

2271

RECEIVED
LEGISLATIVE AUDIT
04 JUN 17 AM 11:0

TOWN OF JENA, LOUISIANA
GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2003
WITH
INDEPENDENT AUDITOR'S REPORT

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

Release Date 6-23-04



SILAS SIMMONS LLP
CERTIFIED PUBLIC ACCOUNTANTS *and* ADVISORS

TOWN OF JENA, LOUISIANA

DECEMBER 31, 2003

TABLE OF CONTENTS

CONTENTS

	Exhibit	Page
Independent Auditor's Report-----		1
General Purpose Financial Statements -----		2
Combined Balance Sheet - All Fund Types and Account Groups -----	A	3-4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types-----	B	5
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General and Special Revenue Funds-----	C	6
Statement of Revenues, Expenses, and Changes in Retained Earnings - Proprietary Fund Type - Enterprise Fund -----	D	7
Statement of Cash Flows - Proprietary Fund Type - Enterprise Fund-----	E	8
Notes to Financial Statements -----		9-22
	Statement	
Additional Information-----		23
General Fund -----		24
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual-----	F-1	25
Statement of Revenues - Budget and Actual-----	F-2	26
Statement of Expenditures - Budget and Actual -----	F-3	27-29
Sales Tax Special Revenue Fund-----		30
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual-----	G-1	31
Utility System Enterprise Fund-----		32
Balance Sheet -----	H-1	33-34
Statement of Revenues, Expenses, and Changes in Retained Earnings---	H-2	35
General Fixed Assets Account Group -----		36
Statement of General Fixed Assets -----	I-1	37
Statement of Changes in General Fixed Assets-----	I-2	38

TOWN OF JENA, LOUISIANA

DECEMBER 31, 2003

TABLE OF CONTENTS (continued)

	Schedule	Page
Unaudited Schedule of Insurance in Force-----	1	39-40
Other Report and Information Required by <i>Government Auditing Standards</i> and <i>Louisiana Governmental Audit Guide</i> -----		41
Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of General Purpose Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> -----		42-44
Schedule of Findings and Questioned Costs -----		45-47
Management's Corrective Action Plan -----		48
Management's Summary Schedule of Prior Audit Findings -----		49



209 N. Commerce Street
P.O. Box 1027
Natchez, Mississippi 39121-1027
Telephone: 601.442.7411
Fax: 601.442.8551

www.silassimmons.com

INDEPENDENT AUDITOR'S REPORT

The Honorable James E. Robbins, Mayor, and
Members of the Town Council
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, 2003, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the Town of Jena's 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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 above present fairly, in all material respects, the financial position of the Town of Jena, Louisiana, as of December 31, 2003, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2004, on our consideration of the Town of Jena's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements of the Town of Jena, Louisiana, taken as a whole. The individual fund and account group financial statements and schedules 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 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 stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Silas Simmons, LLP

Natchez, Mississippi
May 19, 2004

GENERAL PURPOSE FINANCIAL STATEMENTS

TOWN OF JENA, LOUISIANA

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

DECEMBER 31, 2003

EXHIBIT A

ASSETS AND OTHER DEBITS

	Governmental Fund Types			Proprietary Fund Type	Account Groups		Totals (Memo only)
	General	Special Revenue	Debt Service		General Fixed Assets	General Long- Term Debt	
Assets							
Cash	\$ 63,696	\$ 624,168	\$ 6,992	\$ 129,455	\$	\$	\$ 824,311
Investments		291,339		365,267			656,606
Receivables (net of allowance for doubtful accounts)							
Accounts	11,927			212,726			224,653
Taxes	12,800						12,800
Governmental	5,192			10,466			15,658
Other	19,288			3,901			23,189
Due from other funds		2,539		24,157			26,696
Prepaid expenses				25,280			25,280
Inventory				75,444			75,444
Restricted assets				502,604			502,604
Fixed assets (net, where applicable, of accumulated depreciation)				5,705,777	2,602,051		8,307,828
Other debits							
Amount available in Debt Service Fund					6,992		6,992
Amount to be provided for retirement of general long-term debt						123,008	123,008
Total assets and other debits	\$ 112,903	\$ 918,046	\$ 6,992	\$ 7,055,077	\$ 2,602,051	\$ 130,000	\$ 10,825,069

-continued-

TOWN OF JENA, LOUISIANA

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

DECEMBER 31, 2003

EXHIBIT A

	Governmental Fund Types			Proprietary Fund Type		Account Groups		Totals (Memo only)
	General	Special Revenue	Debt Service	Enterprise		General	Long-Term Debt	
				Fixed Assets	Term Debt			
LIABILITIES, EQUITY, AND OTHER CREDITS								
Liabilities								
Accounts and contracts payable	\$ 16,477	\$ 25,518	\$	\$ 116,700	\$	\$	\$	\$ 158,695
Accrued expenses	5,548							5,548
Due to other funds	26,696							26,696
Liabilities payable from restricted assets	507			258,573			130,000	259,080
Certificate of indebtedness payable								130,000
Sales tax bond				1,445,000				1,445,000
Total liabilities	\$ 49,228	\$ 25,518	\$ -	\$ 1,820,273	\$ -	\$ -	\$ 130,000	\$ 2,025,019
Equity and other credits								
Investment in general fixed assets						\$ 2,602,051		\$ 2,602,051
Contributed capital						\$ 3,759,546		\$ 3,759,546
Retained earnings								
Reserved				\$ 244,031				\$ 244,031
Unreserved				1,231,227				1,231,227
Fund balance								
Reserved					6,992			6,992
Unreserved								
Undesignated	63,675	892,528						956,203
Total retained earnings/fund balance	\$ 63,675	\$ 892,528	\$ 6,992	\$ 1,475,258	\$ -	\$ -	\$ -	\$ 2,438,453
Total equity and other credits	\$ 63,675	\$ 892,528	\$ 6,992	\$ 5,234,804	\$ 2,602,051	\$ -	\$ -	\$ 8,800,050
Total liabilities, equity, and other credits	\$ 112,903	\$ 918,046	\$ 6,992	\$ 7,055,077	\$ 2,602,051	\$ 130,000	\$ -	\$ 10,825,069

