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## Town of Jena, Louisiana

Jena, Louisiana

December 31, 1995

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Release Date 8-7-96

**Payne, Moore & Herrington, LLP**

Certified Public Accountants

Alexandria, Louisiana



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Alexandria, Louisiana



TOWN OF JENA, LOUISIANA

DECEMBER 31, 1995

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TOWN OF JENA, LOUISIANA

DECEMBER 31, 1995

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Payne, Moore & Herrington, LLP

Certified Public Accountants  
600 DeSoto Street  
Alexandria, Louisiana 71301-8003

L. Paul Hood, C.P.A.  
Marvin A. Juneau, C.P.A.  
H. Fred Randow, C.P.A.  
Ernest F. Sasser, C.P.A.  
Robert L. Litton, C.P.A.  
Robert W. Dvorak, C.P.A.  
Dale P. De Selle, C.P.A.  
Rebecca B. Morris, C.P.A.  
Michael A. Juneau, C.P.A.

Members  
American Institute of  
Certified Public Accountants  
Society of Louisiana C.P.A.'s

Tel: (318) 443-1893  
Fax: (318) 443-2515

**INDEPENDENT AUDITOR'S REPORT**

The Honorable Norman Welch, Mayor, and  
Members of the Board of Aldermen  
Town of Jena, Louisiana

We have audited the accompanying general purpose financial statements of the Town of Jena, Louisiana, as of and for the year ended December 31, 1995, as listed in the table of contents. These general purpose financial statements are the responsibility of the Town of Jena, Louisiana, management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Town of Jena, Louisiana, as of December 31, 1995, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The individual fund and account group financial statements and schedule listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Town of Jena, Louisiana. Such

Payne, Moore & Herrington, LLP

The Honorable Mayor and Board of Aldermen  
Town of Jena, Louisiana

information, except for the schedule of insurance in force marked "unaudited", has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 9, 1996, on our consideration of the Town of Jena's internal control structure, and a report dated May 9, 1996, on its compliance with laws and regulations.

*Payne, Moore & Herrington, LLP*

Certified Public Accountants

May 9, 1996

TOWN OF JENA, LOUISIANA  
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUP  
 DECEMBER 31, 1995

EXHIBIT A  
 (Continued)

	GOVERNMENTAL FUND TYPES		PROPRIETARY FUND TYPE	ACCOUNT GROUP		TOTALS (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	ENTERPRISE	GENERAL	FIXED ASSETS	
ASSETS						
Cash and cash equivalents	\$ 72,792	\$238,756	\$ 71,469			\$ 383,017
Investments			1,112,326			1,112,326
Receivables (Net of allowance for doubtful accounts)						
Accounts	8,554		191,971			200,525
Taxes	7,277					7,277
Intergovernmental	29,407		11,840			41,247
Other	7,107		20,589			27,696
Due from other funds			68,219			68,219
Prepaid expenses			25,954			25,954
Inventories			75,689			75,689
Restricted assets			442,531			442,531
Fixed Assets (Net, where applicable, of accumulated depreciation)			5,400,447	1,474,090		6,874,537
<b><u>TOTAL ASSETS</u></b>	<b><u>\$125,137</u></b>	<b><u>\$238,756</u></b>	<b><u>\$7,421,035</u></b>	<b><u>\$1,474,090</u></b>		<b><u>\$9,259,018</u></b>

The accompanying notes are an integral part of the financial statements.

TOWN OF JENA, LOUISIANA  
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUP  
 DECEMBER 31, 1995

EXHIBIT A  
 (Concluded)

	<u>GOVERNMENTAL FUND TYPES</u>	<u>PROPRIETARY FUND TYPE</u>	<u>ACCOUNT GROUP</u>	<u>TOTALS</u>
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>GENERAL</u> <u>FIXED</u> <u>ASSETS</u>	<u>(MEMORANDUM ONLY)</u>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 10,779	\$ 56,478	\$	\$ 67,257
Accrued expenses	13,886	18,863		32,749
Due to other funds		68,219		68,219
Liabilities payable from restricted assets		200,370		200,370
Deferred revenue	25,000			25,000
Sales tax bond	<u>49,665</u>	<u>2,330,000</u>		<u>2,330,000</u>
Total Liabilities		<u>2,605,711</u>	-0-	<u>2,723,595</u>
<b>EQUITY</b>				
Investment in general fixed assets			1,474,090	1,474,090
Contributed capital		1,649,738		1,649,738
Retained earnings				242,161
Reserved		242,161		242,161
Unreserved		2,923,425		2,923,425
Fund balance - Unreserved	10,991			10,991
Designated for capital outlay	<u>64,481</u>	<u>170,537</u>		<u>235,018</u>
Undesignated	<u>75,472</u>	<u>170,537</u>	<u>1,474,090</u>	<u>6,535,423</u>
Total Equity		<u>4,815,324</u>		<u>6,535,423</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u>\$125,137</u>	<u>\$238,756</u>	<u>\$1,474,090</u>	<u>\$9,259,018</u>

The accompanying notes are an integral part of the financial statements.



TOWN OF JENA, LOUISIANA  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 ALL GOVERNMENTAL FUND TYPES  
 YEAR ENDED DECEMBER 31, 1995

EXHIBIT B

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>TOTALS (MEMORANDUM ONLY)</u>
<b>REVENUES</b>			
Taxes	\$ 113,397	\$ 405,273	\$ 518,670
Licenses and permits	107,365		107,365
Intergovernmental	64,418		64,418
Charges for services	170,140		170,140
Fines and fees	42,747		42,747
Interest		4,592	4,592
Other	<u>5,967</u>		<u>5,967</u>
Total Revenues	504,034	409,865	913,899
<b>EXPENDITURES</b>			
Current			
General government	152,403	8,179	160,582
Public safety	305,762		305,762
Public works	218,862		218,862
Capital outlay		<u>12,098</u>	<u>12,098</u>
Total Expenditures	<u>677,027</u>	<u>20,277</u>	<u>697,304</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(172,993)	389,588	216,595
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	222,277		222,277
Operating transfers (out)	<u>          </u>	<u>(326,753)</u>	<u>(326,753)</u>
Total Other Financing Sources (Uses)	<u>222,277</u>	<u>(326,753)</u>	<u>(104,476)</u>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	49,284	62,835	112,119
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>26,188</u>	<u>107,702</u>	<u>133,890</u>
<b><u>FUND BALANCES, END OF YEAR</u></b>	<u>\$ 75,472</u>	<u>\$ 170,537</u>	<u>\$ 246,009</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF JENA, LOUISIANA  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 ALL GOVERNMENTAL FUND TYPES  
 YEAR ENDED DECEMBER 31, 1995

EXHIBIT C

	GENERAL FUND			SPECIAL REVENUE FUND			VARIANCE FAVORABLE (UNFAVORABLE)
	BUDGET	ACTUAL	VARIANCE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE (UNFAVORABLE)	
<b>REVENUES</b>							
Taxes	\$ 117,410	\$ 113,397	\$ (4,013)	\$ 400,000	\$ 405,273	\$ 5,273	
Licenses and permits	107,250	107,365	115				
Intergovernmental	46,498	64,418	17,920				
Charges for services	167,300	170,140	2,840				
Fines and fees	40,000	42,747	2,747	600	4,592	(600)	
Interest				4,000		592	
Other	40,000	5,967	(34,033)				
Total Revenues	<u>518,458</u>	<u>504,034</u>	<u>(14,424)</u>	<u>404,600</u>	<u>409,865</u>	<u>5,265</u>	
<b>EXPENDITURES</b>							
Current							
General government	140,615	152,403	(11,788)	25,000	8,179	16,821	
Public safety	314,689	305,762	8,927				
Public works	218,385	218,862	(477)				
Capital outlay				100,000	12,098	87,902	
Total Expenditures	<u>673,689</u>	<u>677,027</u>	<u>(3,338)</u>	<u>125,000</u>	<u>20,277</u>	<u>104,723</u>	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(155,231)	(172,993)	(17,762)	279,600	389,588	109,988	
<b>OTHER FINANCING SOURCES (USES)</b>							
Operating transfers in	172,236	222,277	50,041				
Operating transfers (out)				(250,500)	(326,753)	(76,253)	
Total Other Financing Sources (Uses)	<u>172,236</u>	<u>222,277</u>	<u>50,041</u>	<u>(250,500)</u>	<u>(326,753)</u>	<u>(76,253)</u>	
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	17,005	49,284	32,279	29,100	62,835	33,735	
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>26,188</u>	<u>26,188</u>	<u>-0-</u>	<u>107,702</u>	<u>107,702</u>	<u>-0-</u>	
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 43,193</u>	<u>\$ 75,472</u>	<u>\$ 32,279</u>	<u>\$ 136,802</u>	<u>\$ 170,537</u>	<u>\$ 33,735</u>	

The accompanying notes are an integral part of the financial statements.

