

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

Reference and title: **09-F8** **Capital Outlay Accounting**

Federal program and specific federal award identification: This finding relates to Water and Waste Disposal Systems for Rural Development, CFDA#10.760, from federal agency, Department of Agriculture for Federal Award year 2008.

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

Condition found: In testing of the federal grant charges for the USDA financed project it was noted that the expenses charged to capital outlay included repayment of interim financing which should have been charged to a liability (loan payable) account. An analysis of construction in progress was completed by the auditors using the project files and the general ledger.

Possible asserted effect(cause and effect):

Cause: The accounting staff was not knowledgeable of the requirements for recording capital projects. Also, no review was made of the capital outlay accounts prior to year end close to ensure that only capitalizable entries were recorded. Some project files were maintained but an analysis of construction in progress was not maintained.

Effect: There is a possibility that some of the construction in progress which should be capitalized was expensed.

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

Reference # and title: **09-F9** **Late Submission of the Audit Report to the USDA**

Federal program and specific federal award identification: This finding relates to Water and Waste Disposal Systems for Rural Development, CFDA#10.760, from federal agency, Department of Agriculture for Federal Award year 2008.

Criteria or specific requirement: The United States Department of Agriculture requires the audit for the Town be filed 150 days after fiscal year end of June 30th each year.

Condition found: The Town did not file the audit by the end of the 150 days required.

Possible asserted effect (cause and effect):

Cause: The audit for the Town was not completed in time to meet the required deadline due to the Town's lack of adequate financial records. This was due to bank reconciliations not being performed and the financials not being complete. A third party CPA firm was hired after the close of the fiscal year and reconciled the largest bank

Town of Jonesboro
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009

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

statements as well as balanced the three funds whose trial balances were out of balance. This work was finished in March of 2010.

Effect: The Town is in violation of the requirements of the USDA.

Recommendation to prevent future occurrences: In the future the Town should maintain adequate accounting records necessary for auditors to complete the audit to meet the deadline.

Town of Jonesboro

Other Information

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

Town of Jonesboro
Status of Prior Year Audit Findings
June 30, 2009

Reference # and title: **08-F1** **Control Over Recording**

Origination Date: December 31, 2008.

Condition found: Financial transactions are not being posted or not being posted in a timely manner to the general ledger.

Corrective action planned: See corrective action plan for current year finding 09-F1.

Reference # and title: **08-F2** **Control Over Account Reconciliations**

Origination Date: December 31, 2008.

Condition found: Several general ledger accounts, primarily account receivable, and accounts payable not being reconciled on a timely basis.

Corrective action planned: See corrective action plan for current year finding 09-F1.

Reference # and title: **08-F3** **Control Over Billings for Service Rendered**

Origination Date: December 31, 2008.

Condition found: The Town did not bill the Jonesboro Fire District for the services of a firefighter on a prompt and timely basis.

Corrective action planned: This finding has been resolved.

Reference # and title: **08-F4** **Control Over Expenditures**

Origination Date: December 31, 2008.

Condition found: During the engagement, we discovered that original invoices were not available, unauthorized parties were signing invoices, and the expenditures are not paid in a timely manner.

Corrective action planned: See corrective action plan for current year finding 09-F5.

Reference # and title: **08-F5** **Late Report**

Origination Date: December 31, 2008.

Condition found: Louisiana state law requires that the Town have an annual audit performed and submitted to the Legislative Auditor within six (6) months after the close of their fiscal year. For the year June 30, 2008, this requirement was not met.

**Town of Jonesboro
Status of Prior Year Audit Findings
June 30, 2009**

Corrective action planned: See corrective action plan for current year finding 09-F7.

Reference # and title: **08-F6** **Non-Compliance with Bid Laws**

Origination Date: December 31, 2008.

Condition found: Louisiana state law requires the Town to advertise and bid all purchases of any materials and supplies exceeding the sum of Twenty thousand dollars. The Town did not comply with the bid laws for a vehicle purchased in July, 2008.

