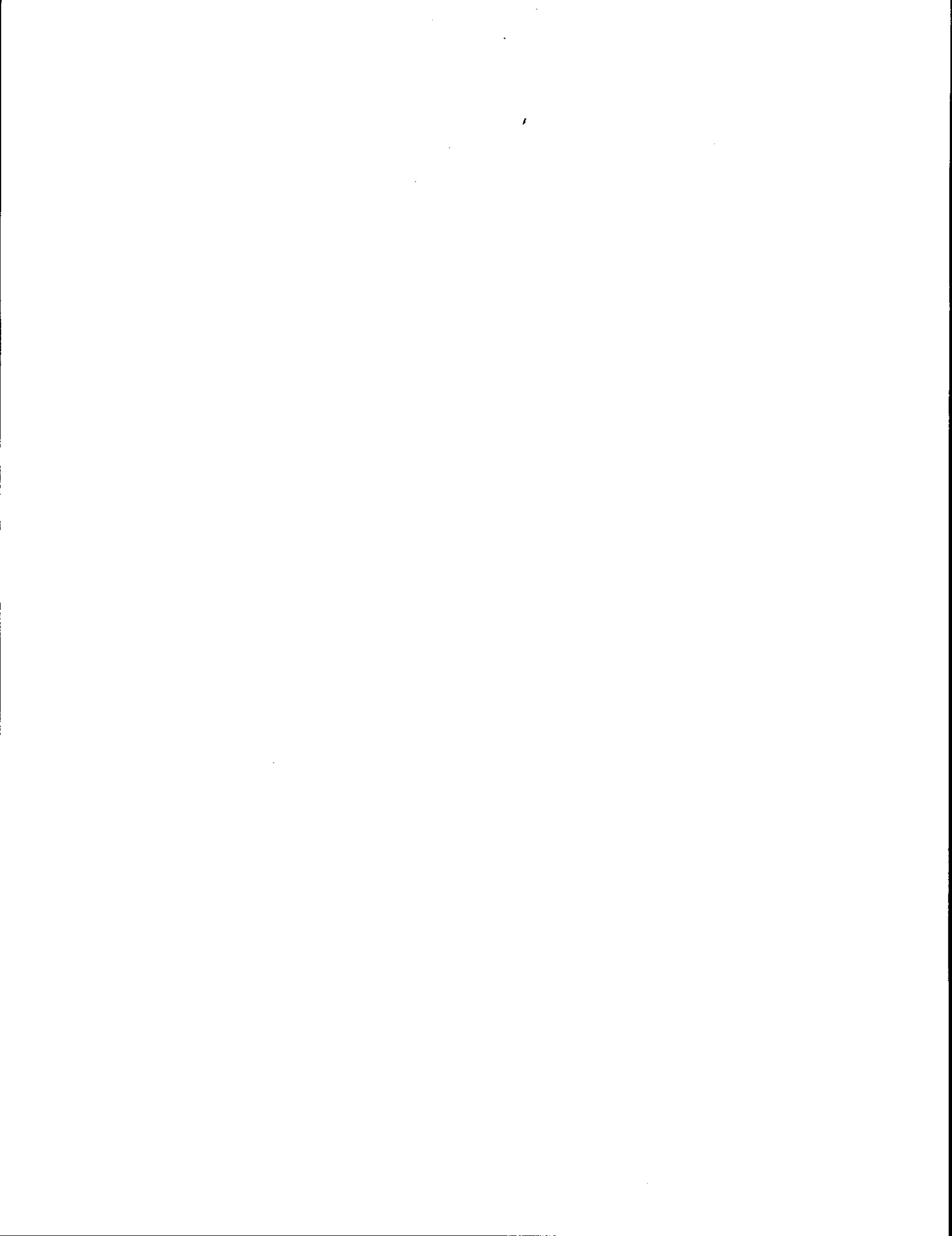


**City of Grambling
Grambling, Louisiana**

**Basic Financial Statements
And Independent Auditors' Report
As of and for the Year Ended December 31, 2005**

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

Release Date 7-19-06



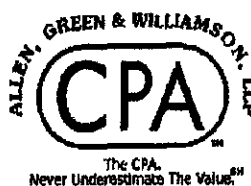
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INDEPENDENT AUDITORS' REPORT

Honorable Martha W. Andrus,
and Members of the City Council
City of Grambling
Grambling, Louisiana

Basic Financial Statements We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the City of Grambling, Louisiana, as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents.

These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these 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 financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the City of Grambling, Louisiana, as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof 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 June 28, 2006, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Supplemental Information Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplemental information identified in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other information Also, the accompanying other information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements of the City. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Allen, Green & Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
June 28, 2006

REQUIRED SUPPLEMENTAL INFORMATION:

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

**City of Grambling
Management's Discussion and Analysis (MD&A)**

Our discussion and analysis of the City of Grambling's financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2005.

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

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

Governmental activities reported an increase in net assets of \$132,131 whereas business-type activities reported a decrease of \$137,892. The increase in the governmental funds was due to an overall increase in revenue.

Total spending for our governmental activities was \$1,659,283. Most of the City's property and sales taxes were used to support the net cost (after deducting restricted grants and fees charged to users) of these three areas: general government of \$601,989, public safety of \$446,117, health and sanitation of \$123,997 and highways and streets \$130,416.

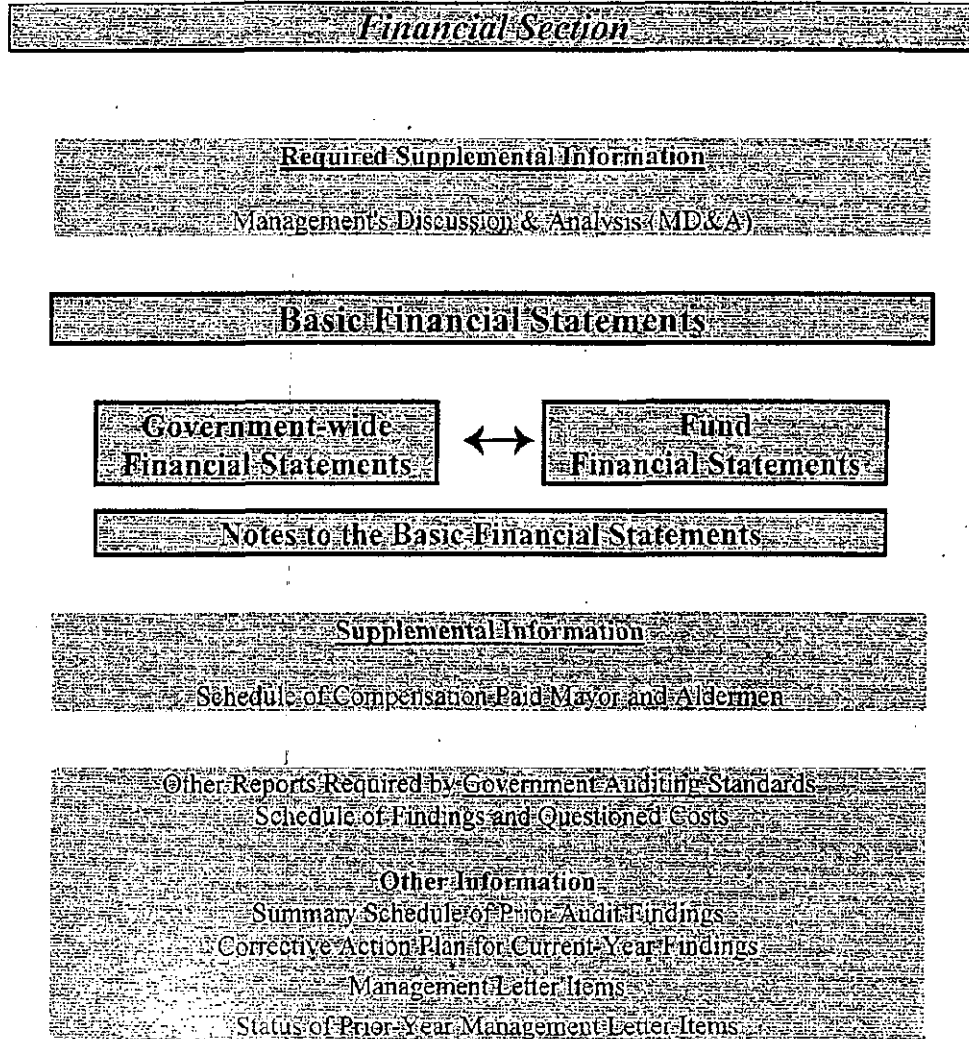
The general fund budgeted revenues for the 2005 year include a 2.0 percent increase in revenues and a 32.7 percent increase in budgeted expenses. These increases in revenues are due to higher collection of taxes, and revenue from other governments. Expenses increased due to capital outlay expenditures and general operating costs increasing.

