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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, 2012 to December 31, 2012



FILED
10/30/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Kathy S. McGillem Karen S. Owen (Interim) Brittany Couse	01-01-12 to 01-19-12 01-20-12 to 02-13-12 02-14-12 to 12-31-15
Mayor	Terry Poling	01-01-12 to 12-31-15
President of the Board of Public Works	Terry Poling	01-01-12 to 12-31-15
President of the Common Council	Joseph H. Dixon, III Robert Couse	01-01-12 to 12-31-12 01-01-13 to 12-31-13



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the accompanying financial statement of the City of Jonesboro (City), for the year ended December 31, 2012. The financial statement is the responsibility of the City's management. Our responsibility is to express an opinion on the financial statement based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial statement and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1, the City prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by 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. The effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position and results of operations of the City for the year ended December 31, 2012.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2012, on the basis of accounting described in Note 1.

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, Schedule of Payables and Receivables, 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 the examination procedures applied to the financial statement and, accordingly, we express no opinion on them.

Bruce Hartman
State Examiner

October 7, 2013

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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, 2012

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12
General	\$ 184,216	\$ 490,676	\$ 452,421	\$ 222,471
Motor Vehicle Highway	78,768	45,814	42,163	82,419
Local Road and Street	16,496	15,189	20,434	11,251
Local Law Enforcement Continuing Education	358	1,928	1,588	698
Rainy Day	740	16,433	17,173	-
Excess Levy	744	-	-	744
Cumulative Capital Improvement	4,131	4,657	1,662	7,126
Cumulative Capital Development	3,608	22,425	23,500	2,533
General - Petty Cash	664	-	618	46
Grants - Police and Fire	6,757	-	-	6,757
Donations	8,268	6,601	804	14,065
Payroll	3,216	316,110	316,108	3,218
Sanitary Sewer Savings	20,878	-	-	20,878
Wastewater Utility BAN	116,906	597,000	619,653	94,253
Wastewater Utility Operating	41,950	492,727	446,560	88,117
Wastewater Utility Bond and Interest	16,597	63,719	80,316	-
Wastewater Utility Depreciation	28,706	2,000	-	30,706
Storm Sewer Repair	11,097	-	-	11,097
Wastewater Utility Bond and Interest CD	50,000	-	-	50,000
Water Utility Tower Maintenance	9,985	-	9,852	133
Water Utility Bond and Interest I	60,585	116,419	113,699	63,305
Water Utility Debt Service Reserve	147,714	-	-	147,714
Water Utility Operating	(12,079)	318,728	288,465	18,184
Water Utility Bond and Interest II	2,000	-	-	2,000
Water Utility Depreciation	1	-	-	1
Water Utility Customer Deposit	58,304	9,200	6,637	60,867
Water Utility Debt Service Reserve	82	-	-	82
Totals	<u>\$ 860,692</u>	<u>\$ 2,519,626</u>	<u>\$ 2,441,653</u>	<u>\$ 938,665</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 Indiana 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. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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 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

CITY OF JONESBORO
NOTES TO FINANCIAL STATEMENT
(Continued)

distributions received from the state, motor vehicle highway distribution received from the state, 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 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 which 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.

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:

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

CITY OF JONESBORO
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy and Annual Pension Cost

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

Note 7. Restatements

For the year ended December 31, 2012, certain changes have been made to some of the beginning balances of the financial statement to more appropriately reflect financial activity of the City. The following schedule presents a summary of restated beginning balances.

Fund Name	Balance as of December 31, 2011	Prior Period Adjustment	Balance as of January 1, 2012
General	\$ 183,104	\$ 1,112	\$ 184,216
Payroll	21,506	(18,290)	3,216
Wastewater Utility Operating	48,640	(6,690)	41,950
Storm Sewer Repair	616,544	(605,447)	11,097
Wastewater Utility Bond and Interest CD	53,000	(3,000)	50,000
Water Utility Operating	(9,663)	(2,416)	(12,079)

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's 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, 2012