TOWN OF JENA, LOUISIANA  
 COMBINED STATEMENT OF REVENUES, EXPENSES,  
 AND CHANGES IN RETAINED EARNINGS  
 PROPRIETARY FUND TYPE - ENTERPRISE FUND  
 YEAR ENDED DECEMBER 31, 1995

EXHIBIT D

OPERATING REVENUES	
Charges for services	
Water department	\$ 227,672
Gas department	699,349
Sewer department	173,878
Delinquent charges	14,192
Miscellaneous	<u>7,060</u>
Total Operating Revenues	1,122,151
OPERATING EXPENSES	
Water department	211,927
Gas department	481,951
Sewer department	209,495
Depreciation	<u>229,101</u>
Total Operating Expenses	<u>1,132,474</u>
OPERATING LOSS	(10,323)
NONOPERATING REVENUES (EXPENSES)	
Interest revenue	75,754
Interest expense and fiscal charges	<u>(109,581)</u>
Total Nonoperating Revenues (Expenses)	<u>(33,827)</u>
LOSS BEFORE OPERATING TRANSFERS	(44,150)
OPERATING TRANSFERS IN (OUT)	
Operating transfers in	326,753
Operating transfers (out)	<u>(222,277)</u>
Total Operating Transfers In (Out)	<u>104,476</u>
NET INCOME	60,326
RETAINED EARNINGS, BEGINNING OF YEAR	<u>3,105,260</u>
<u>RETAINED EARNINGS, END OF YEAR</u>	<u>\$3,165,586</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF JENA, LOUISIANA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE - ENTERPRISE FUND  
YEAR ENDED DECEMBER 31, 1995

EXHIBIT E

CASH FLOWS FROM OPERATING ACTIVITIES	
Operating loss	\$ (10,323)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	229,101
Bad debts	3,719
Changes in assets and liabilities	
Customer receivables	(43,883)
Intergovernmental receivables	(8,440)
Prepaid expenses	(1,345)
Inventory	(8,407)
Accounts payable	6,399
Accrued expenses	1,527
Due to other funds	(2,610)
Meter deposits	8,420
Net Cash Provided by Operating Activities	<u>174,158</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating transfers in	78,058
Operating transfers out	<u>(222,277)</u>
Net Cash (Used by) Noncapital Financing Activities	(144,219)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Contributed capital	12,099
Acquisition of property, plant and equipment	(15,546)
Operating transfer in - Sales Tax Special Revenue Fund for debt service	180,476
Payment of principal on long-term debt	(90,000)
Interest paid	<u>(110,931)</u>
Net Cash (Used by) Capital Financing Activities	(23,902)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(1,186,262)
Interest received	<u>70,392</u>
Net Cash (Used by) Investing Activities	<u>(1,115,870)</u>
DECREASE IN CASH	(1,109,833)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,549,897</u>
<u>CASH AND CASH EQUIVALENTS, END OF YEAR</u>	<u>\$ 440,064</u>
CLASSIFIED AS	
Current Assets	\$ 71,469
Restricted Assets	<u>368,595</u>
<u>TOTAL</u>	<u>\$ 440,064</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF JENA, LOUISIANA

DECEMBER 31, 1995

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Jena, Louisiana (the "Town") was incorporated by proclamation of the governor in 1906 under the provisions of the Lawrason Act. The Town operates under a mayor-board of aldermen form of government.

The financial statements of the Town of Jena, Louisiana, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations) constitutes GAAP for governmental units.

The more significant of the Town's accounting policies are described below.

A. The Financial Reporting Entity

In defining the Town's reporting entity, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles. The basic criteria for including a potential component unit within the reporting entity is whether the primary government is financially accountable for the potential unit. A primary government is financially accountable if it appoints a voting majority of the organizations's governing body and either (1) is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The primary government may also be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has a separately elected governing body, a governing board appointed by a higher level of government, or a jointly appointed board. An entity is fiscally dependent if it does not have the authority to do all of the following procedures:

1. Determine its budget without another government having the authority to approve and modify that budget.
2. Levy taxes or set rates or charges without approval from another government.
3. Issue bond debt without approval from another government.

TOWN OF JENA, LOUISIANA  
DECEMBER 31, 1995

NOTES TO FINANCIAL STATEMENTS

This report includes all funds and account groups which meet the above criteria. No potential component units were excluded or included in the accompanying financial statements.

B. Fund Accounting

The Town uses funds and account groups to report its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds of the Town are classified into two categories: governmental and proprietary. Each category, in turn, is divided into separate "fund types."

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds). The general fund is used to account for all activities of the general government not accounted for in some other fund.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds).

The General Fixed Assets Account Group is used to account for fixed assets other than those used in the proprietary funds.

TOWN OF JENA, LOUISIANA  
DECEMBER 31, 1995

NOTES TO FINANCIAL STATEMENTS

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Proprietary funds follow GAAP prescribed by the Governmental Accounting Standards Board and all Financial Accounting Standards Board's standards issued prior to November 30, 1989. All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means the amount is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debts are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Those revenues susceptible to accrual are property taxes, franchise taxes, special assessments, grants, interest revenue, and charges for services. Fines, permits, and license revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

TOWN OF JENA, LOUISIANA  
DECEMBER 31, 1995

NOTES TO FINANCIAL STATEMENTS

D. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with GAAP which is also consistent with state law. Annual appropriated budgets are adopted for General and Special Revenue funds. All annual appropriations lapse at the end of the fiscal year. Budgeted amounts are as originally adopted, or as amended from time to time by the Board of Aldermen.

The Town is required to follow these procedures in establishing the budgetary data reflected in the financial statements:

1. The Town management prepares a proposed budget and submits it to the Mayor and the Board no later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, the date of a public hearing is published.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. All budgets are controlled at the fund level. Budgetary amendments involving the transfers of funds from one fund or project to another or involving increases in expenditures resulting from revenues exceeding amounts estimated, require the approval of the Board of Aldermen. Budgeted amounts shown in the financial statements are as originally adopted or as amended from time to time by the Board.
6. Annual operating budget appropriations expire at the close of the fiscal year to the extent not expended.

E. Encumbrances

Encumbrance accounting, under which purchase orders and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Town.



TOWN OF JENA, LOUISIANA

DECEMBER 31, 1995

NOTES TO FINANCIAL STATEMENTS

F. Cash and Investments

Management considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Investments, which consist of certificates of deposit with a maturity of more than three months when purchased, are stated at cost.

G. Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

H. Inventories

Inventories are valued at replacement cost, which approximates market, using the first-in/first-out (FIFO) method. Inventories used for the maintenance of the utility system are accounted for in the Utility Fund as assets when purchased and recorded as expenses when consumed. Inventories for office use are accounted for in the General and Utility funds as expenditures or expenses when purchased. Amounts of office inventories on hand are immaterial.