Corrective action taken: The car was returned to the dealership and bids were taken on the purchase.

Town of Jonesboro
Corrective Action Plan for Current Year Audit Findings
As of and for the Year Ended June 30, 2009

Reference # and title: **09-F1** **General Accounting**

Entity-Wide or program /department specific: This finding is entity wide.

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

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

Bank accounts were not reconciled timely. Bank reconciliations for the June 30, 2009 fiscal year were not completed until February 2010 when a CPA firm was hired to do the reconciliations. The June 2009 bank reconciliation has over 300 outstanding checks that are over one year old. These old outstanding checks date back to 1996 through the present. An unauthorized withdrawal from the bank account was made during the fiscal year and was not detected in a timely manner because bank reconciliations were not performed. Also, there was a sales tax deposit in November 2008 which was not recorded on the general ledger for \$136,896 and a franchise tax deposit of \$6,149 in December 2008 which was not recorded on the general ledger.

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

Adequate and accurate financial statements were not being provided to the Town Council. For the months of July through November 2008 the Council was provided with a typed listing of checks. For the months December 2008 through June 2009 the Council was provided an accounts payable distribution journal which does present all transactions posted the general ledger.

Manual journal entries made by the Town for July and August of 2008 were unavailable. In June 2009 an entry was made to record the grant revenue and expense for the USDA grant for the whole year. The revenue was recorded in the general fund and the expenses were recorded in the water and sewer fund. The total recorded in June was \$3,243,192.80.

Auditors were not provided a listing of accounts receivable and accounts payable. The receivables and payables on the books at June 30, 2009 were the 2007 receivable and payable balances. These balances had to be reversed and the 2008 receivables and payables had to be recorded and reversed also. Then the 2009 receivable and payable balances were recorded. Checks written after June 30th for June 30th fiscal year expenditures were not properly dated.

For utility customers, no entries are made to accounts receivable during the year. An audit adjustment is made at year end to record the June billings and to record the unbilled receivables. There was no attempt to record balances due on delinquent accounts.

Vendor payments were often made late including payroll deductions. The following payroll related liabilities were not paid timely:

The only federal income tax withholding that was paid to the IRS was for the months of February 2009, March 2009, and May 2009. The remaining months in the fiscal year were not paid by June 30th. A total of \$86,971.95 in federal tax withholding was due to the IRS at June 30, 2009.

**Town of Jonesboro
 Corrective Action Plan for Current Year Audit Findings
 As of and for the Year Ended June 30, 2009**

Medicare and Social Security withholdings and employer taxes were paid to the IRS for only the months of February 2009, March 2009 and May 2009. The remaining months in the fiscal year were not paid by June 30th. The amount due to the IRS for Medicare and Social Security at June 30th was \$44,551.59.

State income tax withholding was paid to the state in December 2008 for the first six months of the year. Subsequent payments were made in February 2009, March 2009, and May 2009. Total state withholdings for the year was \$28,859.43 and total payments to the state were \$18,091.42. This deduction account had a beginning overpayment balance of \$7,368.59 leaving a balance due the state at June 30th of \$3,399.42.

The Christmas Club deductions for November 2008 were not transferred to employee's accounts. Some employees were paid the withholdings directly when the employee discovered the transfer had not been made.

The group health insurance was not paid timely during the year. Payments for November 2008 and December 2008 were late and the payments for March 2009 and April 2009 were late. The health insurance for employees was canceled twice during the year for non-payment.

There were poor internal controls over the cashier functions, resulting in the theft of funds during the year by one of the cashiers. In addition, there were numerous days where daily cash collections were over or short with no reconciliation of the differences. The over and short amounts ranged up to \$500. The daily collections for June 11, 2009 were \$9,345.25 per the daily receipts summary. The deposit was made on two separate days - \$7,822.88 was deposited on June 18th and the remainder was deposited on June 19th. The deposits were made a week after the collections.

The Council's W'2s for the year 2008 were incorrect when mailed and had to be corrected.