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

TOWN OF JENA, LOUISIANA
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
YEAR ENDED DECEMBER 31, 2003

EXHIBIT B

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total (Memo Only)</u>
Revenues				
Taxes	\$ 147,257	\$ 545,146	\$	\$ 692,403
Licenses and permits	148,496			148,496
Intergovernmental	119,087			119,087
Charges for services	222,059			222,059
Fines and forfeitures	57,229			57,229
Interest	17,317	9,100	58	26,475
Other	<u>42,192</u>			<u>42,192</u>
Total revenues	<u>\$ 753,637</u>	<u>\$ 554,246</u>	<u>\$ 58</u>	<u>\$ 1,307,941</u>
Expenditures				
Current				
General government	\$ 258,311	\$ 18,296	\$	\$ 276,607
Public safety	467,694			467,694
Public works	307,786			307,786
Debt service			25,386	25,386
Capital outlay	<u>252,694</u>	<u>56,262</u>		<u>308,956</u>
Total expenditures	<u>\$ 1,286,485</u>	<u>\$ 74,558</u>	<u>\$ 25,386</u>	<u>\$ 1,386,429</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (532,848)</u>	<u>\$ 479,688</u>	<u>\$ (25,328)</u>	<u>\$ (78,488)</u>
Other financing sources (uses)				
Operating transfers in	\$ 599,772	\$	\$ 25,401	\$ 625,173
Operating transfers out	<u>(25,401)</u>	<u>(211,676)</u>		<u>(237,077)</u>
Total other financing sources (uses)	<u>\$ 574,371</u>	<u>\$ (211,676)</u>	<u>\$ 25,401</u>	<u>\$ 388,096</u>
Excess of revenues and other financing sources over expenditures and other financing uses	\$ 41,523	\$ 268,012	\$ 73	\$ 309,608
Fund balances, beginning of year	<u>22,152</u>	<u>624,516</u>	<u>6,919</u>	<u>653,587</u>
Fund balances, end of year	<u>\$ 63,675</u>	<u>\$ 892,528</u>	<u>\$ 6,992</u>	<u>\$ 963,195</u>

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

TOWN OF JENA, LOUISIANA
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL AND SPECIAL REVENUE FUNDS
YEAR ENDED DECEMBER 31, 2003

EXHIBIT C

	General Fund			Special Revenue Fund		
	Budget	Actual	Variance	Budget	Actual	Variance
Revenues						
Taxes	\$ 119,150	\$ 147,257	\$ 28,107	\$ 500,000	\$ 545,146	\$ 45,146
Licenses and permits	173,275	148,496	(24,779)			
Intergovernmental	115,396	119,087	3,691			
Charges for services	197,400	222,059	24,659			
Fines and forfeitures	54,200	57,229	3,029			
Interest	20,000	17,317	(2,683)	1,800	9,100	7,300
Other	135,200	42,192	(93,008)			
Total revenues	\$ 814,621	\$ 753,637	\$ (60,984)	\$ 501,800	\$ 554,246	\$ 52,446
Expenditures						
Current						
General government	\$ 260,935	\$ 258,311	\$ 2,624	\$ 59,000	\$ 18,296	\$ 40,704
Public safety	454,087	467,694	(13,607)			
Public works	304,494	307,786	(3,292)			
Capital outlay	250,464	252,694	(2,230)	300,000	56,262	243,738
Total expenditures	\$ 1,269,980	\$ 1,286,485	\$ (16,505)	\$ 359,000	\$ 74,558	\$ 284,442
Excess (deficiency) of revenues over expenditures	\$ (455,359)	\$ (532,848)	\$ (77,489)	\$ 142,800	\$ 479,688	\$ 336,888
Other financing sources (uses)						
Operating transfers in	\$ 479,559	\$ 599,772	\$ 120,213	\$	\$	\$
Operating transfers out	(24,200)	(25,401)	(1,201)	(211,500)	(211,676)	(176)
Total other financing sources (uses)	\$ 455,359	\$ 574,371	\$ 119,012	(211,500)	(211,676)	(176)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ -	\$ 41,523	\$ 41,523	\$ (68,700)	\$ 268,012	\$ 336,712
Fund balances, beginning of year	22,152	22,152	-	624,516	624,516	-
Fund balances, end of year	\$ 22,152	\$ 63,675	\$ 41,523	\$ 555,816	\$ 892,528	\$ 336,712

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

TOWN OF JENA, LOUISIANA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE - ENTERPRISE FUND
YEAR ENDED DECEMBER 31, 2008

EXHIBIT D

Operating revenues	
Charges for services	
Water department	\$ 283,435
Gas department	855,139
Sewer department	183,590
Other	42,293
Total operating revenues	<u>\$ 1,364,457</u>
Operating expenses	
Water department	\$ 268,753
Gas department	872,706
Sewer department	237,583
Depreciation	290,186
Total operating expenses	<u>\$ 1,669,228</u>
Operating loss	<u>\$ (304,771)</u>
Nonoperating revenues (expenses)	
Interest income	\$ 4,659
Interest expense and fiscal charges	<u>(71,743)</u>
Total nonoperating revenues (expenses)	<u>\$ (67,084)</u>
Loss before operating transfers	<u>\$ (371,855)</u>
Operating transfers in (out)	
Operating transfers in	\$ 211,676
Operating transfers out	<u>(599,772)</u>
Total operating transfers in (out)	<u>\$ (388,096)</u>
Net loss	\$ (759,951)
Retained earnings, beginning of year	<u>2,235,209</u>
Retained earnings, end of year	<u>\$ 1,475,258</u>

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

**TOWN OF JENA, LOUISIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE - ENTERPRISE FUND
YEAR ENDED DECEMBER 31, 2003**

EXHIBIT E

Cash flows from operating activities	
Cash received from customers	\$ 1,367,250
Cash payments to suppliers for goods and services	(929,264)
Cash payments to employees for services	(410,045)
Net cash provided by operating activities	<u>\$ 27,941</u>
Cash flows from noncapital financing activities	
Operating transfers out	\$ (599,772)
Net cash used in noncapital financing activities	<u>\$ (599,772)</u>
Cash flows from capital and related financing activities	
Acquisition of property, plant, and equipment	\$ (97,232)
Contributed capital - sales tax	56,262
Operating transfer in - Sales Tax Special Revenue Fund for debt service	211,676
Payment of principal on long-term debt	(125,000)
Interest paid	(73,688)
Net cash used in capital and related financing activities	<u>\$ (27,982)</u>
Cash flows from investing activities	
Proceeds from investments	\$ 589,090
Interest received	12,435
Net cash provided by investing activities	<u>\$ 601,525</u>
Increase in cash	\$ 1,712
Cash, beginning of year	<u>377,091</u>
Cash, end of year	\$ 378,803
Classified as	
Current assets	\$ 129,455
Restricted assets	249,348
Total	<u>\$ 378,803</u>
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	\$ (304,771)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	\$ 290,186
Change in assets and liabilities:	
(Increase) decrease in:	
Customer receivables	312
Intergovernmental receivables	926
Prepaid expenses	(4,470)
Due from other funds	46,328
Inventory	(1,215)
Increase (decrease) in:	
Accounts payable	12,464
Accrued expenses	(13,374)
Meter deposits	1,555
Total Adjustments	<u>\$ 332,712</u>
Net cash provided by operating activities	<u>\$ 27,941</u>

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

TOWN OF JENA, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 1 - REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

(A) Reporting Entity

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-town council form of government.

The financial statements of the Town of Jena, Louisiana, have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The 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.

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 component unit. A primary government is financially accountable if it appoints a voting majority of the organization'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.

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.

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

(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.

TOWN OF JENA, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 1 - REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(B) Fund Accounting (continued)

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.

The General Long-Term Debt Account Group is used to account for long-term debt not accounted for in other funds.

(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.

TOWN OF JENA, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 1 - REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(C) Basis of Accounting (continued)

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 ad valorem taxes, franchise taxes, 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.

(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 Town Council.

