

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

FINANCIAL STATEMENT EXAMINATION REPORT

OF

CITY OF JONESBORO

GRANT COUNTY, INDIANA

January 1, 2011 to December 31, 2011



FILED
09/19/2012

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OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|---|-------------------------------------|--|
| Clerk-Treasurer | Karen S. Owen | 01-01-08 to 12-31-11 |
| | Kathy S. McGillem | 01-01-12 to 01-19-12 |
| | Karen S. Owen (Interim) (Vacant) | 01-20-12 to 02-14-12 02-15-12 to 02-23-12 |
| | Brittany Couse | 02-24-12 to 12-31-15 |
| Mayor | Jay R. Akers | 01-01-08 to 12-31-11 |
| | Terry Poling | 01-01-12 to 12-31-15 |
| President of the Board of Public Works | Jay R. Akers | 01-01-08 to 12-31-11 |
| | Terry Poling | 01-01-12 to 12-31-15 |
| President of the Common Council | Rob Couse | 01-01-11 to 12-31-11 |
| | Joseph H. Dixon, III | 01-01-12 to 12-31-12 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF JONESBORO, GRANT COUNTY, INDIANA

We were engaged to examine the accompanying financial statement of the City of Jonesboro (City), for the year ended December 31, 2011. The financial statement is the responsibility of the City's management.

The City did not properly maintain accounting records. The records did not provide sufficient information to examine or establish beginning balances, receipts, disbursements, ending balances, or the accuracy or correctness of the transactions. The City's records do not permit the application of other examination procedures to ascertain if the financial statement is fairly stated.

Since the City did not properly maintain accounting records and we were not able to apply other examination procedures to satisfy ourselves as to whether the financial statement is fairly stated, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on this financial statement.

Our examination was conducted for the purpose of forming an opinion on the City's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, and Schedule of Leases and Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to examination procedures and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the City's management, Common Council, and others within the entity and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

July 30, 2012

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FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the City. The financial statement and notes are presented as intended by the City.

CITY OF JONESBORO
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2011

| Fund | Cash and Investments 01-01-11 | Receipts | Disbursements | Cash and Investments 12-31-11 |
|---------------------------------------|-------------------------------------|---------------------|---------------------|-------------------------------------|
| General | \$ 136,743 | \$ 427,438 | \$ 381,077 | \$ 183,104 |
| Motor Vehicle Highway | 76,747 | 52,800 | 50,779 | 78,768 |
| Local Road and Street | 4,441 | 15,136 | 3,081 | 16,496 |
| Local Law Enforcement Education | 76 | 2,651 | 2,369 | 358 |
| Rainy Day | 740 | - | - | 740 |
| Excess Levy | 744 | - | - | 744 |
| Cumulative Capital Improvement | 4,032 | 5,419 | 5,320 | 4,131 |
| Cumulative Capital Development | 6,035 | 5,573 | 8,000 | 3,608 |
| General- Petty Cash | 1,120 | - | 456 | 664 |
| Grants- Police and Fire | - | 7,994 | 1,237 | 6,757 |
| Donations | 3,636 | 18,896 | 14,264 | 8,268 |
| Payroll | - | 292,333 | 270,827 | 21,506 |
| Sanitary Sewer Savings | - | 20,878 | - | 20,878 |
| BAN Sewage | 130,820 | 1,200,533 | 1,214,447 | 116,906 |
| Wastewater Utility- Operating | 54,224 | 514,294 | 519,878 | 48,640 |
| Wastewater Utility- Bond and Interest | 46 | 92,300 | 75,749 | 16,597 |
| Wastewater Utility- Depreciation | 10,000 | 18,706 | - | 28,706 |
| Storm Sewer Repair | 616,544 | - | - | 616,544 |
| Sewage Bond and Interest CD | 53,000 | - | - | 53,000 |
| Water Tower Maintenance | 1,185 | 8,800 | - | 9,985 |
| Water Bond and Interest | 77,920 | (17,335) | - | 60,585 |
| Water Debt Service Reserve | 147,714 | - | - | 147,714 |
| Water Utility- Operating | 35 | 318,250 | 327,948 | (9,663) |
| Water Utility- Bond and Interest | 2,000 | - | - | 2,000 |
| Water Utility- Depreciation | 1 | - | - | 1 |
| Water Utility- Customer Deposit | 55,354 | 8,400 | 5,450 | 58,304 |
| Water Utility- Debt Reserve | 82 | - | - | 82 |
| Totals | <u>\$ 1,383,239</u> | <u>\$ 2,993,066</u> | <u>\$ 2,880,882</u> | <u>\$ 1,495,423</u> |

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

CITY OF JONESBORO
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor form of government and provides some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, storm water, trash, and urban redevelopment and housing.