I. Restricted Assets

Certain proprietary fund assets are classified as restricted assets because their use is limited by applicable bond covenants or by Board action. "Sewer sales tax bond sinking account and reserve account" segregate resources accumulated for debt service payments of the sewer revenue bonds. "Sewer sales tax bond contingency account" is used to report resources set aside to meet unexpected contingencies or to fund asset renewals and replacement for the sewer systems. These resources may also be used for debt service if funds are not otherwise available. "Customers' deposit account" reports funds received from customers for utility deposits.

J. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. The Town has elected to capitalize public domain ("infrastructure") fixed assets consisting of certain

TOWN OF JENA, LOUISIANA  
DECEMBER 31, 1995

NOTES TO FINANCIAL STATEMENTS

improvements other than buildings, including roads and sidewalks. Fixed assets are valued at historical cost.

Assets in the general fixed assets account group are not depreciated. Depreciation of buildings, equipment, and vehicles in the proprietary funds is computed using the straight-line method over the estimated useful life.

K. Interfund Transactions

All interfund transactions are reported as operating transfers.

L. Long-Term Obligations

Long-term liabilities expected to be financed from proprietary fund operations are accounted for in that fund.

M. Compensated Absences

Vacation and sick leave not used within the year does not accrue; therefore, no liability for compensated absences is reflected in the general purpose financial statements.

N. Fund Equity

Contributed capital is recorded in the proprietary fund that has received capital grants or contributions from developers, customers, or other funds. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use.

O. Retained Earnings - Reserved

Retained earnings - reserved, as reported on the balance sheet, represents certain restricted assets accumulated in accordance with the outstanding revenue bond indentures which are in excess of related current liabilities payable from restricted assets.

P. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

TOWN OF JENA, LOUISIANA  
DECEMBER 31, 1995

NOTES TO FINANCIAL STATEMENTS

Q. Memorandum Only - Total Columns

Total columns on the general purpose financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**2. CASH AND CASH EQUIVALENTS**

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

At December 31, 1995, the Town had cash and cash equivalents totaling \$751,612 as follows:

	<u>UNRESTRICTED</u>	<u>RESTRICTED</u>	<u>TOTAL</u>
Cash and cash equivalents	\$382,076	\$368,595	\$750,671
Petty cash and change funds	<u>941</u>	<u>          </u>	<u>941</u>
	\$383,017	\$368,595	\$751,612

At December 31, 1995, the Town had investments of \$1,186,262 consisting of the following:

	<u>UNRESTRICTED</u>	<u>RESTRICTED</u>	<u>TOTAL</u>
Certificates of deposit	\$1,112,326	\$73,936	\$1,186,262

These deposits and certificates of deposit are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) and the certificates of deposit must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent. The Town's deposits and certificates of deposit at year-end were entirely covered by federal depository insurance or by collateral held by its agent in the Town's name.

TOWN OF JENA, LOUISIANA  
DECEMBER 31, 1995

NOTES TO FINANCIAL STATEMENTS

3. RECEIVABLES

Receivables at December 31, 1995, consist of the following:

	GOVERNMENTAL FUND <u>TYPES</u>	PROPRIETARY FUND <u>TYPE</u>	<u>TOTALS</u>
Accounts			
Sanitation and fire protection	\$ 8,554	\$	\$ 8,554
Uncollected cycle billings		96,618	96,618
Estimated services between cycles		102,213	102,213
Interest		20,589	20,589
Taxes	7,277		7,277
Other	7,107		7,107
Intergovernmental			
Local		11,840	11,840
State	<u>29,407</u>		<u>29,407</u>
Gross receivable	52,345	231,260	283,605
Allowance for uncollectible		<u>(6,860)</u>	<u>(6,860)</u>
Net receivables	\$52,345	\$224,400	\$276,745

Receivables arising from utility services provided to customers consist of uncollected billings rendered to customers on monthly cycle billings and estimated services provided to customers between billing cycles. The allowance for uncollectible accounts of \$6,860 represents the projected uncollectible accounts at December 31, 1995.

4. DUE FROM/TO OTHER FUNDS

Amounts due from and to other funds, at December 31, 1995, consisted of the following:

	<u>DUE FROM OTHER FUNDS</u>	<u>DUE TO OTHER FUNDS</u>
Sales Tax Special Revenue Fund	\$	\$68,219
Utility System Enterprise Fund	<u>68,219</u>	
	\$68,219	<u>\$68,219</u>

TOWN OF JENA, LOUISIANA  
DECEMBER 31, 1995

NOTES TO FINANCIAL STATEMENTS

5. RESTRICTED ASSETS - PROPRIETARY FUND TYPE

Restricted assets at December 31, 1995, consisted of the following accounts:

	<u>CASH</u>	<u>INVESTMENTS</u>	<u>TOTAL</u>
Meter deposit	\$	\$73,936	\$ 73,936
Sewer sales tax bond sinking	201,708		201,708
Sewer sales tax bond reserve	123,872		123,872
Sewer sales tax bond contingency	<u>43,015</u>		<u>43,015</u>
	\$368,595	<u>\$73,936</u>	\$442,531

6. FIXED ASSETS

The following is a summary of changes in fixed assets during the fiscal year.

	<u>BALANCE</u> <u>1/1/95</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>12/31/95</u>
<b>GENERAL FIXED ASSETS</b>				
ACCOUNT GROUP				
Land	\$ 50,167	\$	\$	\$ 50,167
Buildings	109,880			109,880
Equipment	306,411	28,384		334,795
Parks & playgrounds	126,824			126,824
Infrastructure	840,918			840,918
Construction in progress		<u>11,506</u>		<u>11,506</u>
<b>TOTAL GENERAL FIXED ASSETS</b>	<b><u>\$1,434,200</u></b>	<b><u>\$39,890</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$1,474,090</u></b>
<b>PROPRIETARY FUNDS</b>				
Sewer disposal system	\$4,080,526	\$	\$ (67,624)	\$4,012,902
Natural gas distribution system	2,505,094			2,505,094
Water plant & system	1,449,307			1,449,307
Land	28,250			28,250
Service equipment	586,244	12,948	(102,358)	496,834
Construction in progress	<u>-0-</u>	<u>2,598</u>		<u>2,598</u>
Total Proprietary Funds	<u>\$8,649,421</u>	<u>\$15,546</u>	<u>\$(169,982)</u>	\$8,494,985
Accumulated Depreciation				<u>3,094,538</u>
<b>NET FIXED ASSETS - PROPRIETARY FUNDS</b>				<b><u>\$5,400,447</u></b>

TOWN OF JENA, LOUISIANA  
DECEMBER 31, 1995

NOTES TO FINANCIAL STATEMENTS

In the enterprise funds, the following useful lives are used to compute depreciation on the straight-line method.

Utility production and distribution system	25-50 years
Buildings and improvements	10-25 years
Equipment	5-8 years
Vehicles	3-6 years

Depreciation expense recorded in the financial statements for the fiscal year ended December 31, 1995, amounted to \$229,101 for the Utility System Enterprise Fund.

**7. LIABILITIES PAYABLE FROM RESTRICTED ASSETS**

Liabilities payable from restricted assets at December 31, 1995, consisted of the following:

Payable from the meter deposit account	\$ 73,936
Meter deposits	
Payable from the sewer sales tax bond sinking account	
Sewer sales tax bond (Note 8)	90,132
Accrued interest	<u>36,302</u>
	\$200,370

**8. SEWER SALES TAX BOND**

The sewer sales tax bond reported in the enterprise fund is due to the Louisiana Department of Environmental Quality (DEQ). The bond had an original face value of \$2,595,132.