	General	Motor Vehicle Highway	Local Road and Street	Local Law Enforcement Continuing Education	Rainy Day	Excess Levy	Cumulative Capital Improvement
Cash and investments - beginning	\$ 184,216	\$ 78,768	\$ 16,496	\$ 358	\$ 740	\$ 744	\$ 4,131
Receipts:							
Taxes	264,165	-	-	-	-	-	-
Licenses and permits	-	-	-	1,390	-	-	-
Intergovernmental	145,820	45,814	15,189	-	-	-	4,657
Charges for services	67,303	-	-	538	-	-	-
Fines and forfeits	3,172	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	10,216	-	-	-	16,433	-	-
Total receipts	<u>490,676</u>	<u>45,814</u>	<u>15,189</u>	<u>1,928</u>	<u>16,433</u>	<u>-</u>	<u>4,657</u>
Disbursements:							
Personal services	174,956	22,227	-	-	-	-	-
Supplies	52,826	7,322	-	1,588	-	-	-
Other services and charges	208,205	12,614	20,434	-	-	-	1,662
Debt service - principal and interest	8,160	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	8,274	-	-	-	17,173	-	-
Total disbursements	<u>452,421</u>	<u>42,163</u>	<u>20,434</u>	<u>1,588</u>	<u>17,173</u>	<u>-</u>	<u>1,662</u>
Excess (deficiency) of receipts over disbursements	<u>38,255</u>	<u>3,651</u>	<u>(5,245)</u>	<u>340</u>	<u>(740)</u>	<u>-</u>	<u>2,995</u>
Cash and investments - ending	<u>\$ 222,471</u>	<u>\$ 82,419</u>	<u>\$ 11,251</u>	<u>\$ 698</u>	<u>\$ -</u>	<u>\$ 744</u>	<u>\$ 7,126</u>

CITY OF JONESBORO
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Cumulative Capital Development	General - Petty Cash	Grants - Police and Fire	Donations	Payroll	Sanitary Sewer Savings	Wastewater Utility BAN
Cash and investments - beginning	\$ 3,608	\$ 664	\$ 6,757	\$ 8,268	\$ 3,216	\$ 20,878	\$ 116,906
Receipts:							
Taxes	4,682	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	571	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	17,172	-	-	6,601	316,110	-	597,000
Total receipts	22,425	-	-	6,601	316,110	-	597,000
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	619	-	803	-	-	-
Other services and charges	15,500	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	610,654
Capital outlay	-	-	-	1	-	-	7,553
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	8,000	(1)	-	-	316,108	-	1,446
Total disbursements	23,500	618	-	804	316,108	-	619,653
Excess (deficiency) of receipts over disbursements	(1,075)	(618)	-	5,797	2	-	(22,653)
Cash and investments - ending	\$ 2,533	\$ 46	\$ 6,757	\$ 14,065	\$ 3,218	\$ 20,878	\$ 94,253

CITY OF JONESBORO
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Wastewater Utility Operating	Wastewater Utility Bond and Interest	Wastewater Utility Depreciation	Storm Sewer Repair	Wastewater Utility Bond and Interest CD	Water Utility Tower Maintenance	Water Utility Bond and Interest I
Cash and investments - beginning	\$ 41,950	\$ 16,597	\$ 28,706	\$ 11,097	\$ 50,000	\$ 9,985	\$ 60,585
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	479,331	-	-	-	-	-	-
Penalties	12,885	-	-	-	-	-	-
Other receipts	511	63,719	2,000	-	-	-	116,419
Total receipts	492,727	63,719	2,000	-	-	-	116,419
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	80,316	-	-	-	-	113,699
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	382,230	-	-	-	-	9,852	-
Other disbursements	64,330	-	-	-	-	-	-
Total disbursements	446,560	80,316	-	-	-	9,852	113,699
Excess (deficiency) of receipts over disbursements	46,167	(16,597)	2,000	-	-	(9,852)	2,720
Cash and investments - ending	\$ 88,117	\$ -	\$ 30,706	\$ 11,097	\$ 50,000	\$ 133	\$ 63,305

CITY OF JONESBORO
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Water Utility Debt Service Reserve	Water Utility Operating	Water Utility Bond and Interest II	Water Utility Depreciation	Water Utility Customer Deposit	Water Utility Debt Service Reserve	Totals
Cash and investments - beginning	\$ 147,714	\$ (12,079)	\$ 2,000	\$ 1	\$ 58,304	\$ 82	\$ 860,692
Receipts:							
Taxes	-	-	-	-	-	-	268,847
Licenses and permits	-	-	-	-	-	-	1,390
Intergovernmental	-	-	-	-	-	-	212,051
Charges for services	-	-	-	-	-	-	67,841
Fines and forfeits	-	-	-	-	-	-	3,172
Utility fees	-	309,981	-	-	9,200	-	798,512
Penalties	-	8,563	-	-	-	-	21,448
Other receipts	-	184	-	-	-	-	1,146,365
Total receipts	-	318,728	-	-	9,200	-	2,519,626
Disbursements:							
Personal services	-	-	-	-	-	-	197,183
Supplies	-	-	-	-	-	-	63,158
Other services and charges	-	-	-	-	-	-	258,415
Debt service - principal and interest	-	-	-	-	-	-	812,829
Capital outlay	-	-	-	-	-	-	7,554
Utility operating expenses	-	134,035	-	-	-	-	526,117
Other disbursements	-	154,430	-	-	6,637	-	576,397
Total disbursements	-	288,465	-	-	6,637	-	2,441,653
Excess (deficiency) of receipts over disbursements	-	30,263	-	-	2,563	-	77,973
Cash and investments - ending	\$ 147,714	\$ 18,184	\$ 2,000	\$ 1	\$ 60,867	\$ 82	\$ 938,665