The accompanying financial statement presents the financial information for the City.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts may include the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the City.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state,

CITY OF JONESBORO
NOTES TO FINANCIAL STATEMENT
(Continued)

local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees which are comprised mostly of charges for current services.

Penalties which include fees received for late payments.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements may include the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the City. It includes all expenditures for the reduction of the principal and interest of the City's general obligation indebtedness.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

CITY OF JONESBORO
NOTES TO FINANCIAL STATEMENT
(Continued)

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The City may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the City. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the City. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the City in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the City submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the City in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

CITY OF JONESBORO
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 4. *Deposits and Investments*

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 5. *Risk Management*

The City may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the City to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the City by recording as a disbursement any replacement items purchased.

Note 6. *Pension Plan*

Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

CITY OF JONESBORO
NOTES TO FINANCIAL STATEMENT
(Continued)

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's 2011 Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Report of the City which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

The supplementary information presented was approved by management of the City. It is presented as intended by the City.

CITY OF JONESBORO
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011

| | General | Motor Vehicle Highway | Local Road and Street | Local Law Enforcement Education | Rainy Day | Excess Levy | Cumulative Capital Improvement |
|--|-------------------|-----------------------------|--------------------------------|--|---------------|----------------|--------------------------------------|
| Cash and investments - beginning | \$ 136,743 | \$ 76,747 | \$ 4,441 | \$ 76 | \$ 740 | \$ 744 | \$ 4,032 |
| Receipts: | | | | | | | |
| Taxes | 247,864 | - | - | - | - | - | - |
| Licenses and permits | - | - | - | 1,360 | - | - | - |
| Intergovernmental | 112,154 | 52,232 | 15,136 | - | - | - | 5,419 |
| Charges for services | 62,244 | - | - | - | - | - | - |
| Utility fees | - | - | - | - | - | - | - |
| Penalties | - | - | - | - | - | - | - |
| Other receipts | 5,176 | 568 | - | 1,291 | - | - | - |
| Total receipts | <u>427,438</u> | <u>52,800</u> | <u>15,136</u> | <u>2,651</u> | <u>-</u> | <u>-</u> | <u>5,419</u> |
| Disbursements: | | | | | | | |
| Personal services | 147,410 | 20,754 | - | - | - | - | - |
| Supplies | 22,178 | 3,001 | 2,267 | - | - | - | 2,000 |
| Other services and charges | 208,069 | 20,109 | 814 | - | - | - | - |
| Debt service - principal and interest | - | - | - | - | - | - | - |
| Capital outlay | 3,420 | - | - | - | - | - | 2,360 |
| Utility operating expenses | - | - | - | - | - | - | - |
| Other disbursements | - | 6,915 | - | 2,369 | - | - | 960 |
| Total disbursements | <u>381,077</u> | <u>50,779</u> | <u>3,081</u> | <u>2,369</u> | <u>-</u> | <u>-</u> | <u>5,320</u> |
| Excess (deficiency) of receipts over disbursements | <u>46,361</u> | <u>2,021</u> | <u>12,055</u> | <u>282</u> | <u>-</u> | <u>-</u> | <u>99</u> |
| Cash and investments - ending | <u>\$ 183,104</u> | <u>\$ 78,768</u> | <u>\$ 16,496</u> | <u>\$ 358</u> | <u>\$ 740</u> | <u>\$ 744</u> | <u>\$ 4,131</u> |