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 Town Council 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 Town Council.
6. Annual operating budget appropriations expire at the close of the fiscal year to the extent not expended.

TOWN OF JENA, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 1 - REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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) Accounts Receivable

Amounts due from utility customers and property taxes are recognized as bad debts with the establishment of an allowance for doubtful accounts. Minimum losses are sustained since the customer's meter deposit is applied to any unpaid utility balance.

(H) 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.

(I) Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond December 31, 2003, are recorded as prepaid expenses in the enterprise fund.

(J) Inventory

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

(K) Restricted Assets

Certain proprietary fund assets are classified as restricted assets because their use is limited by applicable bond covenants. "Sewer sales tax bond sinking account and reserve account" segregate resources accumulated for debt service payments of the sewer revenue bonds. "Customers' deposit account" consists of funds received from customers for utility deposits.

TOWN OF JENA, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 1 - REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(L) 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 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 fund is computed using the straight-line method over the estimated useful life.

(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) Long-Term Obligations

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

(O) 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.

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.

Fund Balance – Reserved

Fund balance – reserved, as reported on the balance sheet, represents the fund balance for the debt service resources which are legally restricted for the payment of General Long-Term Debt principal and interest amounts maturing in future years.

(P) Supplemental Wages

Certain employees of the police and fire department receive supplemental wages from the State of Louisiana. These supplemental wages are recognized as intergovernmental revenue and public safety expenditures in the General Fund.

TOWN OF JENA, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 1 – REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(Q) Interfund Transactions

Quasi-external transactions, if any, are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other interfund transactions are reported as operating transfers.

(R) Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

(S) 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.

NOTE 2 – EXPENDITURES – ACTUAL AND BUDGET

The following individual fund had actual expenditures over budgeted expenditures for the year ended December 31, 2003:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
General	\$ 1,269,980	\$ 1,286,485	\$ (16,505)

NOTE 3 – CASH AND INVESTMENTS

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 any bank domiciled or having a branch in the State of Louisiana, investments as stipulated in state law, or any other federally insured investment.

At December 31, 2003, the Town had cash as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Petty cash and change funds	\$ 150	\$	\$ 150
Demand deposits	824,161	249,348	1,073,509
Total	<u>\$ 824,311</u>	<u>\$ 249,348</u>	<u>\$ 1,073,659</u>

TOWN OF JENA, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 3 – CASH AND INVESTMENTS (continued)

At December 31, 2003, the Town had investments consisting of certificates of deposit as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Time deposits	\$ 656,606	\$ 253,256	\$ 909,862

At year end, the carrying amount of the Town's deposits (demand deposits and time deposits) was \$1,983,521, and bank balances were \$2,036,142. A summary of collateralization of bank balances is presented below.

Insured (Federal deposit insurance)	\$ 280,944
Uncollateralized (in accordance with GAAP - see below)	<u>1,755,198</u>
	<u>\$ 2,036,142</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) 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 the amount on deposit with the fiscal agent.

The uncollateralized amount shown above is secured by pledged securities with a market value of \$2,431,306 held in the name of the pledging fiscal agent banks in holding or custodial banks. Even though the pledged securities are considered uncollateralized under GAAP, Louisiana Revised Statutes impose a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Town that the fiscal agent has failed to pay deposited funds upon demand.

NOTE 4 – RECEIVABLES

Receivables at December 31, 2003, consist of the following:

	<u>Governmental Fund Types</u>	<u>Proprietary Fund Type</u>	<u>Totals</u>
Accounts			
Sanitation and fire protection	\$ 11,927	\$	\$ 11,927
Uncollected cycle billings		98,681	98,681
Estimated service between cycles		117,390	117,390
Interest		3,901	3,901
Taxes	12,981		12,981
Intergovernmental			
Local		10,466	10,466
State	5,192		5,192
Other	<u>19,288</u>		<u>19,288</u>
Gross receivables	\$ 49,388	\$ 230,438	\$ 279,826
Allowance for uncollectible	<u>(181)</u>	<u>(3,345)</u>	<u>(3,526)</u>
Net receivables	<u>\$ 49,207</u>	<u>\$ 227,093</u>	<u>\$ 276,300</u>

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 billings cycles. The allowance for uncollectible accounts of \$3,526 represents the projected uncollectible accounts at December 31, 2003, consisting of taxes of \$181 and utility accounts of \$3,345.

TOWN OF JENA, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

NOTE 5 - DUE FROM/TO OTHER FUNDS

Amounts due from and to other funds, at December 31, 2003, consisted of the following:

	Due From Other Funds	Due To Other Funds
General Fund	\$	\$ 26,696
Sales Tax Special Revenue Fund	2,539	
Utility System Enterprise Fund	24,157	
	<u>\$ 26,696</u>	<u>\$ 26,696</u>

NOTE 6 - RESTRICTED ASSETS - PROPRIETARY FUND TYPE

Restricted assets at December 31, 2003, consisted of the following accounts:

	Cash	Investments	Total
Meter deposit	\$ 104,948	\$	\$ 104,948
Sewer sales tax bond sinking account	142,336		142,336
Sewer sales tax bond reserve account	2,064	253,256	255,320
	<u>\$ 249,348</u>	<u>\$ 253,256</u>	<u>\$ 502,604</u>

NOTE 7 - FIXED ASSETS

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

	Balance 01/01/03	Additions	Deletions	Balance 12/31/03
General Fixed Assets Account Group				
Land	\$ 178,167	\$	\$	\$ 178,167
Buildings	410,096	69,636		479,732
Equipment	608,024	176,632		784,656
Parks and playgrounds	266,063	6,426		272,489
Infrastructure	887,007			887,007
Total general fixed assets	<u>\$ 2,349,357</u>	<u>\$ 252,694</u>	<u>\$ -</u>	<u>\$ 2,602,051</u>
Proprietary Funds				
Land	\$ 30,549	\$	\$	\$ 30,549
Sewer disposal system	4,512,213	23,960		4,536,173
Natural gas distribution system	2,671,537			2,671,537
Water plant and system	2,792,139			2,792,139
Service equipment	771,235	40,970		812,205
Construction in progress	-	32,302		32,302
Total proprietary funds	<u>\$ 10,777,673</u>	<u>\$ 97,232</u>	<u>\$ -</u>	<u>\$ 10,874,905</u>
Accumulated depreciation	<u>(4,878,942)</u>	<u>(290,186)</u>	<u>-</u>	<u>(5,169,128)</u>
Net fixed assets - proprietary fund	<u>\$ 5,898,731</u>	<u>\$ (192,954)</u>	<u>\$ -</u>	<u>\$ 5,705,777</u>

TOWN OF JENA, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 7 – FIXED ASSETS (continued)

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, 2003, amounted to \$290,186 for the Utility System Enterprise Fund.