There are no standard procedures for settling up of travel advances to employees.

When the trial balances were given to the auditors at year end all of the funds were out of balance. The following were the out of balance amounts:

| | |
|-----------------------------|-----------|
| General fund | \$392,929 |
| Fire Dept. Ad Valorem Tax | 15,014 |
| Street Dept. Ad Valorem Tax | 15,014 |
| Street Dept. Sales Tax | 144,348 |
| Water and Sewer | 162,077 |

Corrective action planned: We see the need to maintain proper internal controls. We have obtained a person to better file and track all records. We have begun to record and reconcile journal entries monthly to all accounts, including those for grants.

An extraordinary effort has been made to bring up-to-date the vendor payments and keep them timely so that employee insurance and payroll deductions are not submitted late again. Tighter internal controls, with better paperwork, have been put into place for tracking travel advances and petty cash. NSF checks and set-up money are no longer included in petty cash; the amount kept in petty cash will be reduced by \$2,000.00.

Financial statements and bank statements will now be reconciled monthly. Revenue and expense reports will be provided to the Mayor, Aldermen and department heads monthly. Manual journal entries for July and August of 2008 were lost during the preliminary clean-up of records before the audit.

Town of Jonesboro
Corrective Action Plan for Current Year Audit Findings
As of and for the Year Ended June 30, 2009

We will employ tighter controls over accounts receivable and payable recording and reversing entries. No audit adjustment entries were received from the previous auditor, making our book off balance to begin with, but we hired a CPA to adjust beginning balances. Additional training has been done to ensure proper handling of payroll liabilities. The Head Cashier is verifying daily receipts for each cashier each day to prevent shortages and late deposits.

A policy manual is being created for better control over purchasing, travel, check signing and capital assets, as well as a chain of command and the appointment of a capital assets manager.

Person responsible for the corrective action:

Leslie Thompson., Mayor Phone: (318) 259-2385
Town of Jonesboro Fax: (318) 259-4177
128 Allen Avenue
Jonesboro, LA 71251

Anticipated completion date: June 30, 2010.

Reference # and title: **09-F2** **Utility Collections/Public Works**

Entity-Wide or program /department specific: This finding is for the Water and Sewer Utility Fund.

Condition: Deposits should be traceable from the point of receipt to posting to the customer's account in the billing system. Good cash management requires that cash receipts be deposited in a timely manner. For purposes of the test, deposits within three banking days were considered timely. Cut off fees should be charged on accounts in arrears and adjustments to customer accounts should be properly approved and documented.

The accounts receivable sub-ledger should be reconciled to the general ledger monthly. The utility deposits sub ledger should be reconciled to the general ledger monthly.

While testing 4 days of utility cash receipts (435 individual payments) in the Water and Sewer Utility Fund, it was noted that one day's deposit was not made until 9 days later; there were 4 instances where a customer's payment was not posted to their account properly. Also noted in this test was that 22 customers were not disconnected after the cutoff date.

In testing of 15 accounts that were one the cut off list for June 2009, 8 had not been charged the \$30.00 reconnect fee. Also, in 7 of these cases the person was allowed to pay a partial payment and services were turned back on even though full payment had not been made. One of these customers had a balance of \$496.11 at June 30th. One customer, whose husband is an employee of the Town, had a balance of \$592.75 after the payment and was not cut off. Per a review of this account, the customer has not had a zero balance since May of 2006 and was not cut off during that time.

In testing the adjustments given to customers on their utility bills, the support did not state the reason for the adjustment nor did it show who authorized the adjustment.

The utility deposits sub ledger has a balance of \$124,785 in utility deposits at June 30, 2009 while the general ledger has a balance of \$111,146 at June 30, 2009. There is no reconciliation of this difference.

Corrective action planned: New employees have been better trained in posting the customer payments. Forms have been created to record customer hardships and payments on account, which have traditionally been done for death and

Town of Jonesboro
Corrective Action Plan for Current Year Audit Findings
As of and for the Year Ended June 30, 2009

illness, or large balances on utility bills. The Mayor will sign any waivers of reconnect fees and large credits given for Town services; obvious errors in billing will be signed by the Clerk. Deposits are now done by the Clerk.