CITY OF JONESBORO
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

| | Cumulative Capital Development | General- Petty Cash | Grants- Police and Fire | Donations | Payroll | Sanitary Sewer Savings | BAN Sewage |
|--|--------------------------------------|---------------------------|----------------------------------|-----------------|------------------|------------------------------|-------------------|
| Cash and investments - beginning | \$ 6,035 | \$ 1,120 | \$ - | \$ 3,636 | \$ - | \$ - | \$ 130,820 |
| Receipts: | | | | | | | |
| Taxes | - | - | - | - | - | - | - |
| Licenses and permits | - | - | - | - | - | - | - |
| Intergovernmental | 5,573 | - | - | - | - | - | - |
| Charges for services | - | - | - | - | - | - | - |
| Utility fees | - | - | - | - | - | - | - |
| Penalties | - | - | - | - | - | - | - |
| Other receipts | - | - | 7,994 | 18,896 | 292,333 | 20,878 | 1,200,533 |
| Total receipts | <u>5,573</u> | <u>-</u> | <u>7,994</u> | <u>18,896</u> | <u>292,333</u> | <u>20,878</u> | <u>1,200,533</u> |
| Disbursements: | | | | | | | |
| Personal services | - | - | - | - | - | - | - |
| Supplies | - | - | 837 | 9,305 | - | - | - |
| Other services and charges | - | - | - | - | - | - | - |
| Debt service - principal and interest | - | - | - | - | - | - | 1,214,447 |
| Capital outlay | 8,000 | - | - | 2,725 | - | - | - |
| Utility operating expenses | - | - | - | - | - | - | - |
| Other disbursements | - | 456 | 400 | 2,234 | 270,827 | - | - |
| Total disbursements | <u>8,000</u> | <u>456</u> | <u>1,237</u> | <u>14,264</u> | <u>270,827</u> | <u>-</u> | <u>1,214,447</u> |
| Excess (deficiency) of receipts over disbursements | <u>(2,427)</u> | <u>(456)</u> | <u>6,757</u> | <u>4,632</u> | <u>21,506</u> | <u>20,878</u> | <u>(13,914)</u> |
| Cash and investments - ending | <u>\$ 3,608</u> | <u>\$ 664</u> | <u>\$ 6,757</u> | <u>\$ 8,268</u> | <u>\$ 21,506</u> | <u>\$ 20,878</u> | <u>\$ 116,906</u> |

CITY OF JONESBORO
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

| | Wastewater Utility- Operating | Wastewater Utility- Bond and Interest | Wastewater Utility- Depreciation | Storm Sewer Repair | Sewage Bond and Interest CD | Water Tower Maintenance | Water Bond and Interest |
|--|-------------------------------------|---|--|--------------------------|---|-------------------------------|----------------------------------|
| Cash and investments - beginning | \$ 54,224 | \$ 46 | \$ 10,000 | \$ 616,544 | \$ 53,000 | \$ 1,185 | \$ 77,920 |
| Receipts: | | | | | | | |
| Taxes | - | - | - | - | - | - | - |
| Licenses and permits | - | - | - | - | - | - | - |
| Intergovernmental | - | - | - | - | - | - | - |
| Charges for services | - | - | - | - | - | - | - |
| Utility fees | 497,785 | - | - | - | - | 8,800 | - |
| Penalties | 11,664 | - | - | - | - | - | - |
| Other receipts | 4,845 | 92,300 | 18,706 | - | - | - | (17,335) |
| Total receipts | <u>514,294</u> | <u>92,300</u> | <u>18,706</u> | <u>-</u> | <u>-</u> | <u>8,800</u> | <u>(17,335)</u> |
| Disbursements: | | | | | | | |
| Personal services | - | - | - | - | - | - | - |
| Supplies | - | - | - | - | - | - | - |
| Other services and charges | - | - | - | - | - | - | - |
| Debt service - principal and interest | 7,656 | 75,749 | - | - | - | - | - |
| Capital outlay | - | - | - | - | - | - | - |
| Utility operating expenses | 385,353 | - | - | - | - | - | - |
| Other disbursements | 126,869 | - | - | - | - | - | - |
| Total disbursements | <u>519,878</u> | <u>75,749</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess (deficiency) of receipts over disbursements | <u>(5,584)</u> | <u>16,551</u> | <u>18,706</u> | <u>-</u> | <u>-</u> | <u>8,800</u> | <u>(17,335)</u> |
| Cash and investments - ending | <u>\$ 48,640</u> | <u>\$ 16,597</u> | <u>\$ 28,706</u> | <u>\$ 616,544</u> | <u>\$ 53,000</u> | <u>\$ 9,985</u> | <u>\$ 60,585</u> |