NOTE 8 – LIABILITIES PAYABLE FROM RESTRICTED ASSETS

Liabilities payable from restricted assets at December 31, 2003, consisted of the following:

Payable from the meter deposit account	
Meter deposits	\$ 104,948
Payable from the sewer sales tax bond sinking account	
Sewer sales tax bond (Note 9)	130,000
Accrued interest	<u>23,625</u>
	<u>\$ 258,573</u>

NOTE 9 – LONG-TERM DEBT

General Obligation Debt

General obligation liabilities are direct obligations and pledge the full faith and credit of the Town. The Town has incurred these certificates of indebtedness to provide funds for the acquisition of a fire truck and improvements. Certain fees received for fire protection charges have been specifically dedicated to repayment of this obligation. The general obligation debt consisted of Certificates of Indebtedness, Series 1999, issued October 28, 1999, in the amount of \$200,000 with annual interest of 4.95%.

The annual requirements to amortize the debt outstanding as of December 31, 2003, including interest of \$22,275, are as follows:

<u>Year December 31,</u>	<u>General</u>
2004	\$ 25,445
2005	25,445
2006	25,455
2007	25,416
2008	25,326
2009	<u>25,188</u>
	<u>\$ 152,275</u>

TOWN OF JENA, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 9 - LONG-TERM DEBT (continued)**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, and at December 31, 2003, consisted of the following:

	<u>Interest Rate</u>	<u>Administrative Fee</u>	<u>Amount</u>
Sales tax bond	4.0%	.5%	\$ 1,575,000
Current portion (Note 8)			<u>(130,000)</u>
Long-term portion			<u>\$ 1,445,000</u>

The annual requirements to amortize the debt outstanding as of December 31, 2003, including interest of \$379,013, are as follows:

<u>Year December 31,</u>	<u>Enterprise</u>
2004	\$ 197,950
2005	196,988
2006	195,800
2007	194,388
2008	197,637
2009 - 2013	<u>971,250</u>
	<u>\$ 1,954,013</u>

Total interest and fiscal charges incurred by the Utility Fund amounted to \$71,743 for the current period.

During the year ended December 31, 2003, the following changes occurred in the Enterprise Fund long-term liabilities:

	<u>Balance 01/01/03</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/03</u>
Enterprise Fund Debt				
Sales tax bond	\$ <u>1,700,000</u>	\$ -	\$ <u>125,000</u>	\$ <u>1,575,000</u>

During the year ended December 31, 2003, the following changes occurred in general obligation long-term debt:

	<u>Balance 01/01/03</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/03</u>
Certificates of Indebtedness	\$ <u>149,000</u>	\$ -	\$ <u>19,000</u>	\$ <u>130,000</u>

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.

TOWN OF JENA, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 9 – LONG-TERM DEBT (continued)

3. The Town will transfer monthly to a debt service sinking account accumulations for the payments of principal and interest due on the bond.
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.

NOTE 10 – CONTRIBUTED CAPITAL

The following changes occurred in contributed capital of the enterprise fund during the year ended December 31, 2003:

Balance, January 1, 2003	\$	3,703,284
Additions		
Sewer Plant and System		
Sales tax fund		56,262
Balance, December 31, 2003	\$	<u>3,759,546</u>

NOTE 11 – RESERVED FUND EQUITY

At December 31, 2003, reserved fund equity consisted of the following:

	Debt Service Fund	Enterprise Fund	Total
Retained earnings reserved for debt service	\$	\$ 244,031	\$ 244,031
Fund balance reserved for debt service	6,992		6,992
	<u>\$ 6,992</u>	<u>\$ 244,031</u>	<u>\$ 251,023</u>

NOTE 12 – 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 is 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, 2003, taxes of 6.24 mills were levied on property with assessed values totaling \$10,843,759, and were dedicated for general fund purposes.

Total taxes levied were \$67,665. Taxes receivable at December 31, 2003, were \$12,981 and were considered collectible, except for a provision for doubtful accounts, which was recorded in the amount of \$181.

TOWN OF JENA, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 13 – 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	\$ 325,218	\$ 855,139	\$ 184,100	\$ 1,364,457
Operating expenses				
Depreciation	(82,398)	(77,094)	(130,694)	(290,186)
Other	<u>(268,753)</u>	<u>(872,706)</u>	<u>(237,583)</u>	<u>(1,379,042)</u>
Operating loss	<u>\$ (25,933)</u>	<u>\$ (94,661)</u>	<u>\$ (184,177)</u>	<u>\$ (304,771)</u>
Nonoperating revenues (expenses)				
Interest revenue				4,659
Interest and fiscal charges				(71,743)
Operating transfers - net				<u>(388,096)</u>
Net loss				<u>\$ (759,951)</u>
Current capital contributions				\$ 56,262
Net working capital				\$ 729,996
Total assets				\$ 7,055,077
Sales tax bonds payable				\$ 1,575,000
Total equity				\$ 5,234,804

NOTE 14 – 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.

	<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 omissions (deductible \$1,000 per occurrence)	\$ 500,000
Commercial insurance	
Town-owned buildings - fire, lightning, and extended coverage	\$ 3,893,488
2001 Fire truck	ACV

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. 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.

TOWN OF JENA, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 15 – COMPENSATION PAID TO MAYOR AND TOWN COUNCIL

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 Town Council of the Town of Jena, Louisiana, for the fiscal year ending December 31, 2003.

Mayor, James E. Robbins	\$	36,878
Town Council:		
Gary L. Compton	\$	3,900
Donnie Kendrick	\$	3,900
Donald G. Richardson	\$	3,900
Donnie L. Cupples	\$	3,900
David Paul Jones	\$	3,900

NOTE 16 – PUBLIC EMPLOYEES RETIREMENT SYSTEM

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

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 with 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-fourth percent (9.25%) of their salary to the system. The Town's contribution was eight percent (8.00%) for January 1, 2003 to June 30, 2003. For the period of July 1, 2003 to December 31, 2003, the Town's contribution rate increased to eleven percent (11%).

Benefit and contribution requirements are established by state law.

MERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809.

Required Contributions. The Town made the following required contributions to MERS:

Year Ending		
December 31, 2003	\$	71,671
December 31, 2002	\$	54,231
December 31, 2001	\$	45,557

TOWN OF JENA, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 17 - SUPPLEMENTAL PAY

Certain employees meeting statutory qualifications in the police and fire departments received supplemental pay directly from the State of Louisiana. This supplemental pay, in the amount of \$36,290 is recognized as revenue and expenditures in the General Fund as follows:

General Fund	
Police	\$ 18,000
Fire	<u>18,290</u>
	<u>\$ 36,290</u>

NOTE 18 - GASB STATEMENT 34

In June 1999, the Governmental Accounting Standards Board (GASB) approved Statement Number 34, titled *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Certain significant changes will be required upon implementation of this statement. The Town will implement the new reporting model as required by Statement 34 for the fiscal year beginning January 1, 2004.

The new reporting model will consist of the following significant changes:

1. A "Management Discussion and Analysis" (MD&A), which will provide an analysis of the Town's overall financial position and results of operations.
2. Financial statements prepared and presented at the Town-Wide level using the accrual basis of accounting for all of the Town's activities.
3. Fund financial statements will be prepared and presented on the modified accrual basis of accounting.

NOTE 19 - POTENTIAL FINE REVENUE

The Town of Jena is entitled to fine revenue from LaSalle Parish for each DWI written by the Town of Jena Police Department that results in a conviction. The Town is due some fine revenue from the LaSalle Parish Sheriff's Department, but the amount has not yet been determined.