USING THIS ANNUAL REPORT

The City's annual report consists of a series of financial statements that show information for the City as a whole, and its funds. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. For our governmental activities, the fund financial statements tell how we financed our services in the short-term as well as what remains for future spending. Fund statements also may give you some insights into the City's overall financial health. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds - the General Fund, Health & Sanitation, Debt Service and Capital Project Fund.

City of Grambling
Management's Discussion and Analysis (MD&A)

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



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

**City of Grambling
Management's Discussion and Analysis (MD&A)**

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

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

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

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

City of Grambling
Management's Discussion and Analysis (MD&A)

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

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

THE CITY AS A WHOLE

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

Table 1
Net Assets
December 31, 2005

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Current and other assets	\$2,262,786	\$1,895,710	\$ (541,502)	\$ 60,902	\$1,721,284	\$1,956,612
Restricted assets	0	0	291,512	381,631	291,512	381,631
Capital assets, net	<u>1,450,034</u>	<u>1,928,754</u>	<u>2,220,921</u>	<u>2,093,865</u>	<u>3,670,955</u>	<u>4,022,619</u>
Total assets	3,712,820	3,824,464	1,970,931	2,536,398	5,683,751	6,360,862
Current and other liabilities	259,030	220,803	303,022	329,116	562,052	549,919
Long-term liabilities	<u>264,557</u>	<u>1,130,231</u>	<u>1,978,271</u>	<u>1,858,142</u>	<u>2,242,828</u>	<u>2,988,373</u>
Total Liabilities	523,587	1,351,034	2,281,293	2,187,258	2,804,880	3,538,292
Net assets						
Invested in capital assets, net of related debt	1,121,079	814,197	130,593	110,704	1,251,672	924,901
Restricted	516,139	903,009	291,512	381,631	807,651	1,284,640
Unrestricted	<u>1,552,015</u>	<u>756,224</u>	<u>(732,467)</u>	<u>(143,195)</u>	<u>819,548</u>	<u>613,029</u>
Total net assets	<u>\$3,189,233</u>	<u>\$2,473,430</u>	<u>\$ (310,362)</u>	<u>\$ 349,140</u>	<u>\$2,878,871</u>	<u>\$2,822,570</u>

City of Grambling
Management's Discussion and Analysis (MD&A)

Table 2
Changes in Net Assets
For the Year Ended December 31, 2005

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Revenue:						
Program revenues:						
Charges for services	\$ 255,185	\$ 309,005	\$ 435,376	\$ 456,252	\$ 690,561	\$ 765,257
Operating grants and contributions	205,115	19,784	25,000	0	230,115	19,784
General revenues:						
Ad valorem tax	400,446	445,384	38,514	63,613	438,960	508,997
Sales tax revenue	563,517	689,883	17,442	19,069	580,959	708,952
License and permits	131,556	166,145	0	0	131,556	166,145
Fines and forfeitures	14,950	19,377	0	0	14,950	19,377
Use of money & property	5,404	10,954	6,975	6,975	12,379	17,929
Intergovernmental revenue	0	121,564	0	0	0	121,564
Miscellaneous	<u>56,385</u>	<u>81,835</u>	<u>2,588</u>	<u>36,470</u>	<u>58,973</u>	<u>118,305</u>
Total revenues	1,632,558	1,863,931	525,895	582,379	2,158,453	\$2,446,310
Functions/Program expenses:						
Governmental activities:						
General Government	499,093	601,989	0	0	499,093	601,989
Public Safety	734,449	688,189	0	0	734,449	688,189
Health & Sanitation	206,555	190,930	0	0	206,555	190,930
Highway & Streets	134,062	150,200	0	0	134,062	150,200
Parks & Recreation	1,633	44	0	0	1,633	44
Interest Expense	23,943	27,931	0	0	23,943	27,931
Business-type activities:						
Utility enterprise	<u>0</u>	<u>0</u>	<u>895,592</u>	<u>792,788</u>	<u>895,592</u>	<u>792,788</u>
Total Functions/Program expenses	<u>1,599,735</u>	<u>1,659,283</u>	<u>895,592</u>	<u>792,788</u>	<u>2,495,327</u>	<u>2,452,071</u>
Increase (decrease) in net assets before transfers	32,823	204,648	(369,697)	(210,409)	(336,874)	(5,761)
Transfers	<u>234,875</u>	<u>(72,517)</u>	<u>(234,875)</u>	<u>72,517</u>	<u>0</u>	<u>0</u>
Increase (decrease) in net assets	267,698	132,131	(604,572)	(137,892)	(336,874)	(5,761)
Net assets – beginning	2,921,535	3,189,233	294,210	(310,362)	3,215,745	2,878,871
Prior period adjustment	<u>0</u>	<u>(847,934)</u>	<u>0</u>	<u>797,394</u>	<u>0</u>	<u>(50,540)</u>
Net assets- ending	<u>\$3,189,233</u>	<u>\$2,473,430</u>	<u>\$(310,362)</u>	<u>\$ 349,140</u>	<u>\$2,878,871</u>	<u>\$2,822,570</u>

City of Grambling
Management's Discussion and Analysis (MD&A)

Governmental Activities

The cost of all governmental activities this year was \$1,659,283. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$1,330,494 because some of the cost was paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions.

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

Table 3
Governmental Activities
For the Year Ended December 31, 2005

	Total Cost of Services				Net Cost of Service			
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Governmental Activities								
General	\$ 499,093	\$ 601,989	\$ 0	\$ 0	\$ 499,093	\$ 601,989	\$ 0	\$ 0
Government								
Public Safety	734,449	688,189	0	0	375,035	446,117	0	0
Health &	206,555	190,930	0	0	119,821	123,997	0	0
Sanitation								
Highway & Streets	134,062	150,200	0	0	119,910	130,416	0	0
Parks &	1,633	44	0	0	1,633	44	0	0
Recreation								
Interest Expense	23,943	27,931	0	0	23,943	27,931	0	0
Business-type activities:			0	0			0	0
Utility enterprise	0	0	<u>895,592</u>	<u>792,788</u>	0	0	<u>435,216</u>	<u>336,536</u>
Total								
Functions/Program Expenses	<u>\$1,599,735</u>	<u>\$1,659,283</u>	<u>\$895,592</u>	<u>\$792,788</u>	<u>\$1,139,435</u>	<u>\$1,330,494</u>	<u>\$435,216</u>	<u>\$336,536</u>

Business-type Activities

Revenues and expenses of the City's business-type activities (see Table 2) remained relatively stable for 2005 compared with 2004.

City of Grambling
Management's Discussion and Analysis (MD&A)

THE CITY'S FUNDS

As the City completed the year, its governmental funds reported a combined fund balance of \$1,672,226 which is an decrease of \$395,928 in fund balance from last year. This decrease is due mainly to a prior period adjustment for capital assets and interfund payables.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues exceeded budgeted revenues by \$70,292. This variance is due mainly to an increase in the final amount of property tax received during 2005, an increase in revenue from other governments, and an increase in licenses and permits revenue.

Overall actual expenditures were more than budgeted expenditures by \$36,080. The variance is due mainly to a increase in general government operating expenses.

CAPITAL ASSETS

Capital Assets At December 31, 2005, the City had invested in the following capital assets:

	Governmental Activities 2004	Governmental Activities 2005	Business-type Activities 2004	Business-type Activities 2005	Total 2004	Total 2005
Land	\$ 42,902	\$ 42,902	\$ 16,526	\$ 16,526	\$ 59,428	\$ 59,428
Buildings	909,704	1,601,788	30,000	30,000	939,704	1,631,788
Vehicles	0	0	12,758	12,758	12,758	12,758
Equipment	1,226,129	1,196,481	1,033,449	1,036,151	2,259,578	2,232,632
Sewage Plant	0	0	2,409,175	2,483,313	2,409,175	2,483,313
Water System	0	0	<u>1,566,193</u>	<u>1,566,193</u>	<u>1,566,193</u>	<u>1,566,193</u>
Subtotal	2,178,735	2,841,171	5,068,101	5,144,941	7,246,836	7,986,112
Less						
Accumulated						
Depreciation	<u>(728,701)</u>	<u>(912,417)</u>	<u>(2,847,180)</u>	<u>(3,051,076)</u>	<u>(3,575,881)</u>	<u>(3,963,493)</u>
Total	<u>\$1,450,034</u>	<u>\$1,928,754</u>	<u>\$ 2,220,921</u>	<u>\$ 2,093,865</u>	<u>\$3,670,955</u>	<u>\$4,022,619</u>

See Note 7 of the Notes to the Basic Financial Statements for further details of capital assets.