CITY OF JONESBORO
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

| | Water Debt Service Reserve | Water Utility- Operating | Water Utility- Bond and Interest | Water Utility- Depreciation | Water Utility- Customer Deposit | Water Utility- Debt Reserve | Totals |
|--|-------------------------------------|--------------------------------|--|-----------------------------------|--|--------------------------------------|--------------|
| Cash and investments - beginning | \$ 147,714 | \$ 35 | \$ 2,000 | \$ 1 | \$ 55,354 | \$ 82 | \$ 1,383,239 |
| Receipts: | | | | | | | |
| Taxes | - | - | - | - | - | - | 247,864 |
| Licenses and permits | - | - | - | - | - | - | 1,360 |
| Intergovernmental | - | - | - | - | - | - | 190,514 |
| Charges for services | - | - | - | - | - | - | 62,244 |
| Utility fees | - | 309,677 | - | - | - | - | 816,262 |
| Penalties | - | 7,335 | - | - | - | - | 18,999 |
| Other receipts | - | 1,238 | - | - | 8,400 | - | 1,655,823 |
| Total receipts | - | 318,250 | - | - | 8,400 | - | 2,993,066 |
| Disbursements: | | | | | | | |
| Personal services | - | - | - | - | - | - | 168,164 |
| Supplies | - | - | - | - | - | - | 39,588 |
| Other services and charges | - | - | - | - | - | - | 228,992 |
| Debt service - principal and interest | - | 130,300 | - | - | - | - | 1,428,152 |
| Capital outlay | - | - | - | - | - | - | 16,505 |
| Utility operating expenses | - | 152,825 | - | - | - | - | 538,178 |
| Other disbursements | - | 44,823 | - | - | 5,450 | - | 461,303 |
| Total disbursements | - | 327,948 | - | - | 5,450 | - | 2,880,882 |
| Excess (deficiency) of receipts over disbursements | - | (9,698) | - | - | 2,950 | - | 112,184 |
| Cash and investments - ending | \$ 147,714 | \$ (9,663) | \$ 2,000 | \$ 1 | \$ 58,304 | \$ 82 | \$ 1,495,423 |

CITY OF JONESBORO
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LEASES AND DEBT
 December 31, 2011

The City has entered into the following debt:

| Description of Debt | Ending Principal Balance | Principal and Interest Due Within One Year |
|-------------------------------------|--------------------------------|---|
| Governmental Activities: | | |
| Capital lease: | | |
| Police Car | \$ 15,824 | \$ 8,161 |
| Business-type Activities: | | |
| Water Utility: | | |
| Loans payable: | | |
| 2001 State Revolving Fund Loan | \$ 332,500 | \$ 34,319 |
| 2005 State Revolving Fund Loan | 1,214,966 | 79,379 |
| Total Water Utility | 1,547,466 | 113,698 |
| Wastewater Utility: | | |
| Note payable | \$ 600,000 | \$ 609,000 |
| Revenue bonds: | | |
| Refunding bonds of 1995 | 140,000 | 4,900 |
| Construction bonds of 2004 | 49,000 | 954 |
| Total Wastewater Utility | 789,000 | 614,854 |
| Total business-type activities debt | \$ 2,336,466 | \$ 728,552 |

CITY OF JONESBORO
EXAMINATION RESULTS AND COMMENTS

FINANCIAL REPORT OPINION MODIFICATIONS

The City's management is responsible for the financial statement. The financial records did not provide sufficient information to examine or establish beginning balances, receipts, disbursements, ending balances, or the accuracy or correctness of the transactions. Therefore, the State Board of Accounts was unable to provide an unqualified opinion on the Independent Accountant's Report for the financial statement. A similar comment appeared in prior Report B39450.

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditors' Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CONDITION OF RECORDS

Financial records presented for examination were incomplete and not reflective of the financial activity. The following deficiencies were noted:

1. There were numerous errors related to the handling of receipts during 2011. For example: receipt 9563 from February 14 for Wastewater Utility collections totaling \$3,707 was posted twice and was corrected in March with a negative receipt; receipt 9593 was posted on March 1 in the amount of \$2,342 to the Wastewater Utility as a negative receipt; receipt 9720 issued May 5 in the amount of \$1,786 for Wastewater Utility collections was deposited to the general bank account and not the bank account of the Wastewater Utility; receipt 9857 issued on July 12 in the amount of \$3,282 for Wastewater Utility collections was deposited to the Water Utility bank account; and, receipt 10120 dated November 30 was issued in the negative amount of \$21,700 and posted to the Wastewater Bond and Interest Fund to adjust amounts previously transferred.
2. Numerous disbursements were not properly posted to the ledger during 2011. For example: vendor checks 2248 to 2252 totaling \$7,068 issued during January were not posted; payroll checks 2229 to 2238 totaling \$8,051 issued during January were not posted; Wastewater Utility checks 991 to 993 totaling \$11,366 issued during January were not posted; numerous bank debits for employee life insurance premiums were not posted to the ledger; electronic funds transfers for payments to taxing authorities were not properly posted during the month of transfer; for example, transfers totaling \$7,045 made during December 2011 were not posted to the records until January 2012.
3. Transactions of the Water Bond and Interest Fund, used to account for the State Revolving Fund Loans, were not properly posted. Disbursements by the trust agent for principal and interest were posted as negative receipts to the financial records. The cumulative effect of these errors resulted in negative receipts of \$17,335 and zero disbursements being posted to the Water Bond and Interest Fund. Receipts as noted in the records totaled \$142,300 and disbursements as noted totaled \$159,635.
4. The cash balance of the Water Utility Operating Fund was overdrawn at December 31, 2011 by \$9,662 based on records presented for examination.

CITY OF JONESBORO
EXAMINATION RESULTS AND COMMENTS
(Continued)

5. On June 1, a Sewage Bond and Interest CD Fund certificate of deposit in the amount of \$53,000 was renewed in the amount of \$50,000. The balance was not adjusted in the City's ledger to reflect this change. Additionally, the partial principal and interest earnings received upon renewal were receipted to the Wastewater Utility - Depreciation Fund.
6. At December 31, 2011, the balance in the Payroll Fund was \$3,216. A detailed listing of subsidiary accounts as reconciled to the Payroll Fund cash balance was not presented for examination.
7. At December 31, 2011, the cash balance of the General - Petty Cash Fund was reported at \$664 on the Fund Report for December. The total imprest cash on hand has been maintained at \$250.
8. A distribution of riverboat wagering tax revenue was received from Grant County and improperly receipted to the Sanitary Sewer Savings Fund.

A similar comment appeared in prior Report B39450.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Regarding riverboat tax revenue paid to local governments, Indiana Code 4-33-13-6 states in part:

"(a) Money paid to a unit of local government under this chapter: (1) must be paid to the fiscal officer of the unit and may be deposited in the unit's general fund or riverboat fund established under IC 36-1-8-9, or both . . ."

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not properly completed during the period examined. Per the City's general ledger, total cash and investments at December 31, 2011, was \$871,687. At December 31, 2011, net ledger balances exceeded net adjusted bank balances by \$23,697 as follows:

1. City funds recorded in the ledger were less than the net adjusted bank balances by \$16,675.

CITY OF JONESBORO
EXAMINATION RESULTS AND COMMENTS
(Continued)

2. Water Utility funds recorded in the ledger were less than the net adjusted bank balance by \$5,608.
3. Wastewater utility funds recorded in the ledger were less than the net adjusted bank balance by \$1,414.

A similar comment appeared in prior Report B39450.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ANNUAL REPORT ERRORS

An examination of the City's Annual Financial Report revealed the following deficiencies regarding required supplemental schedules:

1. The City was unable to properly complete the supplemental capital asset schedule because it did not properly maintain capital asset records during the examination period as detailed in the comment entitled Capital Asset Records;
2. The supplemental debt schedule as presented was incomplete as certain debt instruments were omitted from presentation; the schedule required subsequent adjustment by City officials prior to inclusion in the examination report; and,
3. A schedule of receivables and payables was not presented as a part of the Annual Report as required; yet, the City maintains uncollected balances for water, wastewater, and trash receivables.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF JONESBORO
EXAMINATION RESULTS AND COMMENTS
(Continued)

DONATIONS FUND - SOURCES AND USES

The City maintains a Donations Fund. A review of the receipt and disbursement activity of this fund disclosed the following items that were incorrectly received and/or disbursed from this fund.

1. The City received \$791 for the sale of scrap metal.
2. The City received \$522 for the sale of surplus equipment as authorized by the Board of Public Works.
3. The City received \$14,750 for the sale of real property as authorized by the Board of Works.
4. Numerous disbursements were made related to personal expenses which are included in detail in the comment entitled Personal Expenses.

A similar comment appeared in prior Report B39450.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Following is a brief list of procedures to be followed by city and town officials in receiving and accounting for monetary contributions, donations, or gifts received by the municipality. (Since the term "donation" in this instance is synonymous to "contribution" and "gift" that term will be used.)