Long-term debt at December 31, 1995, consisted of the following:

	INTEREST RATE	ADMINISTRATIVE FEE	AMOUNT
Sales tax bond	4.0%	.5%	\$2,420,132
Current portion (Note 7)			<u>(90,132)</u>
Long-term portion			\$2,330,000

TOWN OF JENA, LOUISIANA  
DECEMBER 31, 1995

NOTES TO FINANCIAL STATEMENTS

The annual requirements to amortize the debt outstanding as of December 31, 1995, including interest of \$1,106,553, are as follows:

YEAR	<u>ENTERPRISE</u>
<u>December 31,</u>	
1996	\$ 197,010
1997	197,712
1998	198,325
1999	198,713
2000	193,987
2001-2013	<u>2,540,938</u>
	\$3,526,685

Total interest and fiscal charges incurred by the Utility Fund amounted to \$109,581 for the current period.

During the year ended December 31, 1995, the following changes occurred in long-term liabilities:

	<u>BALANCE</u> <u>1/1/95</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>BALANCE</u> <u>12/31/95</u>
Enterprise Fund Debt				
Sales tax bond	\$2,510,132	\$-0-	\$90,000	\$2,420,132

Sewer System Sales Tax Bonds. The material provisions of the sewer system sales tax bond covenants are as follows:

1. The Town will irrevocably pledge and dedicate the proceeds of the one percent (1%) sales and use tax authorized at a special election to the payment of principal and interest on the bonds.
2. The Town will establish service fees and charges at such rates as will yield annual revenues sufficient in amount to pay the costs of operating and maintaining the sewer system and to provide for the renewal and replacement of the sewer system.
3. The Town will transfer monthly to a debt service sinking account accumulations for the payments of principal and interest due on the bond.

TOWN OF JENA, LOUISIANA  
DECEMBER 31, 1995

NOTES TO FINANCIAL STATEMENTS

4. The Town will establish a reserve account equal to the maximum future principal and interest due in any future fiscal year. Monies in this fund may be used for principal and interest payments if necessary.
5. The Town may not create debt having priority over these bonds.

After meeting the above provisions, any surplus in the Sales Tax Special Revenue Fund, may be used for any other purpose for which the sales tax was levied.

9. CONTRIBUTED CAPITAL

Changes in contributed capital during the year were as follows:

<u>SOURCE</u>	<u>UTILITY SYSTEM</u>
Special Revenue Fund	
Sewer plant service equipment	\$ 12,099
Balance, Beginning of Year	<u>1,637,639</u>
Balance, End of Year	\$1,649,738

10. AD VALOREM TAXES

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Town normally on November 15 and are due on December 1. Billed taxes become delinquent on January 1 of the following year. Revenue from ad valorem taxes are budgeted in the year billed. The Town contracts with the Parish assessor of LaSalle Parish to prepare annual notices based upon assessed values determined by the tax assessor. The Town collects its own ad valorem taxes.

For the year ended December 31, 1995, taxes of 5.20 mills were levied on property with assessed values totaling \$7,844,901 and were dedicated for general fund purposes.



TOWN OF JENA, LOUISIANA  
DECEMBER 31, 1995

NOTES TO FINANCIAL STATEMENTS

Total taxes levied were \$40,782. Taxes receivable at December 31, 1995, were \$7,277 and were considered collectible. No provision for doubtful accounts was considered necessary.

**11. ENTERPRISE FUNDS - OPERATIONS**

The Town operates one enterprise fund which provides natural gas, sewer, and water services to the residents of the Town and certain adjacent areas. The following is a condensed summary of operations of the enterprise fund.

	<u>WATER</u>	<u>GAS</u>	<u>SEWER</u>	<u>TOTAL</u>
Operating revenues	\$ 234,232	\$ 713,541	\$ 174,378	\$1,122,151
Operating expenses				
Depreciation	(49,135)	(143,387)	(36,579)	(229,101)
Other	<u>(211,927)</u>	<u>(481,951)</u>	<u>(209,495)</u>	<u>(903,373)</u>
Operating income (loss)	\$ (26,830)	\$ 88,203	\$ (71,696)	\$ (10,323)
Nonoperating revenues				
(expenses)				
Interest revenue				75,754
Interest and fiscal charges				(109,581)
Operating transfers - net				<u>104,476</u>
Net income				\$ 60,326
Current capital contributions				\$ 12,099
Net working capital				1,502,716
Total assets				7,421,035
Sales tax bonds payable				2,420,132
Total equity				4,815,324

**12. RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts, theft or damage and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Town carries commercial insurance or participates in a statewide public entity risk pool as outlined in the following table. Settled claims did not exceed commercial coverage for any of the past three fiscal years.

TOWN OF JENA, LOUISIANA  
DECEMBER 31, 1995

NOTES TO FINANCIAL STATEMENTS

	<u>LIMITS OF COVERAGE</u>
Public entity risk pool	
Workmen's compensation	Statutory
Auto liability	\$500,000
Commercial general liability	500,000
Law enforcement officers' liability (deductible \$1,000 per occurrence)	500,000
Public officials' errors and omission (deductible \$1,000 per occurrence)	500,000
Commercial insurance	
Town-owned buildings - fire, lightning, and extended coverage	2,857,300

The Town pays an annual premium to the public entity risk pool. The risk pool is self-sustaining through member premiums.

The Town covers all other losses, claim settlements, and judgments from General Fund resources. The Town currently reports all of its risk management activities in its General Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.

**13. COMPENSATION PAID TO MAYOR AND BOARD OF ALDERMEN**

In accordance with the requirements of the Office of the Legislative Auditor, State of Louisiana, the following reflects compensation paid to the Mayor and members of the Board of Aldermen of the Town of Jena, Louisiana, for the fiscal year ending December 31, 1995.

Mayor Norman Welch	\$30,585
Board of Aldermen	
Gary Compton	4,050
Donnie Kendrick	3,900
Steve Sanders	4,050
Dale Willis	4,050
Tommy Wright	3,900

**14. PUBLIC EMPLOYEES RETIREMENT SYSTEM**

A. Plan Descriptions

The Town contributes to one statewide multiple-employer public employee retirement system, the Municipal Employees' Retirement System of Louisiana (MERS).

TOWN OF JENA, LOUISIANA  
DECEMBER 31, 1995

NOTES TO FINANCIAL STATEMENTS

The amount of the Town's current year covered payroll and the Town's total current year payroll for all employees is summarized below:

Covered Payroll	
MERS	\$608,129
Total payroll	619,426

The following is a brief description of the plan.

MERS. Membership is mandatory for all full-time employees of the Town, provided they meet statutory criteria. Any employee meeting the statutory criteria is eligible to participate after one (1) year of employment. A member is eligible for normal retirement benefits if he has ten (10) years of creditable service and is age sixty (60), has twenty-five (25) years of creditable service and is age fifty-five (55), or has at least thirty (30) years of creditable service at any age. Benefit rates are three percent (3%) of the member's final compensation multiplied by his years of credited service, not to exceed one hundred percent (100%).

Members are currently required to contribute nine and one-quarter percent (9.25%) of their salary to the system. The Town's contribution is presently at six and three-quarters percent (6.75%).

Benefit and contribution requirements are established by state law.

B. Funding Status and Progress

The amount shown below as "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the plan's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems. The measure is independent of the funding method used to determine contributions to the plan discussed below.