DEBT ADMINISTRATION At December 31, 2005, the City's Maintenance Enterprise fund had \$1,979,004 in bonds payable outstanding and the Governmental funds had debt consisting of capital leases in the amount of \$264,577 and \$850,000 in certificate of indebtedness issued during 2005 for the construction of fire stations. For further details see Note 9 of the Notes to the Basic Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS Our elected and appointed officials and citizens consider many factors when setting the City's budget and tax rates. One of the most important factors affecting the budget is our franchise and ad valorem tax collections. Approximately, 27% of total revenues in the general fund is franchise and ad valorem tax. We have budgeted very little change in franchise and ad valorem tax revenues for the year ending December 31, 2006.

City of Grambling
Management's Discussion and Analysis (MD&A)

CONTACTING THE CITY'S FINANCIAL MANAGEMENT Our financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact Martha W. Andrus, Mayor, at the City of Grambling, 105 Park Street, Grambling, Louisiana 71245, telephone number (318) 247-6120.

City of Grambling

BASIC FINANCIAL STATEMENTS:

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

CITY OF GRAMBLING

**STATEMENT OF NET ASSETS
December 31, 2005**

Statement A

	GOVERNMENTAL BUSINESS-TYPE		
	<u>ACTIVITIES</u>	<u>ACTIVITIES</u>	<u>TOTAL</u>
ASSETS			
Cash and cash equivalents	\$ 1,055,906	\$ 97,653	\$ 1,153,559
Investments	443,735	0	443,735
Receivables, net	262,593	40,767	303,360
Internal balances	81,479	(81,479)	0
Restricted assets	0	381,631	381,631
Prepaid expenses	18,497	3,961	22,458
Bond issuance costs, net of amortization	33,500	0	33,500
Capital assets, net	<u>1,928,754</u>	<u>2,093,865</u>	<u>4,022,619</u>
TOTAL ASSETS	<u>3,824,464</u>	<u>2,536,398</u>	<u>6,360,862</u>
LIABILITIES			
Accounts payable	151,571	55,435	207,006
Accrued and other liabilities	38,413	3,462	41,875
Interest payable	30,819	57,294	88,113
Customer deposits payable	0	89,621	89,621
Current portion of bonds payable	0	0	0
Long term liabilities			
Due within one year	150,278	123,304	273,582
Due in more than one year	<u>979,953</u>	<u>1,858,142</u>	<u>2,838,095</u>
TOTAL LIABILITIES	<u>1,351,034</u>	<u>2,187,258</u>	<u>3,538,292</u>
NET ASSETS			
Invested in capital assets, net of related debt	814,197	110,704	924,901
Restricted for Debt Retirement	108,077	381,631	487,708
Restricted for Health & Sanitation	453,628	0	453,628
Restricted for Capital Projects	343,304	0	343,304
Unrestricted	<u>758,224</u>	<u>(143,195)</u>	<u>613,029</u>
TOTAL NET ASSETS	<u>\$ 2,473,430</u>	<u>\$ 349,140</u>	<u>\$ 2,822,570</u>

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

CITY OF GRAMBLING

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2005

FUNCTIONS/PROGRAMS	PROGRAM REVENUES		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
Governmental Activities:			
General government	\$ 801,989	\$ 0	0
Public safety	688,189	242,072	0
Health and sanitation	190,930	66,933	0
Highways and streets	150,200	0	19,784
Parks and recreation	44	0	0
Interest expense	27,931	0	0
Total Governmental Activities	<u>1,659,283</u>	<u>309,005</u>	<u>19,784</u>
Business-Type Activities:			
Utility Enterprise	<u>792,788</u>	<u>456,252</u>	<u>0</u>
Total Business-Type Activities	<u>792,788</u>	<u>456,252</u>	<u>0</u>
Total	<u>\$ 2,452,071</u>	<u>\$ 765,257</u>	<u>\$ 19,784</u>

General revenues:

Taxes:

Ad valorem taxes

Sales tax revenue

Licenses and permits

Fines and forfeitures

Use of money and property

Intergovernmental revenue

Miscellaneous

Transfers

Total general revenues and transfers

Changes in net assets

Net assets - beginning, as originally stated

Prior period adjustment

Net assets - beginning, as restated

Net assets - ending

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

Statement B

PRIMARY GOVERNMENT
NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS

<u>Governmental</u>	<u>Business-Type</u>	
<u>Activities</u>	<u>Activities</u>	<u>TOTAL</u>

\$ (601,989)	\$ 0	\$ (601,989)
(446,117)		(446,117)
(123,997)		(123,997)
(130,416)		(130,416)
(44)		(44)
(27,931)		(27,931)
<u>(1,330,494)</u>	<u>0</u>	<u>(1,330,494)</u>

	<u>(336,536)</u>	<u>(336,536)</u>
	<u>(336,536)</u>	<u>(336,536)</u>
<u>(1,330,494)</u>	<u>(336,536)</u>	<u>(1,667,030)</u>

445,384	63,813	508,997
689,883	19,069	708,952
166,145		166,145
19,377		19,377
10,954	6,975	17,929
121,564	0	121,564
81,835	36,470	118,305
<u>(72,517)</u>	<u>72,517</u>	<u>0</u>
<u>1,462,625</u>	<u>198,644</u>	<u>1,661,269</u>

<u>132,131</u>	<u>(137,892)</u>	<u>(5,761)</u>
----------------	------------------	----------------

3,189,233	(310,362)	2,878,871
-----------	-----------	-----------

<u>(847,934)</u>	<u>797,394</u>	<u>(60,540)</u>
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<u>2,341,299</u>	<u>487,032</u>	<u>2,828,331</u>
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<u>\$ 2,473,430</u>	<u>\$ 349,140</u>	<u>\$ 2,822,570</u>
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City of Grambling

BASIC FINANCIAL STATEMENTS:
FUND FINANCIAL STATEMENTS (FFS)

CITY OF GRAMBLING
GOVERNMENTAL FUNDS
Balance Sheet
December 31, 2005

Statement C

	<u>GENERAL</u>	<u>HEALTH & SANITATION</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECT</u>	<u>TOTAL</u>
ASSETS					
Cash and cash equivalents	\$ 597,303	\$ 60,259	\$ 40,333	\$ 358,011	\$ 1,055,906
Investments	221,465	211,381	10,889	0	443,735
Receivables	179,211	28,362	54,855	165	262,593
Interfund receivables	14,249	0	0	107,637	121,886
Prepaid expenses	16,624	1,873	0	0	18,497
TOTAL ASSETS	<u>1,028,852</u>	<u>301,875</u>	<u>106,077</u>	<u>465,813</u>	<u>1,902,617</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	25,886	3,176	0	122,509	151,571
Accrued and other liabilities	33,505	4,908	0	0	38,413
Interest payable	0	0	0	0	0
Interfund payables	26,158	14,249	0	0	40,407
TOTAL LIABILITIES	<u>85,549</u>	<u>22,333</u>	<u>0</u>	<u>122,509</u>	<u>230,391</u>
FUND BALANCES:					
Reserved for debt service	0	0	106,077	0	106,077
Unreserved, reported in:					
General Fund	943,303	0	0	0	943,303
Special Revenue Fund	0	279,542	0	0	279,542
Capital Projects Fund	0	0	0	343,304	343,304
TOTAL FUND BALANCES	<u>943,303</u>	<u>279,542</u>	<u>106,077</u>	<u>343,304</u>	<u>1,672,226</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,028,852</u>	<u>\$ 301,875</u>	<u>\$ 106,077</u>	<u>\$ 465,813</u>	<u>\$ 1,902,617</u>

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

CITY OF GRAMBLING

**Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Assets
December 31, 2005**

Statement D

Total fund balances - governmental funds \$ 1,672,226

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

Costs of capital assets	2,841,171	
Depreciation expense to date	<u>(912,417)</u>	
		1,928,754

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

Balances at December 31, 2005 are:

Bond payable	(850,000)	
Bond amortization	33,500	
Compensated absences	(15,674)	
Leases payable	(264,557)	
Interest payable	(30,819)	
		<u>(1,127,550)</u>

Net Assets \$ 2,473,430

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

CITY OF GRAMBLING

GOVERNMENTAL FUNDS
 Combined Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 For the Year Ended December 31, 2005