CITY OF JONESBORO
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2012

Government or Enterprise	Accounts Payable	Accounts Receivable
Jonesboro Wastewater Utility	\$ -	\$ 127,478
Jonesboro Water Utility	-	53,297
Governmental activities	-	16,605
Totals	\$ -	\$ 197,380

CITY OF JONESBORO
SCHEDULE OF LEASES AND DEBT
December 31, 2012

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
Capital lease	Police Car	\$ 7,647	\$ 7,901
Jonesboro Wastewater Utility:			
Note payable	Bond Anticipation Note of 2012	600,000	609,000
Revenue bonds	Sewage Works Revenue Bonds Series 1995A	95,000	3,325
Revenue bonds	Sewage Works Revenue Bonds of 2004	<u>25,000</u>	<u>500</u>
Total Jonesboro Wastewater Utility		<u>720,000</u>	<u>612,825</u>
Jonesboro Water Utility:			
Revenue bonds	Waterworks Revenue Bonds of 2001	304,000	39,640
Revenue bonds	Waterworks Revenue Bonds Series 2005	<u>1,155,000</u>	<u>83,422</u>
Total Jonesboro Water Utility		<u>1,459,000</u>	<u>123,062</u>
Totals		<u>\$ 2,186,647</u>	<u>\$ 743,788</u>

CITY OF JONESBORO
EXAMINATION RESULTS AND COMMENTS

APPROPRIATIONS

Records presented for examination indicated the disbursements of the Local Road and Street and Cumulative Capital Development funds were in excess of budgeted appropriations for 2012 in the amounts of \$4,789 and \$15,500, respectively.

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

CONDITION OF RECORDS

Financial records presented for examination contained deficiencies as noted below:

1. The City transfers money from the Wastewater Utility Operating Fund to the Wastewater Utility Bond and Interest Fund for the purpose of setting aside sufficient funds to retire its outstanding debt. During 2012, three receipts were posted to the Bond and Interest Fund without corresponding disbursements from the Operating Fund. The three receipts were numbered and issued as follows: 10382 on March 29, 2012, in the amount of \$750, and 10481 and 10485 on April 30, 2012, in the amounts of \$6,800 and \$750, respectively. The receipts have been carried from the time of their origination and posting in the ledger as "deposits in transit" on the bank reconciliation through July 31, 2013. An adjusting entry was approved by City officials and made to the Operating Fund disbursements for 2012 in the amount of \$8,300, the total of the three receipts without corresponding disbursements, to adjust the reported balance to the reconciled bank balance.
2. On June 2, 2011, the City renewed a Wastewater Utility Bond and Interest Certificate of Deposit (CD) in the amount of \$50,000. The original principal sum of the CD was \$53,000. At the time of the renewal the City transferred \$3,000 of the principal plus the interest paid to another fund. However, the ledger balance of the Wastewater Utility Bond and Interest CD Fund was not updated to reflect the transfer. The carrying amount on the City's ledger throughout 2012 and at December 31, 2012, was \$53,000. An adjusting entry was approved by City officials and made to the Bond and Interest CD Fund in the amount of \$3,000 to adjust the reported balance to the reconciled bank balance.
3. On June 29, 2012, the City transferred \$34,319 from its Water Utility Operating Fund to its fiscal agent and recorded the transfer in the ledger as a receipt to the Water Utility Bond and Interest I Fund for the purpose of providing sufficient funds to satisfy a debt payment due on July 1, 2012, in the same amount. On July 9, 2012, a second, duplicate transfer of \$34,319 was made in error from the Water Utility Operating Fund to the City's fiscal agent. The second transfer of funds was not recorded by the City nor credited to the City's account by the fiscal agent. After this issue was brought to the attention of the fiscal agent, an entry to correct the error was made by the fiscal agent on February 13, 2013, and properly reflected on trust statements issued to the City. As a result, the receipts and December 31, 2012 balance of the Water Utility Bond and Interest I Fund were understated by \$34,319. An adjusting entry was approved by City officials and made to the Water Utility Bond and Interest I Fund receipts and ending cash balance in the amount of \$34,319.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF JONESBORO
EXIT CONFERENCE

The contents of this report were discussed on October 7, 2013, with Brittany Couse, Clerk-Treasurer; Terry Poling, Mayor; and Robert Couse, President of the Common Council. The officials concurred with our findings.