Person responsible for the corrective action:

Leslie Thompson., Mayor Phone: (318) 259-2385
Town of Jonesboro Fax: (318) 259-4177
128 Allen Avenue
Jonesboro, LA 71251

Anticipated completion date: June 30, 2010.

Reference # and title: **09-F3** **Cash Deposits of Police Fines and Controls Over Ticket Books**

Entity-Wide or program /department specific: This finding is specific to the Police Department.

Condition: Deposits should be traceable from the point of receipt to posting in the general ledger. Good cash management requires that cash receipts be deposited in a timely manner. For the purpose of testing, deposits within three banking days is considered as being timely. A reconciliation of the amount of collections per the police software monthly report to the revenue accounts in the general ledger should be prepared. There should be controls over the issuance of ticket books to officers.

Ticket books were not issued to officers in the fiscal year ended June 30, 2009. The books were kept in a file room and the officers would get the books as they were needed. The officers were requested to keep the books in sequential order by the numbers on the packages of tickets but there was no reconciliation of tickets books issued. When the officers finished with a book they would complete a log sheet with the ticket numbers, offense, and name of the person receiving the ticket. This log was turned in to the Chief. There was no accounting for the sequential numbers of the books.

A sample of 37 police fines was selected to determine if the deposit was made timely. This included tracing the deposit to the bank statement, tracing the deposit to the ticket that was issued, agreeing the amount collected to the standard fine for that offense, and tracing to the general ledger account for proper posting. The results were as follows:

- 16 were not deposited timely.
- 12 of the tickets could not be found.
- 1 ticket was receipted twice on different receipts and neither was voided.
- 2 of the days police fines collected were incorrectly posted to incorrect general ledger accounts; one to oil & gas royalties and the other to fees and other charges.
- 4 tickets paid could not be traced to the bank statements.
- 15 tickets noted where the fine collected *did not match the fine schedule* with no explanation for the variance.

Corrective action planned: The Police Department has begun a sign-out system for ticket books. The Court Clerk begun tracking all ticket numbers and created a form for all changes in ticket status, which will be signed by the judge.

Town of Jonesboro
Corrective Action Plan for Current Year Audit Findings
As of and for the Year Ended June 30, 2009

Person responsible for the corrective action:

Leslie Thompson., Mayor Phone: (318) 259-2385
Town of Jonesboro Fax: (318) 259-4177
128 Allen Avenue
Jonesboro, LA 71251

Anticipated completion date: June 30, 2010.

Reference # and title: **09-F4 Billing and Collections of Ad Valorem Taxes**

Entity-Wide or program /department specific: This finding is entity-wide.

Condition: Good internal control of tax collections requires accurate billings, collections and posting of those collections.

The original billings mailed in late 2008 for ad valorem taxes were for the wrong tax year. A second billing had to be sent to all customers for the correct amount. A sample of 3 days of ad valorem tax receipts was selected for testing. A total of 163 receipts were tested for timely deposit, deposit in the bank account, proper recording in the general ledger, and proper recording on the customer's account. The following was noted:

- None of the receipts tested were deposited in a timely manner (3 business days). Collections from December 30, 2008 were deposited January 12, 2009; collections from April 15, 2009 were deposited April 23, 2009, and collections from April 14, 2009 were deposited April 23, 2009.
- Two exceptions noted where the interest and penalty amounts were not paid, but the accounts were cleared.

The Town had property tax software to account for each customer's account but Town employees did not feel comfortable that the balances of these customer accounts was correct. The tax sale for property with unpaid taxes was not held due to unreliable records.

Corrective action planned: New software was bought for ad valorem taxes. More careful record keeping has been stressed to personnel. The Head Cashier is checking each daily collection.