Statement E

	GENERAL	HEALTH & SANITATION	DEBT SERVICE	CAPITAL PROJECT	TOTAL
REVENUES					
Local sources:					
Taxes	\$ 808,815	\$ 231,531	\$ 94,921	\$ 0	\$ 1,135,267
Licenses and permits	166,145	0	0	0	166,145
Intergovernmental revenues	157,146	0	0	0	157,146
Fines and forfeitures	245,651	0	0	0	245,651
Use of money and property	0	8,621	2,087	246	10,954
Miscellaneous revenues	67,368	84,212	0	0	151,580
Total revenues	1,445,125	324,364	97,008	246	1,866,743
EXPENDITURES					
Current:					
General government	562,056	0	612	0	562,668
Public Safety	612,923	0	0	0	612,923
Health and sanitation	0	180,976	0	0	180,976
Highways and streets	53,430	0	0	0	53,430
Parks and recreation	44	0	0	0	44
Debt service:					
Principal retirement	34,631	29,767	0	0	64,398
Interest and bank charges	4,632	0	0	77	4,709
Capital outlay	111,068	0	0	619,044	730,112
Total expenditures	1,378,784	210,743	612	619,121	2,209,260
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES					
	66,341	113,621	96,396	(618,875)	(342,517)
OTHER FINANCING SOURCES (USES)					
Transfers in	6,872	0	0	33,617	40,489
Transfers out	(58,617)	(31,872)	(22,517)	0	(113,006)
Proceeds from bonds	0	0	0	850,000	850,000
Bond fees deducted from proceeds	0	0	0	(33,500)	(33,500)
TOTAL OTHER FINANCING SOURCES (USES)	(51,745)	(31,872)	(22,517)	850,117	743,983
NET CHANGE IN FUND BALANCES	\$ 14,596	\$ 81,749	\$ 73,879	\$ 231,242	\$ 401,466

CITY OF GRAMBLING

GOVERNMENTAL FUNDS
Combined Statement of Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended December 31, 2005

Statement E

	<u>GENERAL</u>	<u>HEALTH & SANITATION</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECT</u>	<u>TOTAL</u>
FUND BALANCES - BEGINNING	\$ 1,552,015	\$ 371,879	\$ 32,198	\$ 112,062	\$ 2,068,154
PRIOR PERIOD ADJUSTMENT	<u>(623,308)</u>	<u>(174,086)</u>	<u>0</u>	<u>0</u>	<u>(797,394)</u>
FUND BALANCES - BEGINNING, AS RESTATED	<u>928,707</u>	<u>197,793</u>	<u>32,198</u>	<u>112,062</u>	<u>1,270,760</u>
FUND BALANCES - ENDING	<u>\$ 943,303</u>	<u>\$ 279,542</u>	<u>\$ 106,077</u>	<u>\$ 343,304</u>	<u>\$ 1,672,226</u>

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

CITY OF GRAMBLING

Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities
For the Year Ended December 31, 2005

Statement F

Total net change in fund balances - governmental funds \$ 401,466

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

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

Capital outlays	730,112	
Depreciation	<u>(198,040)</u>	532,072

Repayment of capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 64,398

Proceeds from bonds is reported as revenue in governmental funds, but increases liabilities in the Statement of Net Assets.

Bonds	(850,000)	
Bond amortization	<u>33,500</u>	(816,500)

Compensated absences are recognized in the Statement of Net Assets as an increase to liabilities (15,874)

Interest on long-term debt in the Statement of Activities differs from the amount reporting in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (30,819)

Revenue from sale of capital assets is recognized as income in governmental but loss or gain in Statement of Activities.

Sale of capital assets	(2,580)	
Loss on sale	<u>(232)</u>	(2,812)

Change in net assets of governmental activities. \$ 132,131

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

CITY OF GRAMBLING

**GENERAL FUND
Budgetary Comparison Schedule
For the Year Ended December 31, 2005**

Statement G-1

	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>BUDGET</u>	<u>BUDGET</u>		<u>FAVORABLE</u>
				<u>(UNFAVORABLE)</u>
BUDGETARY FUND BALANCES, Beginning	\$ 928,707	\$ 928,707	\$ 928,707	\$ 0
Resources (inflows)				
Local sources:				
Taxes	719,500	785,202	808,815	23,613
Licenses and permits	161,500	157,625	166,145	8,520
Intergovernmental revenues	34,700	131,014	157,148	26,132
Fines and forfeitures	240,000	242,600	245,651	3,051
Miscellaneous revenues	21,400	58,392	67,368	8,976
Transfers from other funds	200,000	6,872	6,872	0
	<u>2,305,807</u>	<u>2,310,412</u>	<u>2,380,704</u>	<u>70,292</u>
Amounts available for appropriations				
Charges to appropriations (outflows)				
Current:				
General government	343,427	524,781	582,056	(37,275)
Public Safety	630,990	622,723	612,923	9,800
Highways and streets	52,400	49,950	53,430	(3,480)
Parks and recreation	8,725	0	44	(44)
Debt service:				
Principal retirement	0	34,631	34,631	0
Interest expense	8,308	8,331	4,632	3,699
Capital outlay	11,100	102,288	111,068	(8,780)
Transfers	0	58,617	58,617	0
	<u>1,055,950</u>	<u>1,401,321</u>	<u>1,437,401</u>	<u>(36,080)</u>
Total charges to appropriations				
BUDGETARY FUND BALANCES, ENDING	\$ 1,249,857	\$ 909,091	\$ 943,303	\$ 34,212

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

CITY OF GRAMBLING

HEALTH AND SANITATION
 Budgetary Comparison Schedule
 For the Year Ended December 31, 2005

Statement G-2

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
BUDGETARY FUND BALANCES, Beginning	\$ 371,879	\$ 197,793	\$ 197,793	0
Resources (inflows)				
Local sources:				
Taxes	250,000	225,000	231,531	6,531
Use of money and property	1,500	8,075	8,621	546
Miscellaneous revenues	68,500	81,156	84,212	3,056
Transfers from other funds	0	0	0	0
Amounts available for appropriations	<u>691,879</u>	<u>512,024</u>	<u>622,157</u>	<u>10,133</u>
Charges to appropriations (outflows)				
Current:				
Health and sanitation	193,406	184,297	180,976	3,321
Debt service:				
Principal retirement	0	29,767	29,767	0
Interest expense	0	0	0	0
Capital outlay	2,500	1,000	0	1,000
Transfers	<u>50,000</u>	<u>31,872</u>	<u>31,872</u>	<u>0</u>
Total charges to appropriations	<u>245,906</u>	<u>246,936</u>	<u>242,615</u>	<u>4,321</u>
BUDGETARY FUND BALANCES, ENDING	<u>\$ 445,973</u>	<u>\$ 265,088</u>	<u>\$ 279,542</u>	<u>14,454</u>

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

CITY OF GRAMBLING
PROPRIETARY FUND - MAINTENANCE ENTERPRISE FUND
Statement of Net Assets
December 31, 2005

Statement H

ASSETS	
Cash and cash equivalents	\$ 97,853
Receivables, net	40,767
Prepaid expenses	3,961
Capital assets, net	2,093,865
Restricted assets	
Cash	339,346
Investments	<u>42,285</u>
TOTAL ASSETS	<u>2,617,877</u>
 LIABILITIES	
Account payable	55,435
Accrued and other liabilities	3,462
Interfund payable	81,479
Interest payable	57,294
Customer deposits payable	89,621
Current portion of bonds payable	123,304
Notes payable	49,000
Revenue bonds payable	<u>1,809,142</u>
TOTAL LIABILITIES	<u>2,268,737</u>
 NET ASSETS	
Invested in capital assets, net of related debt	110,704
Restricted for Debt Retirement	381,631
Unrestricted	<u>(143,195)</u>
TOTAL NET ASSETS	<u>\$ 348,140</u>

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

CITY OF GRAMBLING

**PROPRIETARY FUND - MAINTENANCE ENTERPRISE FUND
Statement of Revenues, Expenses,
and Changes in Fund Net Assets
For the Year Ended December 31, 2005**

Statement I

OPERATING REVENUES	
Water sales	\$ 195,700
Water connection charges	4,578
Sewer fees	<u>255,974</u>
 Total operating revenues	 <u>456,252</u>
 OPERATING EXPENSES	
Water department	490,805
Sewer department	<u>218,730</u>
 Total operating expenses	 <u>709,535</u>
 OPERATING INCOME (LOSS)	 <u>(253,283)</u>
 NONOPERATING REVENUES (EXPENSES)	
Miscellaneous	36,470
Interest income	8,975
Ad valorem tax revenues	63,813
Sales tax revenues	19,069
Interest expense	<u>(83,253)</u>
 Total nonoperating revenues (expenses)	 <u>42,874</u>
 INCOME (LOSS) BEFORE TRANSFERS	 <u>(210,409)</u>
 TRANSFERS IN/OUT	
Transfers in	72,517
Transfers out	<u>0</u>
 Total transfers in/out	 <u>72,517</u>
 CHANGE IN NET ASSETS	 <u>(137,892)</u>
 NET ASSETS - BEGINNING AS ORIGINALLY STATED	 (310,362)
 PRIOR PERIOD ADJUSTMENT	 <u>797,394</u>
 NET ASSETS - BEGINNING AS RESTATED	 <u>487,032</u>
 NET ASSETS - ENDING	 <u>\$ 349,140</u>

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

CITY OF GRAMBLING

PROPRIETARY FUND - ENTERPRISE FUND
Statement of Cash Flows
For the Year Ended December 31, 2005