TOWN OF JENA, LOUISIANA  
DECEMBER 31, 1995

NOTES TO FINANCIAL STATEMENTS

The pension benefit obligation and certain other relevant information for the multiple-employer public employee retirement system to which the Town contributes are presented below:

Date of Actuarial Valuation		<u>06/30/95</u>
Pension benefit obligation		\$321,901,732
Net assets available for benefits		<u>276,390,971</u>
Unfunded pension benefit obligation		<u>\$ 45,510,761</u>
 <u>Town of Jena</u>		
Employee contributions made	\$	53,178
Employee contributions as a percentage of covered payroll		8.74%
Employer contributions made		35,096
Employer contributions as a percentage of covered payroll		6.10%
Employer's actuarially determined contribution requirement expressed as a percentage of total actuarially determined contribution requirements for all employers		0.40%

C. Ten Year Historical Trend Information

Ten year historical trend information provides information about a public employee retirement system's progress in accumulating sufficient assets to pay benefits when due. This information, if available, may be found in the separately issued annual financial report of the MERS.

15. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following individual governmental funds had expenditures, including other financing uses, exceeding appropriations as approved in the budget:

	<u>EXPENDITURES</u>	<u>APPROPRIATIONS</u>	<u>EXCESS</u>
General Fund	\$677,027	\$673,689	\$3,338

ADDITIONAL INFORMATION

**GENERAL FUND**

This is the general operating fund of the Town and is used to account for the operations traditionally associated with a municipality which are not required to be accounted for in another fund.

TOWN OF JENA, LOUISIANA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 1995

STATEMENT F-1

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES (STATEMENT F-2)			
Taxes	\$ 117,410	\$ 113,397	\$ (4,013)
Licenses and permits	107,250	107,365	115
Intergovernmental	46,498	64,418	17,920
Charges for services	167,300	170,140	2,840
Fines and forfeitures	40,000	42,747	2,747
Other	<u>40,000</u>	<u>5,967</u>	<u>(34,033)</u>
Total Revenues	518,458	504,034	(14,424)
EXPENDITURES (STATEMENT F-3)			
Current			
General government	140,615	152,403	(11,788)
Public Safety			
Police	155,005	153,348	1,657
Fire	133,884	125,518	8,366
Animal control	25,800	26,896	(1,096)
Public works			
Streets	59,225	62,662	(3,437)
Sanitation	83,903	84,711	(808)
Recreation	<u>75,257</u>	<u>71,489</u>	<u>3,768</u>
Total Expenditures	<u>673,689</u>	<u>677,027</u>	<u>(3,338)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(155,231)	(172,993)	(17,762)
OTHER FINANCING SOURCES			
Operating transfer in Utility System Enterprise Fund	<u>172,236</u>	<u>222,277</u>	<u>50,041</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	17,005	49,284	32,279
FUND BALANCE, BEGINNING OF YEAR	<u>26,188</u>	<u>26,188</u>	<u>-0-</u>
<u>FUND BALANCE, END OF YEAR</u>	<u>\$ 43,193</u>	<u>\$ 75,472</u>	<u>\$ 32,279</u>

See independent auditor's report.

TOWN OF JENA, LOUISIANA  
 GENERAL FUND  
 STATEMENT OF REVENUES -  
 BUDGET AND ACTUAL  
 YEAR ENDED DECEMBER 31, 1995

STATEMENT F-2

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u> <u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
REVENUES			
Taxes			
Ad valorem taxes	\$ 40,200	\$ 39,753	\$ (447)
Housing Authority in lieu of taxes	5,600	5,945	345
Franchise taxes	<u>71,610</u>	<u>67,699</u>	<u>(3,911)</u>
Totals	117,410	113,397	(4,013)
Licenses and permits			
Occupational licenses	107,000	107,205	205
Other	<u>250</u>	<u>160</u>	<u>(90)</u>
Totals	107,250	107,365	115
Intergovernmental			
Tabacco tax	13,500	13,318	(182)
Beer tax	3,000	3,066	66
State fire insurance rebate	14,972	14,971	(1)
State traffic light maintenance	7,733	7,733	-0-
Grants	<u>7,293</u>	<u>25,330</u>	<u>18,037</u>
Totals	46,498	64,418	17,920
Charges for services			
Sanitation fees	98,700	94,075	(4,625)
Fire protection	61,200	67,616	6,416
Recreation	6,000	6,541	541
Other	<u>1,400</u>	<u>1,908</u>	<u>508</u>
Totals	167,300	170,140	2,840
Fines and forfeitures	40,000	42,747	2,747
Other			
Miscellaneous revenue	<u>40,000</u>	<u>5,967</u>	<u>(34,033)</u>
<u>TOTAL REVENUES</u>	<u>\$518,458</u>	<u>\$504,034</u>	<u>\$(14,424)</u>

See independent auditor's report.



TOWN OF JENA, LOUISIANA  
GENERAL FUND  
STATEMENT OF EXPENDITURES -  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 1995

STATEMENT F-3  
(Continued)

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES			
Current			
GENERAL GOVERNMENT			
Mayor's salary	\$ 32,000	\$ 31,233	\$ 767
Aldermen's salaries	23,250	19,950	3,300
Employee benefits	7,300	7,061	239
Payroll taxes	2,100	1,872	228
Aldermen's expenses	5,800	5,265	535
Travel	5,000	2,551	2,449
Insurance	25,700	21,387	4,313
Legal and other professional	10,365	10,943	(578)
Dues and subscriptions	1,000	1,636	(636)
Senior citizen center	9,000	6,901	2,099
Concordia Parish School	5,500	5,427	73
Economic development	5,000	4,457	543
Advertising	4,000	9,190	(5,190)
Miscellaneous	4,600	5,723	(1,123)
Tax roll preparation		1,401	(1,401)
Bad debts		748	(748)
Capital Outlay		<u>16,658</u>	<u>(16,658)</u>
Total General Government	<u>140,615</u>	<u>152,403</u>	<u>(11,788)</u>

See independent auditor's report.

TOWN OF JENA, LOUISIANA  
 GENERAL FUND  
 STATEMENT OF EXPENDITURES -  
 BUDGET AND ACTUAL  
 YEAR ENDED DECEMBER 31, 1995

STATEMENT F-3  
 (Continued)

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u> <u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
<b>PUBLIC SAFETY</b>			
Police Department			
Salaries	\$ 86,000	\$100,607	\$(14,607)
Employee benefits	20,000	19,552	448
Payroll taxes	500	951	(451)
Gas and oil	9,000	6,371	2,629
Repairs and maintenance	10,000	9,946	54
Supplies	2,000	2,099	(99)
Telephone	900	628	272
Fines remitted to state	4,000	2,642	1,358
Uniforms	2,100	694	1,406
Training	1,200	35	1,165
Insurance	6,000	9,285	(3,285)
Other	305	538	(233)
Capital outlay	<u>13,000</u>		<u>13,000</u>
Total Police Department	155,005	153,348	1,657
Fire Department			
Salaries	70,000	65,661	4,339
Employee benefits	17,000	14,917	2,083
Payroll taxes	1,000	949	51
Gas and oil	1,500	1,089	411
Repairs and maintenance	4,000	2,130	1,870
Supplies	17,500	6,232	11,268
Telephone	1,400	1,317	83
Utilities	1,500	1,738	(238)
Volunteer fire department expenses	6,000	5,960	40
Casual labor	4,000	3,771	229
Uniforms	1,700	723	977
Training	1,500	1,030	470
Insurance	6,000	7,529	(1,529)
Other	700	659	41
Capital outlay	<u>84</u>	<u>11,813</u>	<u>(11,729)</u>
Total Fire Department	133,884	125,518	8,366
Animal Control Department			
Salaries	16,300	16,274	26
Employee benefits	4,200	4,924	(724)
Gas and oil	1,000	1,220	(220)
Repairs and maintenance	1,800	1,333	467
Supplies	800	1,380	(580)
Utilities	400	380	20
Uniforms	400	364	36
Veterinary expenses	500	473	27
Insurance	<u>400</u>	<u>548</u>	<u>(148)</u>
Total Animal Control Department	25,800	26,896	(1,096)
Total Public Safety	314,689	305,762	8,927

See independent auditor's report.