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, 2003

STATEMENT F-1

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues (Statement F-2)			
Taxes	\$ 119,150	\$ 147,257	\$ 28,107
Licenses and permits	173,275	148,496	(24,779)
Intergovernmental	115,396	119,087	3,691
Charges for services	197,400	222,059	24,659
Fines and forfeitures	54,200	57,229	3,029
Other	155,200	59,509	(95,691)
Total revenues	\$ 814,621	\$ 753,637	\$ (60,984)
Expenditures (Statement F-3)			
General government			
Current	\$ 260,935	\$ 258,311	\$ 2,624
Capital outlay	20,859	20,858	1
Public safety			
Police			
Current	256,300	265,667	(9,367)
Capital outlay	89,000	86,744	2,256
Fire			
Current	166,377	178,885	(12,508)
Capital outlay	57,000	58,631	(1,631)
Animal control			
Current	31,410	23,142	8,268
Public works			
Streets			
Current	87,962	84,849	3,113
Sanitation			
Current	124,200	126,998	(2,798)
Capital outlay	78,605	78,605	
Recreation			
Current	92,332	95,939	(3,607)
Capital outlay	5,000	7,856	(2,856)
Total expenditures	\$ 1,269,980	\$ 1,286,485	\$ (16,505)
Deficiency of revenues over expenditures	\$ (455,359)	\$ (532,848)	\$ (77,489)
Other financing sources (uses)			
Operating transfer in (out)			
Utility System Enterprise Fund	\$ 479,559	\$ 599,772	\$ 120,213
Debt Service Fund	(24,200)	(25,401)	(1,201)
Total other financing sources (uses)	\$ 455,359	\$ 574,371	\$ 119,012
Excess of revenues and other financing sources over expenditures and other financing uses	\$ -	\$ 41,523	\$ 41,523
Fund balance, beginning of year	22,152	22,152	-
Fund balance, end of year	\$ 22,152	\$ 63,675	\$ 41,523

See independent auditor's report.

**TOWN OF JENA, LOUISIANA
GENERAL FUND**

STATEMENT OF REVENUES - BUDGET AND ACTUAL

YEAR ENDED DECEMBER 31, 2008

STATEMENT F-2

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Taxes			
Ad valorem taxes	\$ 50,150	\$ 70,242	\$ 20,092
Housing Authority in lieu of taxes	7,000	7,370	370
Franchise taxes	<u>62,000</u>	<u>69,645</u>	<u>7,645</u>
Totals	<u>\$ 119,150</u>	<u>\$ 147,257</u>	<u>\$ 28,107</u>
Licenses and permits			
Occupational licenses	\$ 173,000	\$ 148,211	\$ (24,789)
Other	<u>275</u>	<u>285</u>	<u>10</u>
Totals	<u>\$ 173,275</u>	<u>\$ 148,496</u>	<u>\$ (24,779)</u>
Intergovernmental			
Beer tax	\$ 5,200	\$ 5,491	\$ 291
State fire insurance rebate	8,000	8,828	828
State traffic light maintenance	8,000	8,000	
Supplemental wages	34,380	36,290	1,910
State/federal grants	<u>59,816</u>	<u>60,478</u>	<u>662</u>
Totals	<u>\$ 115,396</u>	<u>\$ 119,087</u>	<u>\$ 3,691</u>
Charges for services			
Sanitation fees	\$ 101,100	\$ 112,729	\$ 11,629
Fire protection	91,800	98,731	6,931
Recreation	4,500	4,835	335
Other	<u>5,764</u>	<u>5,764</u>	<u>5,764</u>
Totals	<u>\$ 197,400</u>	<u>\$ 222,059</u>	<u>\$ 24,659</u>
Fines and forfeitures	\$ 54,200	\$ 57,229	\$ 3,029
Other	<u>155,200</u>	<u>59,509</u>	<u>(95,691)</u>
Totals	<u>\$ 209,400</u>	<u>\$ 116,738</u>	<u>\$ (92,662)</u>
Total revenues	<u>\$ 814,621</u>	<u>\$ 753,637</u>	<u>\$ (60,984)</u>

See independent auditor's report.

**TOWN OF JENA, LOUISIANA
GENERAL FUND**

STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED DECEMBER 31, 2003

STATEMENT F-3

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General government			
Current			
Mayor's salary	\$ 33,600	\$ 41,128	\$ (7,528)
Town Council salaries	22,500	19,500	3,000
Administrative salaries	39,600	55,086	(15,486)
Group insurance	2,950	2,626	324
Retirement	3,400	5,089	(1,689)
Payroll taxes	3,385	2,699	686
Town Council expenses	2,000	1,722	278
Mayor's expenses	8,300	8,983	(683)
Insurance	56,000	44,088	11,912
Legal fees	15,500	14,849	651
Dues and subscriptions	1,000	2,306	(1,306)
Audit	5,700	5,622	78
Senior citizen center	15,000	10,379	4,621
Collection fees	9,000	7,506	1,494
Economic development	5,000	5,000	-
Advertising	18,500	14,822	3,678
Training/consultant	11,000	8,589	2,411
Miscellaneous	8,500	8,317	183
Capital expenditures	20,859	20,858	1
Total general government	\$ 281,794	\$ 279,169	\$ 2,625
Public safety			
Police department			
Current			
Salaries	\$ 151,000	\$ 154,839	\$ (3,839)
Supplemental wages	18,000	18,000	-
Group insurance	17,000	15,542	1,458
Retirement	9,600	15,203	(5,603)
Payroll taxes	2,200	2,614	(414)
Gas and oil	8,500	8,423	77
Repairs and maintenance	12,100	11,131	969
Supplies	12,200	13,236	(1,036)
Telephone	2,500	3,395	(895)
Fines remitted to state	7,500	4,529	2,971
Training	1,000	-	1,000
Uniforms	1,000	1,239	(239)
Insurance	8,000	9,794	(1,794)
Other	5,700	7,722	(2,022)
Capital outlay	89,000	86,744	2,256
Total police department	\$ 345,300	\$ 352,411	\$ (7,111)

-continued-

**TOWN OF JENA, LOUISIANA
GENERAL FUND**

STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED DECEMBER 31, 2003

STATEMENT F-3

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Public safety (continued)			
Fire department			
Current			
Salaries	\$ 82,000	\$ 89,305	\$ (7,305)
Supplemental wages	17,290	18,290	(1,000)
Group insurance	13,000	12,599	401
Retirement	6,000	8,928	(2,928)
Payroll taxes	1,500	1,180	320
Gas and oil	1,800	2,300	(500)
Repairs and maintenance	5,000	4,014	986
Supplies	12,000	12,788	(788)
Telephone	2,600	2,360	240
Utilities	3,800	3,880	(80)
Volunteer fire department expenses	2,005	2,377	(372)
Midway fire station expenses	2,500	3,608	(1,108)
Casual labor	5,000	5,677	(677)
Uniforms	1,000	1,054	(54)
Training and travel	2,500	1,873	627
Insurance	7,300	7,444	(144)
Other	1,082	1,208	(126)
Capital outlay	57,000	58,631	(1,631)
Total fire department	\$ 223,377	\$ 237,516	\$ (14,139)
Animal control department			
Current			
Salaries	\$ 14,500	\$ 15,458	\$ (958)
Payroll taxes	600	472	128
Group insurance	870	258	612
Retirement	320	500	(180)
Gas and oil	1,450	1,257	193
Repairs and maintenance	10,000	2,224	7,776
Supplies	1,200	860	340
Utilities	520	379	141
Insurance	350	365	(15)
Veterinary	1,200	983	217
Uniforms	400	386	14
Total animal control department	\$ 31,410	\$ 23,142	\$ 8,268
Total public safety	\$ 600,087	\$ 613,069	\$ (12,982)