Statement J

CASH FLOW FROM OPERATING ACTIVITIES

Receipts from customers	\$ 484,057
Payments to employees	(126,216)
Payments to others	<u>(175,171)</u>
Net cash provided (used) for operating activities	<u>182,670</u>

CASH FLOW (USES) FROM NONCAPITAL FINANCING ACTIVITIES:

Transfers in	72,517
Sales tax receipts	19,069
Ad valorem tax receipts	63,613
(Increase) decrease in restricted assets - deposits	(90,119)
Other miscellaneous receipts	<u>36,470</u>
Net cash provided (used) for noncapital financing activities	<u>101,550</u>

CASH FLOW (USES) FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Acquisition of capital assets	(76,840)
Principal payments on notes and bonds	(114,656)
Interest paid on bonds	<u>(84,708)</u>
Net cash provided (used) for capital and related financing activities	<u>(276,204)</u>

CASH FLOW FROM INVESTING ACTIVITIES

Earnings on investments	<u>6,975</u>
-------------------------	--------------

Net increase (decrease) in cash and cash equivalents 14,991

CASH AND CASH EQUIVALENTS - BEGINNING 82,662

CASH AND CASH EQUIVALENTS - ENDING \$ 97,653

Reconciliation of operating income (loss) to net cash provided (used) by operating activities:

Operating income (loss)	\$ (253,283)
Adjustments to reconcile operating income to net cash provided (used) for operating activities:	
Depreciation	203,895
(Increase) decrease in accounts receivable	(14,417)
(Increase) decrease in interfund receivable	72,702
(Increase) decrease in prepaid expenses	(44)
Increase (decrease) in accounts payable	47,058
Increase (decrease) in accrued and other liabilities	(32,941)
Increase (decrease) in interfund payables	151,740
Increase (decrease) in customer deposits	<u>7,960</u>

Net cash provided (used) by operating activities \$ 182,670

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

City of Grambling
Notes to the Basic Financial Statements

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City of Grambling
Notes to the Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES The accompanying financial statements of the City of Grambling have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. REPORTING ENTITY The City of Grambling was founded in 1959 under the provisions of the "Lawrason Act" (Louisiana Revised Statutes (R.S.) 33:321-481) of the constitution of the state of Louisiana. The City is located in the parish of Lincoln and has a population of approximately 4,693. The City is governed by the mayor and five-member council. The mayor and council members serve four-year terms which expire on December 31, 2006.

As the governing authority of the City, for reporting purposes, the City of Grambling is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (the City), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the City of Grambling for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criterion includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the municipality to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City.
2. Organizations for which the City does not appoint a voting majority but are fiscally dependent on the City.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization were not included because of the nature or significance of the relationship.

As required by generally accepted accounting principles, these financial statements present the City of Grambling (the primary government). The City of Grambling has no component units.

B. FUND ACCOUNTING The City uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts that comprises its assets, liabilities, fund equity, revenues, and expenditures/expenses. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

Funds 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 a government's general activities, where the focus of attention is on the providing of services to the public as opposed to proprietary funds where the focus of attention is on the recovering the cost of providing services to the public or other agencies through service charges or user fees. The City's current operations require the use of governmental and proprietary fund types described as follows:

City of Grambling
Notes to the Basic Financial Statements

Governmental Funds

General fund – is the general operating fund of the City. It accounts for all financial resources, except those required to be accounted for in other funds.

Health & Sanitation fund – is used to account for the expenses in providing services for health care and garbage collection services.

Debt service fund – is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

Capital project fund – is used to account for financial resources received and used for the acquisition, construction, or improvement of capital facilities not reported in the other governmental funds.

Proprietary Fund – Maintenance enterprise fund – accounts for the operations of the City's sewer and water systems. The operations are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-Wide Financial Statements (GWFS) The Statement of Net Assets and the Statement of Activities displays information about the reporting government as a whole. The Statement of Net Assets and the Statement of Activities was prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions."

Program revenues Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Allocation of indirect expenses The City reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Fund Financial Statements (FFS)

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

City of Grambling
Notes to the Basic Financial Statements

principal and interest on long-term debt which is recognized when due. Compensated absences and claims and judgments are reported in a governmental fund only if the claims are due and payable.

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

Revenues Ad valorem taxes are recorded in the year the taxes are due and payable. Ad valorem taxes are assessed on a calendar-year basis and attach as an enforceable lien and become due and payable on the date the tax rolls are filed with the recorder of mortgages. Louisiana Revised Statute 47:1994 requires that the tax roll be filed on or before November 15 of each year. Ad valorem taxes become delinquent if not paid by December 31. The taxes are normally collected in December, January and February of the current year.

Franchise taxes and intergovernmental revenues are recorded when the City is entitled to the funds.

Interest income on time deposits is recorded when the interest has been earned and the amount is determinable.

Substantially all other revenues are recorded when they are received by the City.

Based on the above criteria, ad valorem taxes, franchise taxes and intergovernmental revenues have been treated as susceptible to accrual.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Other Financing Source (Use) Transfers between funds that are not expected to be repaid are accounted for as other financing sources and are recognized when the underlying event occurs.

Proprietary Funds Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The City has elected pursuant to GASB Statement No. 20, to apply all GASB pronouncements and only FASB pronouncements issued before November 30, 1989.

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

D. BUDGET PRACTICES A preliminary budget for the ensuing year is prepared in November. The proposed budget is reviewed by the mayor and the City Council and made available to the public. During the December meeting of the City Council, the City holds a public hearing on the proposed budget in order to receive comments from citizens. Changes are made to the proposed budget based on the public hearing and the desires of the City Council as a whole. The budgets are then adopted during the December meeting, and notice published in the official journal. During the year, the City Council receives monthly budget comparison statements which are used as a tool to control the operations of the City. Necessary budget amendments are presented to the Council when actual operations are differing materially from those anticipated in the original budget. The Council in regular session reviews the

City of Grambling
Notes to the Basic Financial Statements

proposed amendments, makes necessary changes, and formally adopts the amendments. The adoption of amendments is included in the City's minutes published in the official journal. The budget is established and controlled by the mayor and council members at the fund level of expenditure. Unexpended appropriations lapse at year-end and must be reappropriated for the following year to be expended. All changes in the budget must be approved by the mayor and the council members. The City does not use encumbrance accounting in its accounting system.

E. CASH AND CASH EQUIVALENTS Under state law, the City may deposit funds within 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 of America. The City may invest in certificates and time deposits of state banks organized under Louisiana laws and national banks having principal offices in Louisiana. For purposes of the statement of cash flows, cash equivalents include all highly liquid investments with a maturity date of three months or less when purchased.

F. INVESTMENTS Investments are limited by R.S. 33:2955 and the City's investment policy. If the original maturities of investments exceed 90 days they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

The investments are reflected at fair value except for the following which are required/permitted as per GASB Statement No. 31:

1. Investments in *nonparticipating* interest-earning contracts, such as nonnegotiable certificates of deposit with redemption terms that do not consider market rates, are reported using a cost-based measure.
2. The City reported at amortized cost money market investments and *participating* interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less.

Definitions:

Interest-earning investment contract include time deposits with financial institutions (such as certificates of deposit), repurchase agreements, and guaranteed investment contracts.

Money market investments are short-term, highly liquid debt instruments that include U. S. Treasury obligations.

The City participates in the Louisiana Asset Management Pool, Inc., (LAMP) which is an external investment pool that is not SEC-registered. Because the LAMP is an arrangement sponsored by a type of governmental entity, it is exempt by statute from regulation by the SEC.

The investment objective of the LAMP is the preservation of capital and the maintenance of liquidity and, to the extent consistent with such objective, current yield.

The LAMP was established as a cooperative endeavor to enable public entities of the state of Louisiana to aggregate funds for investment. This pooling is intended to improve administrative efficiency and increase investment yield. The Board of Directors of LAMP provides certain management and administrative services to LAMP and, through a competitive bidding process, selects a custodial bank and an investment advisor. The custodial bank holds the assets of LAMP and the investment decisions are made by the investment advisor. Both the custodial bank and the investment advisor are subject to the review and oversight of LAMP.

An audit of LAMP is conducted annually by an independent certified public accountant. The Legislative Auditor of the state of Louisiana has full access to the records of the LAMP.

City of Grambling
Notes to the Basic Financial Statements

The LAMP may invest in U. S. Government Securities. The LAMP is designed to comply with restriction on investment by municipalities, parishes, and other types of political subdivisions imposed under Louisiana Revised Statute 33:2955.