TOWN OF JENA, LOUISIANA  
GENERAL FUND  
STATEMENT OF EXPENDITURES -  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 1995

STATEMENT F-3  
(Concluded)

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u> FAVORABLE (UNFAVORABLE)
<b>PUBLIC WORKS</b>			
Streets			
Salaries	\$ 1,000	\$ 222	\$ 1,000
Gas and oil	300	4,430	78
Repairs and maintenance	5,000	10,504	570
Supplies	10,425	46,806	(79)
Utilities	42,000	275	(4,806)
Miscellaneous	500	425	225
Capital outlay		<u>425</u>	<u>(425)</u>
Total Streets	<u>59,225</u>	<u>62,662</u>	<u>(3,437)</u>
Sanitation			
Salaries	48,003	48,573	(570)
Employee benefits	14,000	12,215	1,785
Payroll taxes	500	677	(177)
Gas and oil	3,000	3,296	(296)
Repairs and maintenance	2,000	847	1,153
Supplies	300	294	6
Uniforms	1,000	1,139	(139)
Garbage bags	8,000	9,100	(1,100)
Insurance	7,000	8,570	(1,570)
Miscellaneous	100	<u>100</u>	<u>100</u>
Total Sanitation	<u>83,903</u>	<u>84,711</u>	<u>(808)</u>
Recreation			
Salaries	30,000	34,014	(4,014)
Employee benefits	5,000	5,118	(118)
Payroll taxes	1,500	1,768	(268)
Gas and oil	1,000	525	475
Repairs and maintenance	4,000	815	3,185
Supplies	5,000	4,523	477
Telephone	750	657	93
Utilities	6,400	6,048	352
Uniforms	200	105	95
Materials for resale	2,500	2,499	1
Casual labor	1,000	781	219
Insurance	2,200	2,704	(504)
Miscellaneous	500	423	77
Capital outlay	<u>15,207</u>	<u>11,509</u>	<u>3,698</u>
Total Recreation	<u>75,257</u>	<u>71,489</u>	<u>3,768</u>
Total Public Works	<u>218,385</u>	<u>218,862</u>	<u>(477)</u>
<b><u>TOTAL EXPENDITURES</u></b>	<b><u>\$673,689</u></b>	<b><u>\$677,027</u></b>	<b><u>\$(3,338)</u></b>

See independent auditor's report.

**SALES TAX SPECIAL REVENUE FUND**

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

SALES TAX SPECIAL REVENUE FUND is used to account for revenues generated by the one percent (1%) sales and use tax. Proceeds are first dedicated to the debt service of the sales tax bond.

TOWN OF JENA, LOUISIANA  
 SALES TAX SPECIAL REVENUE FUND  
 STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 YEAR ENDED DECEMBER 31, 1995

STATEMENT G-1

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
Taxes	\$ 400,000	\$ 405,273	\$ 5,273
Fines and fees	600		(600)
Interest	<u>4,000</u>	<u>4,592</u>	<u>592</u>
Total Revenues	404,600	409,865	5,265
EXPENDITURES			
Current - General Government			
Collection expense	25,000	8,179	16,821
Capital outlay	<u>100,000</u>	<u>12,098</u>	<u>87,902</u>
Total Expenditures	<u>125,000</u>	<u>20,277</u>	<u>104,723</u>
EXCESS OF REVENUES OVER EXPENDITURES	279,600	389,588	109,988
OTHER FINANCING USES			
Operating transfers (out)			
Utility System Enterprise Fund for			
Operations		(78,058)	(78,058)
Sewer sales tax bond sinking account	(233,000)	(205,333)	27,667
Sewer sales tax bond reserve account	(7,000)	(32,953)	(25,953)
Sewer sales tax bond contingency			
account	<u>(10,500)</u>	<u>(10,409)</u>	<u>91</u>
Total Other Financing Uses	<u>(250,500)</u>	<u>(326,753)</u>	<u>(76,253)</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	29,100	62,835	33,735
FUND BALANCE, BEGINNING OF YEAR	<u>107,702</u>	<u>107,702</u>	<u>-0-</u>
<u>FUND BALANCE, END OF YEAR</u>	<u>\$ 136,802</u>	<u>\$ 170,537</u>	<u>\$ 33,735</u>

See independent auditor's report.

#### UTILITY SYSTEM ENTERPRISE FUND

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.

UTILITY SYSTEM ENTERPRISE FUND is used to account for the operations of the natural gas distribution system, water distribution system and sewer services provided to the residents of the Town and to certain surrounding areas. All activities necessary to provide such services are accounted for in this fund, including but not limited to, administration, operations, maintenance, financing and related debt service, billing and collection.

TOWN OF JENA, LOUISIANA  
UTILITY SYSTEM ENTERPRISE FUND  
BALANCE SHEET  
DECEMBER 31, 1995

STATEMENT H-1  
(Continued)

ASSETS

CURRENT ASSETS

Cash	\$ 71,469
Investments - Certificates of deposit, at cost	1,112,326
Receivables	
Accounts (Net of allowance for doubtful accounts)	191,971
Intergovernmental	11,840
Other	20,589
Due from other funds	68,219
Prepaid expenses	25,954
Inventory	<u>75,689</u>
Total Current Assets	1,578,057

RESTRICTED ASSETS

Meter deposit account	73,936
Sewer sales tax bond sinking account	201,708
Sewer sales tax bond reserve account	123,872
Sewer sales tax bond contingency account	<u>43,015</u>
Total Restricted Assets	442,531

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment	8,494,985
Accumulated depreciation	<u>(3,094,538)</u>
Net Property, Plant and Equipment	<u>5,400,447</u>

TOTAL ASSETS

\$ 7,421,035

See independent auditor's report.

TOWN OF JENA, LOUISIANA  
UTILITY SYSTEM ENTERPRISE FUND  
BALANCE SHEET  
DECEMBER 31, 1995

STATEMENT H-1  
(Concluded)

LIABILITIES AND EQUITY		
CURRENT LIABILITIES (Payable from Current Assets)		
Accounts payable		\$ 56,478
Accrued expenses/other current liabilities		
Accrued wages		2,363
Accrued retirement		12,382
Sales taxes payable		3,767
Other		<u>351</u>
Total		75,341
CURRENT LIABILITIES (Payable from Restricted Assets)		
Payable from meter deposit account		73,936
Meter deposits		
Payable from sewer sales tax bond sinking account		90,132
Sewer sales tax bond		<u>36,302</u>
Accrued interest		<u>200,370</u>
Total		275,711
Total Current Liabilities		
NONCURRENT LIABILITIES		
Sales tax bonds		<u>2,330,000</u>
Total Liabilities		2,605,711
EQUITY		
Contributed capital		1,649,738
Retained earnings		
Reserved for		
Debt service	199,146	
Contingencies	<u>43,015</u>	
Total Reserved Retained Earnings	242,161	
Unreserved	<u>2,923,425</u>	
Total Retained Earnings		<u>3,165,586</u>
Total Equity		<u>4,815,324</u>
<u>TOTAL LIABILITIES AND EQUITY</u>		<u>\$7,421,035</u>

See independent auditor's report.