-continued-

**TOWN OF JENA, LOUISIANA
GENERAL FUND**

STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED DECEMBER 31, 2003

STATEMENT F-3

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Public works			
Streets			
Current	\$ 330	\$ 331	\$ (1)
Salaries	1,200	1,259	(59)
Gas and oil	1,500	2,217	(717)
Equipment repairs and maintenance	13,600	14,701	(1,101)
Supplies	58,000	55,132	2,868
Utilities	9,700	8,846	854
Street repairs and maintenance	3,632	2,363	1,269
Miscellaneous	<u>87,962</u>	<u>84,849</u>	<u>3,113</u>
Total streets			
Sanitation			
Current	\$ 53,000	\$ 54,330	\$ (1,330)
Salaries	600	3,095	(2,495)
Group insurance	5,000	2,523	2,477
Retirement	3,300	2,763	537
Payroll taxes	7,300	7,167	133
Gas and oil	32,000	35,719	(3,719)
Repairs and maintenance	1,200	764	436
Supplies	1,000	482	518
Uniforms	12,300	12,294	6
Garbage bags	8,000	7,570	430
Insurance	500	291	209
Miscellaneous	78,605	78,605	-
Capital outlay	<u>202,805</u>	<u>205,603</u>	<u>(2,798)</u>
Total sanitation			
Recreation			
Current	\$ 49,000	\$ 50,523	\$ (1,523)
Salaries	3,400	2,884	516
Group insurance	1,000	2,022	(1,022)
Retirement	2,600	2,551	49
Payroll taxes	500	320	180
Gas and oil	3,000	2,545	455
Repairs and maintenance	14,500	16,668	(2,168)
Supplies	650	621	29
Telephone	13,300	12,882	418
Utilities	600	298	302
Uniforms	2,300	2,003	297
Materials	1,200	2,549	(1,349)
Insurance	282	73	209
Miscellaneous	5,000	7,856	(2,856)
Capital outlay	<u>97,332</u>	<u>103,795</u>	<u>(6,463)</u>
Total recreation	<u>388,099</u>	<u>394,247</u>	<u>(6,148)</u>
Total public works			
Total expenditures	<u>\$ 1,269,980</u>	<u>\$ 1,286,485</u>	<u>\$ (16,505)</u>

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, 2003

STATEMENT G-1

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Taxes	\$ 500,000	\$ 545,146	\$ 45,146
Interest	1,800	9,100	7,300
Total revenues	\$ 501,800	\$ 554,246	\$ 52,446
Expenditures			
Current - general government			
Operating expense	\$ 50,000	\$ 9,169	\$ 40,831
Collection expense	9,000	9,127	(127)
Capital outlay	300,000	56,262	243,738
Total expenditures	\$ 359,000	\$ 74,558	\$ 284,442
Excess of revenues over expenditures	\$ 142,800	\$ 479,688	\$ 336,888
Other financing uses			
Operating transfers out			
Utility System Enterprise Fund for:			
Sewer sales tax bond sinking account	\$ (201,000)	\$ (201,239)	\$ (239)
Sewer sales tax bond contingency account	(10,500)	(10,437)	63
Total other financing uses	\$ (211,500)	\$ (211,676)	\$ (176)
Excess (deficiency) of revenues over expenditures and other financing uses	\$ (68,700)	\$ 268,012	\$ 336,712
Fund balance, beginning of year	624,516	624,516	-
Fund balance, end of year	\$ 555,816	\$ 892,528	\$ 336,712

See independent auditor's report.

UTILITY SYSTEM ENTERPRISE FUND

Enterprise funds are used 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 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, 2003

STATEMENT H-1

ASSETS

Current assets

Cash	\$ 129,455
Investments - certificates of deposit, at cost	365,267
Receivables	
Accounts (net of allowance for doubtful accounts)	212,726
Intergovernmental	10,466
Other	3,901
Due from other funds	24,157
Prepaid expenses	25,280
Inventory	<u>75,444</u>
Total current assets	<u>\$ 846,696</u>

Restricted assets

Meter deposit account	\$ 104,948
Sewer sales tax bond sinking account - cash	142,336
Sewer sales tax bond reserve account - cash	2,064
Sewer sales tax bond reserve account - certificate of deposit	<u>253,256</u>
Total restricted assets	<u>\$ 502,604</u>

Property, plant, and equipment

Property, plant, and equipment	\$ 10,874,905
Accumulated depreciation	<u>(5,169,128)</u>
Net property, plant, and equipment	<u>\$ 5,705,777</u>

Total assets	<u>\$ 7,055,077</u>
--------------	---------------------

-continued-

**TOWN OF JENA, LOUISIANA
UTILITY SYSTEM ENTERPRISE FUND**

BALANCE SHEET

DECEMBER 31, 2003

STATEMENT H-1

LIABILITIES AND EQUITY

Current liabilities (payable from current assets)

Accounts payable

Total

\$ 116,700

Current liabilities (payable from restricted assets)

Payable from meter deposit account

Meter deposits

\$ 104,948

Payable from sewer sales tax bond sinking account

Sewer sales tax bond

130,000

Accrued interest

23,625

Total

\$ 258,573

Total current liabilities

\$ 375,273

Noncurrent liabilities

Sales tax bonds

1,445,000

Total liabilities

\$ 1,820,273

Equity

Contributed capital

\$ 3,759,546

Retained earnings

Reserved for

Debt service

\$ 244,031

Unreserved

1,231,227

Total retained earnings

\$ 1,475,258

Total equity

\$ 5,234,804

Total liabilities and equity

\$ 7,055,077

See independent auditor's report.