The LAMP seeks to maintain a stable net asset value of \$1.00 per unit, but there can be no assurance that the LAMP will be able to achieve this objective. The LAMP's portfolio securities are valued at market value even though the amortized cost method is permitted by Rule 2a-7 of the Investment Company Act of 1940, as amended, which governs money market mutual funds (although the LAMP is not a money market fund and has no obligation to conform to this rule). The LAMP generally complies with other aspects of that rule, including the requirements that all portfolio securities acquired by the LAMP must have, at the time of purchase, a maximum remaining maturity of 397 days and meet certain additional quality standards and that the LAMP maintain a dollar-weighted average portfolio maturity of not more than 90 days. The fair value of the position in the pool is the same as the value of the pool shares. LAMP issues financial reports which can be obtained by writing: LAMP, Inc., 228 St. Charles Avenue, Suite 1123, New Orleans, LA 70130.

G. CAPITAL ASSETS Capital assets are recorded at either historical cost or estimated historical cost and depreciated over their estimated useful lives (excluding salvage value). Donated capital assets are recorded at their estimated fair value at the date of donation. The City has a capitalization threshold of \$1,000. Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used for governmental fund-type based on the following estimated useful lives:

Buildings	40 years
Concrete block building	20 years
Equipment	8 years
Vehicles	5 years
Sewer system and lines	20 years
Water system and lines	20 years

The capital assets used in the proprietary fund-type operations are included on the balance sheet of the fund. Depreciation of all exhaustible fixed assets used by the proprietary fund type operations are charged as an expense against operations. Depreciation is computed using the straight-line method over estimated lives of 20 years for the plant, distribution system, and collection system, 5 to 8 years for furniture and equipment.

H. LONG-TERM DEBT Long-term obligations, such as bonded debt and bank loans are recognized as liabilities of a governmental fund only when due.

I. COMPENSATED ABSENCES The City of Grambling's recognition and measurement criteria for compensated absences follow:

GASB Statement No. 16 provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

- a. The employees' rights to receive compensation are attributable to services already rendered.
- b. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

City of Grambling
Notes to the Basic Financial Statements

The cost of leave privileges, computed in accordance with GSAB Codification Section C60, is recognized as current-year expenditure in the governmental funds when leave is actually taken or when employees are paid for accrued leave upon resignation or termination.

J. RESTRICTED ASSETS Certain grants received by the City contained restrictions on spending for specific purposes. In the Maintenance Enterprise Fund, specially-assessed sewer fees are restricted for future repair and maintenance of the sewer system.

K. RISK MANAGEMENT The City is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. To handle such risk of loss, the City maintains commercial insurance policies covering its automobiles, professional liability, general liability, and surety bond coverage. There were no significant reductions in insurance coverage during the year ended December 31, 2005.

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

- Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments;
- Imposed by law through constitutional provisions or enabling legislation. All restricted net assets reported on statement A are the result of enabling legislation.

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

M. FUND BALANCES OF FUND FINANCIAL STATEMENTS Reserves represent those portions of fund equity not appropriable for expenditures or legally segregated for a specific future use. Designations of fund balance represent tentative management plans that are subject to change.

N. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES During the course of operations, numerous transactions occur between individual funds for services rendered. These receivables and payables are classified as interfund receivable/payables on the balance sheet. Short-term interfund loans are also classified as interfund receivables/payables.

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

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

Q. SALES TAX Sales taxes are collected by the Lincoln Parish Sales and Use Tax Commission and by the Lincoln Parish Police Jury. The City's sales tax percentage is two percent.

City of Grambling
Notes to the Basic Financial Statements

NOTE 2 - DEPOSITS & INVESTMENTS At December 31, 2005, the City had the following investments:

<u>Type of investment</u>	<u>Carrying Amount</u> <u>Fair Value</u>
Investments not subject to categorization:	
External investment pool (LAMP)	\$372,804
Total investments	<u>\$372,804</u>

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

Credit Risk: The City invests in certificates of deposit which do not have credit ratings. The City's investment in LAMP was rated AAAM by Standard & Poor's. The City's policy does not address credit rate risk.

Custodial Credit-Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of December 31, 2005, the City's bank balance of \$1,523,668 was exposed to custodial credit risk because it was uninsured and collateralized with security held by the pledging financial institutions trust department or agent but not in the City's name. Even though the pledge securities are considered uncollateralized under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the City that the fiscal agent has failed to pay deposited funds upon request.

Custodial Credit Risk-Investments: For an investment, this is the risk that, in the event of the failure of the counter party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At December 31, 2005, the City had 100% of its investments with an outside party.

NOTE 3 - LEVIED TAXES The City levies property taxes on real and business property located within the City's boundaries. Property taxes are levied by the City on property values assessed by the Lincoln Parish Tax Assessor and approved by the state of Louisiana Tax Commission. The Lincoln Parish Tax Assessor prepares tax statements for the City.

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

	<u>Authorized</u> <u>Millage</u>	<u>Levied</u> <u>Millage</u>	<u>Expiration</u> <u>Date</u>
Public improvement bond	7.08	7.08	2009
Public streets	6.50	6.50	2009
Water system	5.00	5.00	2006
Police department	5.50	5.50	2009
Fire department	20.80	20.80	2009
Capital outlay project	11.20	11.20	2009

During 2005, the City passed a resolution rededicating a portion of the Fire Department's millage of 32 percent to the Capital Outlay Project for construction of new fire stations.

City of Grambling
Notes to the Basic Financial Statements

Property Tax

Lien Date	No set date
Levy Date	October 31, 2005
Due Date	December 31, 2005
Collection Dates	November 1 through June 30

NOTE 4 - RECEIVABLES The following is a summary of receivables at December 31, 2005:

<u>Class of Receivable</u>	<u>General Fund</u>	<u>Health & Sanitation Fund</u>	<u>Debt Service Fund</u>	<u>Capital Fund</u>	<u>Maintenance Fund</u>	<u>Total</u>
Taxes:						
Property taxes,	\$ 83,312	\$ 0	\$ 0	\$ 0	\$20,497	\$103,809
Sales and use	49,947	28,362	54,589	0	0	132,898
Intergovernmental revenue	25,638	0	0	0	0	25,638
User fees	0	0	0	0	18,920	18,920
Franchise Fees	17,462	0	0	0	0	17,462
Other	<u>2,852</u>	<u>0</u>	<u>266</u>	<u>165</u>	<u>1,350</u>	<u>4,633</u>
Total	<u>\$179,211</u>	<u>\$28,362</u>	<u>\$54,855</u>	<u>\$165</u>	<u>\$40,767</u>	<u>\$303,360</u>

These receivables are expected to be collected in full; therefore, no allowance for doubtful accounts was established.

NOTE 5- INTERFUND ASSETS/LIABILITIES (FFS LEVEL ONLY)

Individual balances due from/to other funds at December 31, 2005 are as follows:

<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	\$14,249	Health & Sanitation	14,249
Capital Projects	<u>107,637</u>	General	26,157
		Maintenance	<u>81,480</u>
Total	<u>\$121,886</u>	Total	<u>\$121,886</u>

The purpose of the interfund assets/liabilities was to cover the cost of payroll and other costs until taxes are received.

City of Grambling
Notes to the Basic Financial Statements

Transfers during the year ended December 31, 2005 were as follows:

	Transfer From <u>Other Funds</u>	Transfer to <u>Other Funds</u>
General Fund	\$ 6,872	\$ 58,617
Health and Sanitation Fund	0	31,872
Debt Service Fund	0	22,517
Capital Project Fund	33,617	0
Maintenance Fund	<u>72,517</u>	<u>0</u>
Total	<u>\$113,006</u>	<u>\$113,006</u>

The purpose of the operation transfers is to cover cash shortages at certain times during the year.

NOTE 6 - ACCOUNTS, SALARIES, AND OTHER PAYABLES The payables at December 31, 2005 are as follows:

<u>Payable category</u>	<u>General Fund</u>	<u>Health & Sanitation Fund</u>	<u>Capital Project Fund</u>	<u>Maintenance Enterprise Fund</u>	<u>Total</u>
Vendors	\$25,886	\$3,176	\$122,509	\$55,435	\$207,006
Wages	19,854	4,908	0	2,730	27,492
State Grant	8,788	0	0	0	8,788
Insurance	4,863	0	0	0	4,863
Other	<u>0</u>	<u>0</u>	<u>0</u>	<u>732</u>	<u>732</u>
Total	<u>\$59,391</u>	<u>\$8,084</u>	<u>\$122,509</u>	<u>\$58,897</u>	<u>\$248,881</u>

NOTE 7 - CAPITAL ASSETS The following presents the changes in capital assets for the year ended December 31, 2005:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental activities:				
Land	\$ 42,902	\$ 0	\$ 0	\$ 42,902
Depreciable Assets				
Buildings and improvements	909,704	692,084	0	1,601,788
Furniture and equipment	1,162,953	38,028	4,500	1,196,481
Construction in progress	<u>0</u>	<u>692,084</u>	<u>692,084</u>	<u>0</u>
Total assets	2,115,559	1,422,196	696,584	2,841,171
Less: accumulated depreciation	<u>(716,065)</u>	<u>(198,040)</u>	<u>1,688</u>	<u>(912,417)</u>
Net capital assets	<u>\$1,399,494</u>	<u>\$1,224,156</u>	<u>\$(694,896)</u>	<u>\$1,928,754</u>

City of Grambling
Notes to the Basic Financial Statements

Prior year balances were adjusted by the City for duplication of capital assets on prior year listing.