TOWN OF JENA, LOUISIANA  
 UTILITIES SYSTEM ENTERPRISE FUND  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS  
 YEAR ENDED DECEMBER 31, 1995

STATEMENT H-2

	<u>TOTAL</u>	<u>WATER SYSTEM</u>	<u>NATURAL GAS SYSTEM</u>	<u>SEWER SYSTEM</u>
<b>OPERATING REVENUES</b>				
Charges for sales and services	\$1,100,899	\$227,672	\$699,349	\$173,878
Other	<u>21,252</u>	<u>6,560</u>	<u>14,192</u>	<u>500</u>
Total Operating Revenues	1,122,151	234,232	713,541	174,378
<b>OPERATING EXPENSES</b>				
Natural gas purchases	214,975		214,975	
Sludge disposal	8,735			8,735
Salaries	303,114	81,637	159,267	62,210
Employee benefits	57,874	15,564	30,269	12,041
Payroll taxes	5,480	1,825	2,407	1,248
Bad debts	3,719	798	2,328	593
Operating supplies	69,086	36,370	14,828	17,888
Gas and oil	7,764	1,167	5,238	1,359
Utilities	58,830	16,575	3,539	38,716
Repairs and maintenance	34,687	21,383	10,355	2,949
Depreciation	229,101	49,135	143,387	36,579
Travel	342	178	122	42
Training	400	135	115	150
Uniform rental	4,543	322	3,129	1,092
Professional fees	16,919	5,298	6,273	5,348
Office expense	14,048	10,419	3,070	559
Insurance	68,263	17,055	21,935	29,273
Dues and subscriptions	1,849	405	564	880
Lab reports	21,761	777		20,984
Drug testing	1,064		1,064	
Miscellaneous	9,920	<u>2,019</u>	<u>2,473</u>	<u>5,428</u>
Total Operating Expenses	<u>1,132,474</u>	<u>261,062</u>	<u>625,338</u>	<u>246,074</u>
<b>OPERATING INCOME (LOSS)</b>	(10,323)	<u>\$(26,830)</u>	<u>\$ 88,203</u>	<u>\$(71,696)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest income	75,754			
Interest expense and fiscal charges	<u>(109,581)</u>			
Net	<u>(33,827)</u>			
<b>LOSS BEFORE OPERATING TRANSFERS</b>	(44,150)			
<b>OPERATING TRANSFERS IN (OUT)</b>				
Sales Tax Special Revenue Fund for:				
Sewer system operations	78,058			
Sewer sales tax bond indenture requirements	248,695			
General Fund	<u>(222,277)</u>			
Net	<u>104,476</u>			
<b>NET INCOME</b>	60,326			
<b>RETAINED EARNINGS, BEGINNING OF YEAR</b>	<u>3,105,260</u>			
<b><u>RETAINED EARNINGS, END OF YEAR</u></b>	<u>\$3,165,586</u>			

See independent auditor's report.

**GENERAL FIXED ASSETS ACCOUNT GROUP**

This group of accounts is used to account for fixed assets other than those used in the proprietary fund.

TOWN OF JENA, LOUISIANA  
STATEMENT OF GENERAL FIXED ASSETS  
DECEMBER 31, 1995

STATEMENT I-1

GENERAL FIXED ASSETS	
Land	\$ 50,167
Buildings	109,880
Equipment	334,795
Parks and playgrounds	126,824
Infrastructure	840,918
Construction in progress	<u>11,506</u>
<u>TOTAL GENERAL FIXED ASSETS</u>	<u>\$1,474,090</u>
INVESTMENT IN GENERAL FIXED ASSETS	
General obligation bonds	\$ 444,193
General fund revenues	934,238
Federal revenue sharing	<u>95,659</u>
<u>TOTAL INVESTMENT IN GENERAL FIXED ASSETS</u>	<u>\$1,474,090</u>

See independent auditor's report.

TOWN OF JENA, LOUISIANA  
 STATEMENT OF CHANGES IN GENERAL FIXED ASSETS  
 YEAR ENDED DECEMBER 31, 1995

STATEMENT I-2

	<u>LAND</u>	<u>BUILDINGS</u>	<u>EQUIPMENT</u>	<u>PARKS AND PLAYGROUNDS</u>	<u>INFRASTRUCTURE</u>	<u>CONSTRUCTION IN PROGRESS</u>	<u>TOTAL</u>
GENERAL FIXED ASSETS, BEGINNING OF YEAR	\$50,167	\$109,880	\$306,411	\$126,824	\$840,918	\$ -0-	\$1,434,200
ADDITIONS							
General Fund revenues			<u>28,384</u>			<u>11,506</u>	<u>39,890</u>
GENERAL FIXED ASSETS, <u>END OF YEAR</u>	<u>\$50,167</u>	<u>\$109,880</u>	<u>\$334,795</u>	<u>\$126,824</u>	<u>\$840,918</u>	<u>\$11,506</u>	<u>\$1,474,090</u>

See independent auditor's report.

UNAUDITED SCHEDULE OF INSURANCE IN FORCE

TOWN OF JENA, LOUISIANA  
 UNAUDITED SCHEDULE OF INSURANCE IN FORCE  
 DECEMBER 31, 1995

SCHEDULE 1

<u>INSURER</u>	<u>EXPIRATION DATE</u>	<u>COVERAGE</u>	<u>PROPERTY COVERED</u>	<u>LIMITS</u>
Louisiana Municipal Risk Management Agency	02/18/96	Automobile Liability	Owned, hired, non-owned	\$500,000 CSL BI & PD
	05/01/96	Commercial General Liability	Premiums/Operations Products/Completed Operations	500,000 per occurrence Occurrence: included Aggregate: 500,000 CSL BI & PD
	05/01/96	Law Enforcement Officers' Comprehensive Liability	Medical Payments	1,000 per person 10,000 per accident 50,000 per occurrence
	05/01/96	Public Officials' Errors & Omissions Liability	Fire legal liability Police Liability	500,000 CSL Personal Injury & PD
Employers Fire Insurance Company	11/01/96	Fire Insurance	Wrongful acts of the Public Entity	500,000 CSL E & O
Louisiana Municipal Risk Management Agency	01/01/96	Worker's Compensation	All buildings	2,857,300 1,000 deductible 90% co-insurance
Economy Fire	02/15/96	Automobile	1986 Ford Fire Truck	Statutory 100,000 each accident Deductibles: 500 comprehensive 1,000 collision
American Central Insurance Company	04/05/96	Data processing Equipment	IBM system 36 and all attached hardware	48,787 with deductible of 250
Fidelity & Deposit Company of Maryland	07/01/96	Public Officials Clerk Bond	Mayor and Town Clerk Town Clerk	10,000 each official
Audubon E & S	01/20/96	Position Fidelity Bond Commercial Automobile	Form FHA 440-24 All Automobiles	ACV

**OTHER REPORTS REQUIRED UNDER  
GOVERNMENT AUDITING STANDARDS**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE  
BASED ON AN AUDIT OF THE GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



Payne, Moore & Herrington, LLP

Certified Public Accountants  
600 DeSoto Street  
Alexandria, Louisiana 71301-8003

L. Paul Hood, C.P.A.  
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Michael A. Juneau, C.P.A.

Members  
American Institute of  
Certified Public Accountants  
Society of Louisiana C.P.A.'s

Tel: (318) 443-1893  
Fax: (318) 443-2515

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE  
BASED ON AN AUDIT OF THE GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Norman Welch, Mayor, and  
Members of the Board of Aldermen  
Town of Jena, Louisiana

We have audited the general purpose financial statements of the Town of Jena, Louisiana, as of and for the year ended December 31, 1995, and have issued our report thereon dated May 9, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

The management of the Town of Jena, Louisiana, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the general purpose financial statements of the Town of Jena, Louisiana, as of and for the year ended December 31, 1995, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures, and whether they have been placed in operation, and we

Payne, Moore & Herrington, LLP

The Honorable Mayor and Board of Aldermen  
Town of Jena, Louisiana

assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

The reportable conditions noted are as follows:

**RECONCILIATION OF ACCOUNTS RECEIVABLE**

In our prior report on the internal control structure, dated May 12, 1995, for the year ended December 31, 1994, we reported that the accounts receivable subsidiaries for utility customer accounts were not routinely reconciled to the related general ledger control account. We found no improvement in reconciliation procedures during the year ended December 31, 1995.