1. Unrestricted donations are defined as those to which the donor has not attached terms, conditions, or purposes.
2. Restricted donations are defined as those to which the donor has attached terms, conditions, or purposes.
3. The governing body of the unit has the option and responsibility to either accept or reject, in writing, any proposed donation.
4. If the donation is a restricted donation, the board must agree, in writing, to the terms, conditions, or purposes attached to the proposed donation.
5. Restricted donations can only be accepted for purposes within the scope of general statutory authority.
6. Income or revenues in the form of tax distributions, tax receipts, fees, rentals, contractual payments, etc., are not to be considered donations.
7. Donations which are accepted must be handled in one of the two following methods:
 - A. Unrestricted donations shall be receipted into the applicable operating fund of the unit (i.e. city or town operating (general) fund; cemetery operating fund, park and recreation operating fund, airport operating fund, etc.). Expenditure of such donated revenue from the operating fund shall be made only after an appropriation has been provided for the purpose of the expenditure. Claims must be filed and approved in the regular legal manner.

CITY OF JONESBORO
EXAMINATION RESULTS AND COMMENTS
(Continued)

B. A restricted donation shall be placed into a separate fund after such fund is established by the legislative body of the unit. Any appropriate descriptive name may be given the donation fund. The donation can be expended only for the purpose and under the terms and conditions agreed to on accepting the donation.

Pursuant to Attorney General Official Opinion No. 68 of 1961, no further appropriation is required for expenditure of a restricted donation for the designated purpose. Even though no further appropriation is required, claims must be filed and approved in the regular legal manner before disbursements can be made from the fund.

(Cities and Towns Bulletin and Uniform Compliance Guidelines, June 2006, page 13)

OFFICIAL BOND

The official bond for Karen S. Owen, former Clerk-Treasurer, filed in the Office of the County Recorder was for a one-day period, January 1, 2011. Inquiry of the bonding company indicated the term of the bond had been corrected to read January 1, 2011 to January 1, 2012. A corrected bond was not filed in the Office of the County Recorder.

Indiana Code 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder. . . ."

PURCHASE OF SKID STEER LOADER

The Board of Public Works authorized the purchase of a skid steer loader from an employee of the City in the amount of \$8,000. No information was presented for examination independently establishing a fair market value for the skid steer loader. The Board of Works as purchasing agency for the City has not appointed a purchasing agent nor has it adopted policies or rules governing small purchases.

Indiana Code 5-22-4-5(b) states: "The individuals designated by the purchasing agency are the purchasing agents for the governmental body."

Regarding purchases below \$50,000, Indiana Code 5-22-8-2(b) states: "A purchasing agent may make a purchase under small purchase policies established by the purchasing agency or under rules adopted by the governmental body."

PERSONAL EXPENSES

During July 2011, the Clerk-Treasurer used City postage totaling \$253 and an unquantified amount of stationary to generate and mail a letter to the City's residents urging them to fight the proposed closure of the City's post office. The purchase of the postage came from the City's General Fund. Later that month, on July 22nd, the Clerk-Treasurer reimbursed the City in the amount of \$253.

We noted three instances where disbursements were made to local florists for funeral flowers. Disbursements were for a family member of a City employee, the family member of a local volunteer fireman, and for a volunteer fireman. The total disbursed for flowers was \$169.

On February 7, 2011, pizza was purchased for City utility workers in the amount of \$28.

CITY OF JONESBORO
EXAMINATION RESULTS AND COMMENTS
(Continued)

On November 22, 2011, a disbursement was made to a local eating establishment in the amount of \$200 to cover food expenses and tip related to a retirement meal for a City employee.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

REVENUE BOND ORDINANCES

The City has adopted Ordinance 11-2004 concerning the sewage works revenue bond issue of 2004 and the segregation and application of revenues. The ordinance requires the transfer of funds to meet the debt service reserve requirement. This reserve requirement may be satisfied by transferring the least of (i) the maximum annual debt service on the bonds, (ii) 125% of the average annual debt service on the bonds, or (iii) 10% of the principal amount of the bonds. The least of the three amounts is 10% of the bond issue which is \$20,000. This reserve requirement could have been satisfied by transferring a lump sum or equal monthly amounts over a five-year period, from the time the bonds were issued, until the total required amount was accumulated in the debt service reserve account. Alternatively, the debt service reserve requirement can be satisfied in part or whole by depositing a Reserve Fund Credit Facility in the reserve account provided that such a deposit does not adversely affect any existing rating on the bonds.