Depreciation expense for 2005 was charged to governmental activities as follows:

General government	\$ 24,558
Public safety	75,266
Health and sanitation	1,446
Highways and streets	<u>96,770</u>
Total	<u>\$198,040</u>

A summary of plant and equipment changes in the Maintenance Enterprise Fund follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 16,526	\$ 0	\$ 0	\$ 16,526
Depreciable Assets				
Buildings and improvements	30,000	0	0	30,000
Sewage plant	2,409,175	74,138	0	2,483,313
Water system	1,566,193	0	0	1,566,193
Water/Sewer equipment	1,033,449	2,702	0	1,036,151
Vehicles	<u>12,758</u>	<u>0</u>	<u>0</u>	<u>12,758</u>
Total assets	5,068,101	76,840	0	5,144,941
Less: accumulated depreciation	<u>(2,847,180)</u>	<u>(203,896)</u>	<u>0</u>	<u>(3,051,076)</u>
Net capital assets	<u>\$ 2,220,921</u>	<u>\$(127,056)</u>	<u>\$0</u>	<u>\$ 2,093,865</u>

NOTE 8 - PENSION AND RETIREMENT PLAN The City established a Simple IRA plan to be effective October 4, 2002. All city employees are eligible to participate in the plan. The plan is a defined contribution plan administered by Morgan Keegan & Co., Inc. Under the plan, the City matches each employee's salary reduction for contributions to the plan up to 3% for that calendar year. The funds are immediately vested when paid into the plan. The plan is based on the IRS Code and must comply with all IRS Code requirements. The City of Grambling's contributions to the system for the years ending December 31, 2005 and 2004 were \$4,245 and \$4,565, respectively, equal to the required contributions for each year.

City of Grambling
Notes to the Basic Financial Statements

NOTE 9 - CHANGES IN LONG-TERM OBLIGATIONS The following is a summary of long-term obligation transactions for the year ended December 31, 2005:

	<u>Governmental Funds</u>			<u>Maintenance - Enterprise Fund</u>			
	<u>Compensated Absences</u>	<u>Capital Leases</u>	<u>Certificate of Indebtedness</u>	<u>Total</u>	<u>Compensated Absences</u>	<u>Bonds Payable</u>	<u>Total</u>
Balance, beginning	\$17,571	\$328,955	\$ 0	\$ 346,526	\$5,037	\$2,090,328	\$2,095,365
Additions	15,674	0	850,000	865,674	2,442	0	2,442
Retirements	<u>17,571</u>	<u>64,398</u>	<u>0</u>	<u>81,969</u>	<u>5,037</u>	<u>111,324</u>	<u>116,361</u>
Balance, ending	<u>\$15,674</u>	<u>\$264,557</u>	<u>\$850,000</u>	<u>\$1,130,231</u>	<u>\$2,442</u>	<u>\$1,979,004</u>	<u>\$1,981,446</u>
Amounts due in one year	<u>\$15,674</u>	<u>\$ 65,296</u>	<u>\$ 69,308</u>	<u>\$ 150,278</u>	<u>\$2,442</u>	<u>\$ 120,862</u>	<u>\$ 123,304</u>

Compensated absences are paid from Governmental Funds (General Fund & Health & Sanitation) and the Maintenance Enterprise Fund. During 2005, the City issued Certificate of Indebtedness in the amount of \$850,000 for the construction of new fire stations. Payments for the Certificate of Indebtedness will be made from the Debt Service Fund.

Bonded debt payable at December 31, 2005 is comprised of the following individual issues:

Revenue bonds:

\$850,000 – Certificate of Indebtedness, Series 2005 – the principal is due in annual installments of \$109,708 beginning June 30, 2006 and due each year through 2015, with an interest rate of 4.974%. Debt retirement payments are made from the Debt Service Fund.	\$ 850,000
\$150,000 - Certificate of Indebtedness, Series 2001 – the remaining principal is due in annual installments of \$21,000 to \$25,000 through February, 2008, with an interest rate of 5.65%. Debt retirement payments are made from the Maintenance Enterprise Fund.	72,000
\$1,250,000 – Utilities Revenue Bonds, Series 1995 – the remaining principal is due in annual installments of \$15,000 to \$72,000 through 2035, with the balance of \$12,305 being paid in 2036, with an interest rate of 5.125. Debt retirement payments are made from the Maintenance Enterprise Fund.	1,138,219
\$380,000 -1970 Water Sewer Bonds Junior Lien Revenue Bonds – the remaining principal is due in annual installments of \$21,000 to \$25,000 through 2009, with the balance of \$11,000 being paid in 2010, with an interest rate of 5.375%. Debt retirement payments are made from the Maintenance Enterprise Fund.	105,000

City of Grambling
Notes to the Basic Financial Statements

\$1,170,000 - 1993 Utilities Revenue Bond, Series 1993 – the remaining principal is due in annual installments of \$55,000 to \$75,000 through March, 2015, with an interest rate of 2.95%. Debt retirement payments are made from the Maintenance Enterprise Fund.

663,785

Total revenue bonds

\$2,829,004

As shown on Statement C, \$85,877 is available in the Debt Service Fund to service the bonded debt. The annual requirements to amortize all outstanding bonded debt at December 31, 2005 are as follows:

Debt Service Fund:

Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 69,308	\$ 40,400	\$ 109,708
2007	70,876	38,832	109,708
2008	74,402	35,306	109,708
2009	78,103	31,605	109,708
2010	81,987	27,721	109,708
2011-2015	<u>475,324</u>	<u>73,220</u>	<u>548,544</u>
Total	<u>\$850,000</u>	<u>\$247,084</u>	<u>\$1,097,084</u>

As shown on Statement H, \$339,346 is available in the Maintenance Enterprise Fund to service the bonded debt. The annual requirements to amortize all outstanding bonded debt at December 31, 2005 are as follows:

Maintenance Enterprise Fund:

Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 120,862	\$ 58,667	\$ 179,529
2007	123,710	57,819	181,529
2008	126,603	56,926	183,529
2009	108,544	55,984	164,528
2010	95,536	54,993	150,529
2011-2015	348,837	250,197	599,034
2016-2020	235,881	217,860	453,741
2021-2025	182,993	175,903	358,896
2026-2030	237,433	121,464	358,897
2031-2035	338,067	64,577	402,644
2036	<u>60,538</u>	<u>2,769</u>	<u>63,307</u>
Total	<u>\$1,979,004</u>	<u>\$1,117,159</u>	<u>\$3,096,163</u>

City of Grambling
Notes to the Basic Financial Statements

The City records items under capital leases as an asset and an obligation in the accompanying fund financial statements. Capital lease payments are made from governmental funds (General Fund and Health & Sanitation Fund).

At December 31, 2005, the City had the following assets under capital lease:

<u>Asset</u>	<u>Cost</u>
Fire Truck	\$ 91,575
New Holland Tractor	15,929
Garbage Truck	206,790
Police Automobile	12,035
Ford Expedition	23,200
Crown Victoria	19,988
Crown Victoria	<u>19,988</u>
Total	<u>\$389,505</u>

The following is a schedule of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments, as of December 31, 2005:

General Fund:		<u>Amount</u>
Fiscal year:		
2006		\$ 79,678
2007		67,251
2008		53,629
2009		52,954
2010		<u>52,954</u>
Total lease payments		306,466
Less amounts representing interest		<u>(41,909)</u>
Present value of net minimum lease payments		<u>\$264,557</u>

NOTE 10 - LITIGATION AND CLAIMS At December 31, 2005, the City is involved in several lawsuits. In the opinion of the City's legal counsel, the outcome of any remaining lawsuits will not materially affect the financial statements.

NOTE 11 - PRIOR PERIOD ADJUSTMENT The beginning fund balance of the general fund was decreased \$50,540 in the government-wide financial statements (GWFS) to adjust for duplication of capital assets on listing. In the fund financial statements, a prior period adjustment was made in the General Fund and the Health and Sanitation Fund for \$623,308 and \$174,086, respectively, for interfund payables with the Maintenance Enterprise fund. The payables were determined to be uncollectible due to lack of income in the Maintenance Enterprise Fund. The Maintenance Fund was also adjusted by a prior period adjustment for the interfund payable amounts.