We continue to recommend that aged accounts receivable subsidiary listings as printed each month from the utility billing system, be reconciled to the related general ledger control account.

**MANAGEMENT'S RESPONSE**

With the present Utility Billing System it is difficult to do this except by doing it manually. The program will not interface with the general ledger program. This will have to be corrected with a new Utility Billing Program as discussed later in this report.

## Payne, Moore & Herrington, LLP

The Honorable Mayor and Board of Aldermen  
Town of Jena, Louisiana

### RECONCILIATION OF UTILITY DEPOSITS

As reported previously, we continue to find that the subsidiary records for customer utility deposits are not periodically reconciled to the general ledger control account. We continue to recommend that the subsidiary records for customer utility deposits be periodically reconciled to the general ledger.

### MANAGEMENT'S RESPONSE

A clerk will be assigned to do this on a quarterly basis.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we consider the following matter explained previously involving the internal control structure and its operation to be a material weakness as defined above:

### RECONCILIATION OF ACCOUNTS RECEIVABLE

These reportable conditions were considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the general purpose financial statements of the Town of Jena, Louisiana, as of and for the year ended December 31, 1995.

We also noted other matters involving the internal control structure and its operation that we have reported to the management of the Town of Jena, Louisiana, in a separate letter, entitled Memorandum of Other Comments and Recommendations, dated May 9, 1996.

Payne, Moore & Herrington, LLP

The Honorable Mayor and Board of Aldermen  
Town of Jena, Louisiana

This report is intended for the information of management, the Mayor, and the Board of Aldermen of the Town of Jena, Louisiana. However, this report is a matter of public record and its distribution is not limited.

*Payne, Moore & Herrington, LLP*  
Certified Public Accountants  
May 9, 1996

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE BASED  
ON AN AUDIT OF THE GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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Tel: (318) 443-1893  
Fax: (318) 443-2515

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE BASED  
ON AN AUDIT OF THE GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Norman Welch, Mayor, and  
Members of the Board of Aldermen  
Town of Jena, Louisiana

We have audited the general purpose financial statements of the Town of Jena, Louisiana, as of and for the year ended December 31, 1995, and have issued our report thereon dated May 9, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the Town of Jena, Louisiana, is the responsibility of the management of the Town of Jena, Louisiana. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, we performed tests of the Town's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the general purpose financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain immaterial instances of noncompliance that we have reported to the management of the Town of Jena, Louisiana, in a separate letter, entitled Memorandum of Other Comments and Recommendations, dated May 9, 1996.

Payne, Moore & Herrington, LLP

The Honorable Mayor and Board of Aldermen  
Town of Jena, Louisiana

This report is intended for the information of management, the Mayor, and the Board of Aldermen of the Town of Jena, Louisiana. However, this report is a matter of public record and its distribution is not limited.

*Payne, Moore & Herrington, LLP*  
Certified Public Accountants

May 9, 1996

MEMORANDUM OF OTHER COMMENTS AND RECOMMENDATIONS



Payne, Moore & Herrington, LLP

Certified Public Accountants  
600 DeSoto Street  
Alexandria, Louisiana 71301-8003

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The Honorable Norman Welch, Mayor and  
Members of the Board of Aldermen  
Town of Jena, Louisiana

In planning and performing our audit of the general purpose financial statements for the year ending December 31, 1995, we considered the Town's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls, operating efficiency, and possible compliance with laws. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate report dated May 9, 1996, contains our report on reportable conditions in the Town's internal control structure. This letter does not affect our report dated May 9, 1996, on the general purpose financial statements of the Town of Jena, Louisiana.

We will review the status of these comments and recommendations during our next audit engagement. We have already discussed these items with management personnel and we will be pleased to discuss them with you in detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

*Payne, Moore & Herrington, LLP*  
Certified Public Accountants

May 9, 1996

MEMORANDUM OF OTHER COMMENTS AND RECOMMENDATIONS

**FREE SEWER SERVICE PROVIDED TO MUNICIPAL FACILITIES**

Article II., Section 2.03 (s) of the Loan and Pledge Agreement between the Louisiana Department of Environmental Quality and the Town provides that the Town shall not provide services of the system free of charge to any person, firm, corporation, public agency, or instrumentality. We were informed that the Town does not charge itself for sewer services provided to municipal facilities.

We recommend that the Town comply with all provisions of the Agreement.

**MANAGEMENT'S RESPONSE**

Town Hall, Senior Citizens Center, Utility Shop and Fire Station will be added to billing at \$7.75 each.

**DISTRIBUTION OF SALARIES AND RELATED COSTS**

We reported last year that certain salaries, related fringe benefits and other costs of the Town Clerk and the clerical staff located within the Town Hall were charged entirely to the Utilities System Fund. These employees also perform significant services associated with general government functions. This results in expenses being paid from the Utilities System Fund that should be paid from general government sources. We found no change in this practice during the year ended December 31, 1995.

We recommend that allocations of these expenses be made between general government functions and utilities system functions based upon time expended by function.

**MANAGEMENT'S RESPONSE**

Distribution will be made as follows:

Town Clerk	75% Adm.	25% Utility
Asst. Clerks (2)	25% Adm.	75% Utility
Asst. Clerk (1)	50% Adm.	50% Utility

**EXCESS SALES TAX PAID**

We found that sales tax in excess of the actual amount computed per the utility system billing registers were remitted to the state.

We recommend that procedures be established to reconcile the liability to the billing register prior to preparing the sales tax return to prevent future overpayment. Management has prepared amended sales tax returns to request a refund of the overpayment from the state.

#### MANAGEMENT'S RESPONSE

This procedure has been implemented in 1996.

#### UTILITY BILLING SOFTWARE

We noted that following areas of concern or deficiencies with the current utility billing software:

1. Inability to correct customer accounts with credit balances.
2. Lack of support from the vendor.
3. No recap of utility sales, which are not subject to sales tax, is provided.
4. Lack of subsidiary by fund for billed accounts.
5. Difficulty in verifying meter readers cards to the system due to lack of ease in identifying accounts.
6. Lack of interface with the general ledger.
7. Customer deposits are maintained on manual index card system.

We recommend that Board consider an upgrade or replacement of the existing software that would better meet the Town's needs.

#### MANAGEMENT'S RESPONSE

Management will contact our present software support company to make a proposal for installing a new program for utility billing. Also, we will begin considering replacing the entire system if a satisfactory machine program cannot be found to correct the deficiencies noted.

#### RURAL DEVELOPMENT GRANT CLOSE OUT

During the year ended December 31, 1995, the Town received a 1994-95 grant in the amount of \$22,500 from the Governor's Office of Rural Development under Acts 216 and 396 to be used for the purpose of providing improvements to the city park recreational facilities. The Town submitted the "Project Close-Out Report #3" for the 1994-95 grant and indicated affirmatively that all grant funds had been expended. Also during the year ended December 31, 1995, the Town applied for and received an additional \$25,000 in 1995-96 funds, to be used for completing the improvements.

As of December 31, 1995, unexpended funds relative to the 1994-95 grant in the amount of \$10,991 remain on hand. These funds are designated for completion of the aforementioned improvements. The 1995-96 grant funds are reported as deferred revenue in the accompanying financial statements.

**MANAGEMENT'S RESPONSE**

When the Project Close-Out Report #3 for the 1994-95 grant was submitted we included in that report the cost of the property which was \$13,000. The actual work on this project was completed in 1996 due partly to the fact that volunteer labor was used. However, the town crew spent a considerable amount of time and money on this project.

Regarding the \$25,000 grant which was received in 1996, those funds will be used to renovate Greer-Jones Recreation Building. At 06/11/96 plans have been drawn, bids taken and construction is to begin shortly with project costing in excess of \$90,000.