Person responsible for the corrective action:

Leslie Thompson., Mayor Phone: (318) 259-2385
Town of Jonesboro Fax: (318) 259-4177
128 Allen Avenue
Jonesboro, LA 71251

Anticipated completion date: June 30, 2010.

Reference # and title: **09-F5 Internal Control Over Disbursements**

Entity-Wide or program /department specific: This finding is entity-wide.

Condition: Effective internal control should include vendor disbursements having original documentation (invoices, etc.), proper approval, and paid timely. Payroll disbursements should have proper support, salary rates that match salary schedules, and overtime pay approved by appropriate personnel. Time cards or pay sheets should be signed by

Town of Jonesboro
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the employee and supervisor. The I-9 forms should be kept on all employees. Credit card and charge account payments should be supported by adequate receipts, and only used by authorized employees.

The following exceptions were noted from a test of 65 vendor disbursements:

- Six instances noted where the purchase order was either not approved or was prepared after the date of the invoice.
- Six checks did not have proper support such as an invoice.
- Four of the checks were not paid timely.

The following exceptions were noted from a test of 24 payroll disbursements:

- 9 exceptions noted in which wither the personnel file was missing the I-9 form or I-9 form was incomplete.
- 13 exceptions where the overtime was not approved by an appropriate official.

Additionally:

- Neither the employee nor the supervisor is required to sign the time cards or pay sheets.
- There are no support documents in the personnel files for salary rates and the latest salary schedule provided was from 2005.

The following exceptions were noted from a test of three credit cards/charge accounts:

- The Town could not provide statements for 4 months on one of the cards and could not provide invoices for five months.
- The Town could not provide statements for 4 months on another card.
- One of the charge accounts was suspended by the vendor due to non-payment (account was delinquent over 90 days).

The following exceptions were noted from testing of 10 travel checks:

- 5 of the checks had no documentation attached to support the check.
- 1 of the checks had partial documentation attached to support the check.

Corrective action planned: A requisition system has been instituted to ensure that purchases are made after a proper request and checking of the budget is done. Accounts payable checks are being done weekly instead of monthly. Employee records will be review for completeness. The Clerk is now enrolling all new employees. All employees and the Mayor must now sign the timesheets. The Mayor or the Police Chief will sign any employee pay increases.

Person responsible for the corrective action:

| | |
|-------------------------|-----------------------|
| Leslie Thompson., Mayor | Phone: (318) 259-2385 |
| Town of Jonesboro | Fax: (318) 259-4177 |
| 128 Allen Avenue | |
| Jonesboro, LA 71251 | |

Anticipated completion date: June 30, 2010.

Reference # and title: **09-F6** **Capital Asset Management**

Entity-Wide or program /department specific: This finding is entity-wide.

Condition: Louisiana Revised Statue LSA-R.S.24:515 requires the Town to maintain a comprehensive listing of capital assets.

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

Corrective action planned: Capital assets will be tagged after a review of the paid invoices and inventory. Supervisors will sign all inventories. A property manager will be appointed.

Person responsible for the corrective action:

Leslie Thompson., Mayor Phone: (318) 259-2385
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128 Allen Avenue
Jonesboro, LA 71251

Anticipated completion date: June 30, 2010.

Reference # and title: **09-F7** **Late Submission of Audit Report to Legislative Auditor**

Entity-Wide or program /department specific: This finding is entity-wide.

Criteria or specific requirement: Louisiana Revised Statute 24:513A (5) (a) (I) requires that "...audits shall be completed within six months of the close of the entity's fiscal year".

Condition found: The Town requested an extension of time by the Legislative Auditor's Office and an extension was approved to March 31, 2010. An additional extension was requested to May 31, 2010.

Corrective action planned: The Town Clerk was not aware of the correct reconciling of bank statements to the general ledger, as this had always been done by the previous auditor's office. An accounting professional is being hired to assist in monthly and yearly procedures to complete them in a timely manner.

Person responsible for the corrective action:

Leslie Thompson., Mayor Phone: (318) 259-2385
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128 Allen Avenue
Jonesboro, LA 71251

Anticipated completion date: June 30, 2010.