**TOWN OF JENA, LOUISIANA
UTILITY SYSTEM ENTERPRISE FUND**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS

YEAR ENDED DECEMBER 31, 2003

STATEMENT H-2

	<u>Total</u>	<u>Water System</u>	<u>Natural Gas System</u>	<u>Sewer System</u>
Operating revenues				
Charges for sales and services	\$ 1,322,164	\$ 283,435	\$ 855,139	\$ 183,590
Other	42,293	41,783	-	510
Total operating revenues	\$ 1,364,457	\$ 325,218	\$ 855,139	\$ 184,100
Operating expenses				
Natural gas purchases	\$ 461,671	\$	\$ 461,671	\$
Salaries	410,045	81,982	254,868	73,195
Employee benefits	124,119	40,137	57,749	26,233
Payroll taxes	8,864	1,535	6,080	1,249
Operating supplies	117,477	77,648	24,062	15,767
Gas and oil	15,216	2,575	10,081	2,560
Utilities	77,027	25,714	4,622	46,691
Telephone	7,326	5,772	1,055	499
Repairs and maintenance	26,810	4,368	7,403	15,039
Depreciation	290,186	82,398	77,094	130,694
Travel	131	50		81
Training	1,510	230	535	745
Uniform rental	5,199	619	3,799	781
Professional fees	17,066	5,822	5,622	5,622
Office expense	6,161	2,866	3,262	33
Insurance	62,451	16,101	21,862	24,488
Dues and subscriptions	476	186	270	20
Lab reports/surveys	17,981		5,242	12,739
Drug testing	1,347		1,347	
Miscellaneous	18,165	3,148	3,176	11,841
Total operating expenses	\$ 1,669,228	\$ 351,151	\$ 949,800	\$ 368,277
Operating loss	\$ (304,771)	\$ (25,933)	\$ (94,661)	\$ (184,177)
Nonoperating revenues (expenses)				
Interest income	\$ 4,659			
Interest expense and fiscal charges	(71,743)			
Total nonoperating expenses	\$ (67,084)			
Loss before operating transfers	\$ (371,855)			
Operating transfers in (out)				
Sales Tax Special Revenue Fund for:				
Sewer sales tax bond indenture requirements	\$ 211,676			
General fund	(599,772)			
Total operating transfers out	\$ (388,096)			
Net loss	\$ (759,951)			
Retained earnings, beginning of year	2,235,209			
Retained earnings, end of year	\$ 1,475,258			

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, 2003

STATEMENT I-1

General fixed assets	
Land	\$ 178,167
Buildings	479,732
Equipment	784,656
Parks and playgrounds	272,489
Infrastructure	<u>887,007</u>
Total general fixed assets	<u>\$ 2,602,051</u>
Investment in general fixed assets	
General obligation bonds	\$ 616,605
General fund revenues	1,631,957
Federal revenue sharing	95,659
Grant revenues	192,830
Contributed assets	<u>65,000</u>
Total investment in general fixed assets	<u>\$ 2,602,051</u>

See independent auditor's report.

TOWN OF JENA, LOUISIANA

STATEMENT OF CHANGES IN GENERAL FIXED ASSETS

YEAR ENDED DECEMBER 31, 2003

STATEMENT I-2

	<u>Land</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Parks and Playgrounds</u>	<u>Infrastructure</u>	<u>Total</u>
General fixed assets, beginning of year	\$ 178,167	\$ 410,096	\$ 608,024	\$ 266,063	\$ 887,007	\$ 2,349,357
Additions						
General fund revenues		44,636	141,154	6,426		192,216
Grant revenues		<u>25,000</u>	<u>35,478</u>			<u>60,478</u>
Retirements						
General fixed assets, end of year	<u>\$ 178,167</u>	<u>\$ 479,732</u>	<u>\$ 784,656</u>	<u>\$ 272,489</u>	<u>\$ 887,007</u>	<u>\$ 2,602,051</u>

See independent auditor's report.

UNAUDITED SCHEDULE OF INSURANCE IN FORCE

TOWN OF JENA, LOUISIANA
UNAUDITED SCHEDULE OF INSURANCE IN FORCE
DECEMBER 31, 2003

SCHEDULE 1

<u>INSURER</u>	<u>EXPIRATION DATE</u>	<u>COVERAGE</u>	<u>PROPERTY COVERED</u>	<u>LIMITS</u>
Louisiana Municipal Risk Management Agency	05/01/04	Automobile Liability	Owned, Hired, Nonowned	\$500,000 CSL, BI & PD
	05/01/04	Commercial General Liability	Premiums/Operations Products/Completed Operations	\$500,000 Per Occurrence Occurrence: Included Aggregate: \$500,000 CSL, BI & PD
			Medical Payments	\$1,000 Per Person \$10,000 Per Accident
			Fire Legal Liability	\$50,000 Per Occurrence
	05/01/04	Law Enforcement Officers' Comprehensive Liability	Police Liability	\$500,000 CSL Personal Injury & PD
	05/01/04	Public Officials' Errors & Omissions Liability	Wrongful Acts of the Public Entity	\$500,000 CSL
Trinity Universal Co. of Kansas	11/01/04	Fire Insurance	All Buildings and Personal Property	\$3,893,488 \$1,000 Deductible 80% Co-Insurance
Louisiana Municipal Risk Management Agency	01/01/04	Worker's Compensation		Statutory
Rod Prejean & Assoc.	01/20/04	Automobile	2001 Freightliner Fire Truck	Deductibles \$500 Comp. \$500 Collision
Fidelity & Deposit Company of Maryland	08/01/04	Public Officials	Mayor and Town Clerk	\$10,000 Each Official
	12/04/04	Clerk Bond Position Fidelity Bond	Town Clerk and Mayor (Notary) Form FHA 440-24	\$5,000 Each Official
Audubon E & S	01/20/04	Commercial Automobile	All Automobiles	ACV

See independent auditor's report.

**OTHER REPORT AND INFORMATION REQUIRED BY
GOVERNMENT AUDITING STANDARDS
AND LOUISIANA GOVERNMENTAL AUDIT GUIDE**

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



209 N. Commerce Street
P.O. Box 1027
Natchez, Mississippi 39121-1027
Telephone: 601.442.7411
Fax: 601.442.8551

www.silassimmons.com

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

The Honorable James E. Robbins, Mayor, and
Members of the Town Council
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, 2003, and have issued our report thereon dated May 19, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Town of Jena's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Jena's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Town of Jena's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned cost as Findings 03-01, 03-02, 03-03, and 03-04.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements 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 over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reporting conditions that are also considered to be material weaknesses. However, of the reportable conditions described, we consider Findings 03-01, 03-02, and 03-03 to be material weaknesses.

This report is intended for the information of the Mayor, Members of the Town Council, management of the Town of Jena, Louisiana, and Legislative Auditor of the State of Louisiana, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Silas Simmons, LLP

Natchez, Mississippi
May 19, 2004

TOWN OF JENA, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2003

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting: Material weakness identified?	Yes
Reportable condition(s) identified not considered to be material weaknesses?	Yes
Noncompliance material to the financial statements noted?	No
<i>Management's Corrective Action Plan</i>	See Attached
<i>Management's Summary Schedule of Prior Audit Findings</i>	See Attached
<u><i>Federal Awards</i></u>	Not applicable

TOWN OF JENA, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2003

SECTION II – FINANCIAL STATEMENT FINDINGS

FINDING 03-01: INTERFUND RECEIVABLES AND PAYABLES NOT IN BALANCE

Criteria: The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America.

Condition: Short-term interfund receivables and payables were not in balance at December 31, 2003. Adjustments to correct numerous posting errors were required to balance these accounts.

Cause: Many of the posting errors resulted from items not being properly set up in the payroll module, which automatically posts to the general ledger. Others were the result of journal entries being made to one fund to record an interfund receivable or payable without an offsetting entry being made to another fund.