The City has not set aside any funds into a Debt Service Reserve Fund to meet the debt service reserve requirement related to the 2004 bond issue. Additionally, officials have not provided any information or documentation indicating a Reserve Fund Credit Facility is in place.

The City has adopted Ordinance 10-1994 concerning the sewage works revenue bond issue of 1995 and the segregation and application of revenues. Previously, the City had satisfied the debt service reserve requirement by setting aside ten percent of the bond proceeds in a certificate of deposit in the amount of \$53,000. However, upon maturity of the certificate of deposit during 2011 principal was withdrawn in the amount of \$3,000. The balance of the certificate of deposit at December 31, 2011, was \$50,580 (includes \$580 accrued interest) which is less than the reserve requirement.

A similar comment appeared in prior Report B39450.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DELINQUENT WASTEWATER ACCOUNTS

Not all delinquent wastewater fees and penalties had been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property. A similar comment appeared in prior Report B39450.

Indiana Code 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

- (1) A list of the delinquent fees and penalties that are enforceable under this section, which must include the following:

CITY OF JONESBORO
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (A) The name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent.
 - (B) A description of the premises, as shown by the records of the county auditor.
 - (C) The amount of the delinquent fees, together with the penalty.
- (2) An individual instrument for each lot or parcel of real property on which the fees are delinquent.

"(c) The officer shall record a copy of each list or each individual instrument with the county recorder . . .

"(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May . . ."

DISPOSAL OF REAL PROPERTY

During 2011, several parcels of real estate owned by the City were sold. Certain deficiencies related to the disposition of the properties were noted. Only one appraisal from a local real estate professional dated December 31, 2010, related to the properties offered for sale was found in the City's records; two appraisals are required to be obtained. The Board of Public Works meeting minutes dated April 26, 2011, state that the Board agreed to sell certain parcels of real estate; there was no evidence in the City's records as presented for examination that a notice setting forth the terms and conditions of the sale was published prior to the initial sale as required. An invoice from a publisher dated June 30, 2011, states that an advertisement was to be published on June 30, 2011, advertising a property auction. Subsequently, the July 12, 2011 minutes of a Board of Public Works meeting state that the Board "agreed to prepare to sell the remaining properties at the next auction." Board of Public Works meeting minutes dated August 9, 2011, state that the Board agreed to accept bids at not less than 10 percent of the appraised value for certain unsold parcels; an additional notice advertising the sale of properties at less than 90 percent was not published as required.

Indiana Code 36-1-11-4 concerning the sale or transfer of real property states in part:

"(a) A disposing agent who wants to sell or transfer real property must comply with this section . . .

(b) The disposing agent shall first have the property appraised by two (2) appraisers . . . (c) After the property is appraised, the disposing agent shall publish a notice in accordance with IC 5-3-1 setting forth the terms and conditions of the sale . . .

(f) . . . the disposing agent may sell the property for less than ninety percent (90%) of the average of the two (2) appraisals of the tracts only after an additional notice stating the amount of the bid to be accepted is published in accordance with IC 5-3-1".

CITY OF JONESBORO
EXAMINATION RESULTS AND COMMENTS
(Continued)

CUSTOMER DEPOSITS

The detailed Meter Deposit Report exceeded the cash balance of the Water Utility – Customer Deposit Fund by \$1,947 at December 31, 2011. A similar comment appeared in prior Report B39450.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CAPITAL ASSET RECORDS

Capital asset records as presented for examination were incomplete and not reflective of the activity of the City for the period examined. A detailed listing of capital assets with historical or estimated historical cost for all City-owned assets was not presented for examination. Detailed listings of additions and disposals were not presented for examination. A similar comment appeared in prior Report B39450.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded on the applicable Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ANNUAL REPORT NOT FILED WITHIN REQUIRED DEADLINE

The City filed its 2011 Annual Report with the State Board of Accounts on March 28, 2012, which is not within 60 days after the close of the fiscal year as required by law.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be filed electronically, in a manner prescribed by the state examiner that is compatible with the technology employed by the political subdivision."

CITY OF JONESBORO
EXIT CONFERENCE

The contents of this report were discussed on July 26, 2012, with Karen S. Owen, former Clerk-Treasurer.

The contents of this report were discussed on July 30, 2012, with Brittany Couse, Clerk-Treasurer, and Terry Poling, Mayor.