Reference and title: **09-F8** **Capital Outlay Accounting**

Federal program and specific federal award identification: This finding relates to Water and Waste Disposal Systems for Rural Development, CFDA#10.760, from federal agency, Department of Agriculture for Federal Award year 2008.

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

Town of Jonesboro
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In testing of the federal grant charges for the USDA financed project it was noted that the expenses charged to capital outlay included repayment of interim financing which should have been charged to a liability (loan payable) account. An analysis of construction in progress was completed by the auditors using the project files and the general ledger.

Corrective action planned: An accounting professional being hired for monthly and yearly procedures will assist with this problem by training in the proper accounting.

Person responsible for the corrective action:

Leslie Thompson., Mayor Phone: (318) 259-2385
Town of Jonesboro Fax: (318) 259-4177
128 Allen Avenue
Jonesboro, LA 71251

Anticipated completion date: June 30, 2010.

Reference # and title: **09-F9** **Late Submission of the Audit Report to the USDA**

Federal program and specific federal award identification: This finding relates to Water and Waste Disposal Systems for Rural Development, CFDA#10.760, from federal agency, Department of Agriculture for Federal Award year 2008.

Condition: The United States Department of Agriculture requires the audit for the Town be filed 150 days after fiscal year end of June 30th each year.

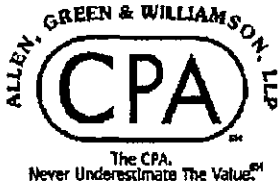
The Town did not file the audit by the end of the 150 days required.

Corrective action planned: The audit in question was given to the USDA as soon as it was completed by the former auditor and the CPA firm that was hired to balance the trial balances.

Person responsible for the corrective action:

Leslie Thompson., Mayor Phone: (318) 259-2385
Town of Jonesboro Fax: (318) 259-4177
128 Allen Avenue
Jonesboro, LA 71251

Anticipated completion date: June 30, 2010.



ALLEN, GREEN & WILLIAMSON, LLP

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Management Letter

Honorable Leslie Thompson, Mayor
Town of Jonesboro
Jonesboro, Louisiana

We were engaged to audit the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Jonesboro, as of and for the year ended June 30, 2009, which collectively comprise the Town's basic financial statements.

However, during performance of our procedures, we noted a certain matter involving the internal control and other operational matters that is presented for your consideration. This letter does not affect our report dated June 30, 2010, on the financial statements of the Town. We will review the status of this comment during our next audit engagement. Our comment and recommendation, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss this comment in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendation. Our comment and management's response are summarized as follows:

09-M1 Sponsorship of Gospel Concert

Comment: The Town sponsored its first annual Gospel Concert on June 13, 2009. The Town attorney had discussed this sponsorship with the Mayor and the Town Clerk before the event took place and had called to their attention two possible problems with the Town being the sponsor. The first was that under Louisiana law the Town can only use its funds to advance purposes which the Town is permitted under law to devote its resources to. The second and in his opinion the more serious issue was that a complaint might be raised that the Town was using its funds or was otherwise promoting a religious point of view.

Several contracts were signed by the Mayor with certain singing groups to perform. To our knowledge, the Council had not authorized the Mayor to sign such contracts and could be violation of the Lawrason Act.

Recommendation: The Town should consider requesting an opinion from the Attorney General regarding the gospel concert.

Management's response: As Mayor, I do not feel that the concert is a misuse of Town funds, nor promoting a religious point of view.

Our procedures are designed primarily to enable us to form opinions on the financial statements of the governmental activities, the business-type activities, and each major fund of the Town, as of and for the year ended June 30, 2009, which collectively comprise the Town's basic financial statements, and therefore, may not reveal all weaknesses in policies and procedures that may exist.

This report is intended solely for the information and use of the Council, management, others within the entity, 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.

Allen, Green & Williamson, LLP

Allen, Green & Williamson, LLP

Monroe, Louisiana
June 30, 2010