Recommendation: We recommend that the necessary changes be made to the payroll module to correctly calculate amounts due to the payroll clearing account from the General Fund and the Enterprise Fund. We further recommend that interfund receivables and payables be reconciled on an ongoing basis.

Management's response: See management's corrective action plan.

FINDING 03-02: RECONCILIATION OF INVESTMENTS

Criteria: The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America.

Condition: When some of the Enterprise Fund certificates of deposit matured, the proceeds were deposited in the General Fund. No entry was made to the Enterprise Fund to reduce the investment balance and show the transfers out to the General Fund. In addition, several of the deposits to the General Fund were shown as miscellaneous income rather than transfers in from the Enterprise Fund.

Effect: Investments in the Enterprise Fund were overstated at December 31, 2003, transfers out of the Enterprise Fund were understated for the year ended December 31, 2003, revenues in the General Fund were overstated for the year ended December 31, 2003, and transfers in to the General Fund were understated for the year ended December 31, 2003.

Recommendation: We recommend that procedures be established to ensure that investments are properly accounted for. The investments accounts in the general ledger should be routinely reconciled to the actual certificates of deposit and/or renewal notices.

Management's response: See management's corrective action plan.

TOWN OF JENA, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2003

FINDING 03-03: RECONCILIATION OF ACCOUNTS RECEIVABLE

Criteria: The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America.

Condition: During the current and prior fiscal years, the accounts receivable subsidiary for utility customer accounts was not reconciled to the related general ledger control accounts.

Cause: The Utility Module automatically posts billings and collections to the general ledger. It was noted that late charges are posted as revenue and receivables to the General Fund and Enterprise Fund based on respective billings. However, collections of late charges are automatically posted 100% to the Enterprise Fund. In addition, when customer deposits are posted to final billings, the portion applied to Accounts Receivable for Garbage and Fire Protection is not getting transferred from the Enterprise Fund.

Recommendation: We recommend that management consider accounting for all late charges in the Enterprise Fund. We further recommend that procedures be established to ensure that cash be distributed from the Customer Meter Deposits cash account to the General Fund when deposits are applied to final bills for Garbage and Fire Protection.

Management's response: See management's corrective action plan.

FINDING 03-04: RECONCILIATION OF RECEIPTS FOR HOSPITAL INSURANCE

Criteria: The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America.

Condition: During the year ended December 31, 2003, as in the prior year, hospitalization insurance paid by retired employees was not properly accounted for. The payroll posting routine and the accounting for receipts and subsequent payment of premiums has apparently not been established to properly interface with the general ledger.

Recommendation: We recommend that the receipts and payments of premiums be periodically reviewed and reconciled to the postings in the general ledger.

Management's response: See management's corrective action plan.

SECTION III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None reported.

TOWN OF JENA, LOUISIANA
MANAGEMENT'S CORRECTIVE ACTION PLAN
YEAR ENDED DECEMBER 31, 2003

Town of Jena, Louisiana, respectfully submits the following corrective action plan for the year ended December 31, 2003.

Independent Public Accounting Firm:

Silas Simmons, LLP
Certified Public Accountants
Post Office Box 1027
Natchez, Mississippi 39121

Audit Period: January 1, 2003 to December 31, 2003

The findings from the December 31, 2003, schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the report.

FINDING 03-01 Management's response: Internal Coding for the Payroll has been changed to correct posting to the payroll clearing account from the General Fund and Enterprise Fund. Once we get a correct balance to start with in the receivables and payables, we will start to balance on a daily basis with the general ledger and utility system to verify that the utility system is posting correctly to the general ledger.

FINDING 03-02 Management's response: A chart of accounts for each fund will be printed, and the assets and liabilities accounts will be "worded correctly", to try to get a better control of this condition. Balance sheets will be printed out each month and distributed to the Mayor and Board of Aldermen for their review. If a certificate of deposit is cashed in, then we will debit the proper account (depending on if the deposit is going into the same Fund or being transferred to another) and credit the CD account number. If the money is being transferred, then we will debit the transfer to "general" and credit the CD account. Once deposited into the general, then it will be a debit to cash and credit to transfer from account.

FINDING 03-03 Management's response: As suggested, all of the late charges assessed and revenues received for late charges will be accounted for in the Enterprise Fund. We will print out a report at the end of each month and transfer the correct amount owed to the General Fund from the Utility Fund (Utility Meter Deposit cash account).

FINDING 03-04 Management's response: A spreadsheet will be set up in Excel so that we can monitor the incoming of the retiree insurance money and make sure that it is credited and debited to the correct funds and accounts.

TOWN OF JENA, LOUISIANA
MANAGEMENT'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2003

FINDING 02-01: SUPPLEMENTAL PAY NOT INCLUDED IN RETIREMENT CONTRIBUTIONS

Condition: Employees of the Town of Jena are members of the Municipal Employees' Retirement System of Louisiana. For a period of time, supplemental pay received from the State of Louisiana by firemen and policemen have not been included in the computation of earnings for the calculation and payment of Town's share of retirement contributions. Also, contributions have not been withheld and remitted for the employee's share. In addition, the supplemental pay received by certain employees, depending on the date of hiring, may be subject to Medicare withholding and employer's match for these taxes.

Recommendation: We recommend that you consult with management of the Municipal Employee's Retirement System to determine the approach to correct this compliance issue.

Current status: Corrective action was taken.

FINDING 02-02: CONTROLS OVER RECREATION FACILITY RECEIPTS

Condition: Deposits of fees at the Town's recreational facility are not made in a timely manner. Records and/or reconciliations do not exist in regards to the actual use of the facility by individuals and the deposit of fees received. During the current period, receipts recorded in the general ledger were \$2,579 representing sixty-four (64%) percent of the budgeted amount. Prior year receipts totaled \$4,183.

Recommendation: We recommend that deposits of fees be made on a daily basis during peak periods of use and as practical at other times. In addition, controls and record keeping should be implemented to account for use by individuals and reconciled to actual deposits.

Current status: Corrective action was taken.

FINDING 02-03: RECONCILIATION OF ACCOUNTS RECEIVABLE

Condition: During the current and prior fiscal years, the accounts receivable subsidiary for utility customer accounts was not routinely reconciled to the related general ledger control account.

Recommendation: We recommend adequate training and effort be directed to implement the Town's new utility billing software. Because of the interface capability between the utility billing software and the general ledger, once procedures are established, accounts receivable subsidiary listings should be reconciled monthly to the related general ledger accounts.

Current status: The condition remains partially resolved for the year ended December 31, 2003. See Finding 03-03.

FINDING 02-04: RECONCILIATION OF RECEIPTS FOR HOSPITALIZATION INSURANCE

Condition: During the year ended December 31, 2003, hospitalization insurance paid by retired employees contained several posting errors within the general ledger. The payroll posting routine and the accounting for receipts and subsequent payment of premiums has apparently not been established to properly interface with the general ledger.

Recommendation: We recommend that the receipts and payment of premiums be periodically reviewed and reconciled to the postings within the general ledger.

Current status: The condition remains unresolved for the year ended December 31, 2003. See Finding 03-04.