City of Grambling

SUPPLEMENTAL INFORMATION
REQUIRED BY THE
U. S. DEPARTMENT OF AGRICULTURE

CITY OF GRAMBLING

PROPRIETARY FUND TYPE - ENTERPRISE FUND
 Comparative Statement of Net Assets
 December 31, 2005 and 2004

Schedule 1

	2005 MAINTENANCE FUND	2004 MAINTENANCE FUND
ASSETS		
Current Assets:		
Cash	\$ 97,853	\$ 82,662
Receivables	40,767	26,350
Interfund receivables	0	72,702
Prepaid expenses	3,961	3,917
Capital assets	2,093,865	2,220,921
Restricted Assets:		
Cash	339,346	250,500
Investments	42,285	41,012
TOTAL ASSETS	2,617,877	2,698,084
LIABILITIES		
Accounts payable	55,435	8,377
Accrued and other liabilities	3,482	33,808
Interfund payable	81,479	727,133
Interest payable	57,294	62,082
Customer deposits payable	89,621	81,661
Current portion of bonds payable	123,304	117,094
Notes payable	49,000	93,000
Revenue bonds payable	1,809,142	1,885,271
TOTAL LIABILITIES	2,268,737	3,008,426
NET ASSETS		
Invested in capital assets, net of related debt	110,704	130,593
Restricted for Debt Retirement	381,631	291,512
Unrestricted	(143,195)	(732,467)
Total Net Assets	\$ 349,140	\$ (310,362)

CITY OF GRAMBLING
PROPRIETARY FUND -MAINTENANCE ENTERPRISE FUND
Proposed Budget - 2006
For the Year Ended December 31, 2005

Schedule 2

OPERATING REVENUES	
Water sales	\$ 170,000
Water connection charges	4,000
Sewer fees	<u>260,000</u>
Total operating revenues	<u>434,000</u>
OPERATING EXPENSES	
Water department	383,679
Sewer department	<u>332,966</u>
Total operating expenses	<u>696,645</u>
OPERATING INCOME (LOSS)	<u>(262,645)</u>
NONOPERATING REVENUES (EXPENSES)	
Miscellaneous	10,270
Interest income	1,000
Ad valorem tax revenues	38,000
Sales tax revenues	18,000
Interest expense	<u>(80,885)</u>
Total nonoperating revenues (expenses)	<u>(13,615)</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(276,260)</u>
TRANSFERS IN/OUT	
Transfers in	191,121
Transfers out	<u>0</u>
Total transfers in/out	<u>191,121</u>
CHANGE IN NET ASSETS	(85,139)
NET ASSETS - BEGINNING	<u>(448,254)</u>
NET ASSETS - ENDING	<u>\$ (533,393)</u>

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

City of Grambling
Schedule of Compensation Paid Council Members
For the Year Ended December 31, 2005

Schedule 3

The schedule of per diem paid council members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Compensation of council members is included in legislative expenditures of the General Fund.

<u>Board Member</u>	<u>Term Expiration</u>	<u>Compensation Paid</u>
Arthur Smith, President	12/31/06	\$ 2,100
Clarence Kennedy	12/31/06	2,100
Alvin Bradley, Sr.	12/31/06	4,725
Shawn Robinson, Sr.	12/31/06	4,725
Edward Jones	12/31/06	4,725
Toby Bryan	12/31/06	<u>4,755</u>
Total		<u>\$23,130</u>

**City of Grambling
Schedule of Insurance Coverage
As of December 31, 2005**

Schedule 4

<u>Type of Coverage</u>	<u>Name of Insurer</u>	<u>Policy Number</u>	<u>Amount of Coverage</u>	<u>Deductible</u>	<u>Expiration Date</u>
Commercial property	Underwriters at Lloyd of London	PUC101007-A	Building:\$1,320,900	\$2,500	07/30/06
			Personal Property-\$490,000	\$2,500	07/30/06
Automobile	Agency Management Corporation	5CA8938	Based on individual Vehicle	\$1,000	03/13/07
Fidelity Bond	Traveler's Casualty	103093269	\$15,000	NONE	07/20/06
		104436852	\$ 5,000	\$500	02/11/07
		103093272	\$10,000	NONE	07/20/06

Agents: Troy & Montgomery
2201 Forsythe Avenue
P. O. Drawer 2006
Monroe, LA 71207-2006
Phone (318) 388-3904

Agency Management Corporation
P. O. Box 15989
Baton Rouge, LA 70895

Community Financial
P. O. Drawer 2006
Monroe, LA 71207-2006

City of Grambling
Schedule of Breakdown of Utility Customers
For the Year Ended December 31, 2005

Schedule 5

Commercial	10
Residential	<u>1,017</u>
Total Customers	<u>1,027</u>

City of Grambling
Schedule of Water & Sewer Rates
As of and For the Year Ended December 31, 2005

Schedule 6

<u>Gallons</u>	<u>Dollar amount</u>
1,000	\$10.00
2,000	10.00
3,000	11.75
4,000	13.50
5,000	15.25
6,000	17.00
7,000	18.75
8,000	20.75
9,000	22.35
10,000	24.00

City of Grambling

**OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

The report following this page is a report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with Government Auditing Standards, issued by the Comptroller General of the United States of America. The section of the report on compliance is based solely on the audit of the basic financial statements and presents, where applicable, compliance matters that would be material to the basic financial statements. The section of the report on internal control over financial reporting is, likewise, based solely on the audit of the basic financial statements and includes, where appropriate, any reportable conditions and/or material weaknesses.



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1963 - 2000

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

Honorable Martha W. Andrus,
and Members of the City Council
City of Grambling
Grambling, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of the City of Grambling, (the City) as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 28, 2006. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on 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 City's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 05-F2, 05-F3, and 05-F4.

A material weakness is a reportable 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 caused by error or fraud in amounts that would be material in relation to the 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 reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

Management Letter Items

We noted matters involving internal control over financial reporting, which we have reported to the management of the City in a separate letter dated June 28, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 05-F1, 05-F5, and 05-F6.

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

Allen, Green + Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
June 28, 2006

City of Grambling
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2005

Reference # and title: 05-F1 Violation of the Budget Act

Criteria or specific requirement: Louisiana Revised Statute LSA-R.S. 39:1307 requires the City to publish a notice stating that the proposed budget is available for public inspection. The notice shall also state that a public hearing on the proposed budget shall be held with the date, time, and place of the hearing specified in the notice. The notice shall be published at least ten days prior to the date of the first public hearing.

Condition found: The City did not publish a notice regarding the proposed budget and public hearing as required by LSA-R.S. 39:1307.

Possible asserted effect (cause and effect):

Cause: The City Clerk at the time was not aware of the requirement.

Effect: The notice regarding the proposed budget and public hearing was not advertised as required.

Recommendations to prevent future occurrences: The City should be aware of all requirements regarding the budget process and adhere to those requirements in the future.

Reference # and title: 05-F2 Internal Control over Vendor Expenses

Criteria or specific requirement: Effective internal control should include vendor expenses having original documentation (invoices, etc.), purchase order when required by policy, proper approval, supported by evidence of goods or services, and should be paid timely.

Condition found: The following was noted from a test of 48 vendor disbursements:

- One exception was found where the purchase order was not present.
- Two exceptions were found where the invoice payment was not properly approved.
- Two exceptions were found where the charge was not supported by original documentation.
- Six exceptions were found where the date of the invoice was not current when compared with the date of the check.
- One exception was found where the charge was not supported by evidence of goods/services.

Possible asserted effect (cause and effect):

Cause: Unknown.

Effect: Internal control over vendor disbursements is not adequate.

Recommendations to prevent future occurrences: All vendor payments in the future should be properly documented, properly approved, paid in a timely manner, and be supported by evidence of actual receipt of goods or services.

City of Grambling
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2005

Reference # and title: 05-F3 Payroll Expenses

Criteria or specific requirement: All employees should have an I-9 in their personnel file. All personnel files should have documentation showing the employees rate of pay. All time records should be signed by the employee.

Condition found: The following was noted from a test of 24 payroll disbursements:

- Twenty-two personnel files did not have documentation of the employee's rate of pay.
- Ten time sheets were not signed by the employee.

Possible asserted effect (cause and effect):

Cause: Unknown.

Effect: Personal files did not contain proper documentation.

Recommendations to prevent future occurrences: In the future, personnel files should contain proper documentation for current rate of pay, and also, all time sheets signed by the employee.

Reference # and title: 05-F4 Gasoline Credit Card Expenses

Criteria or specific requirement: All gasoline credit card expenses should be supported by adequate documentation such as actual receipts for gas.

Condition found: After testing 10 gasoline credit card charges, 9 were found to have inadequate documentation.

Possible asserted effect (cause and effect):

Cause: Unknown.

Effect: Gasoline credit card charges do not have adequate supporting documentation.

Recommendations to prevent future occurrences: All gasoline credit card charges should have actual receipts for all charges. The computerized statements should not be paid until actual receipts are reconciled with the statement to ensure there are no charges which are either personal in nature or the charges are not actually those of the City's.

Reference # and title: 05-F5 Late Submission of the Audit Report to the USDA

Federal Program: Water and Waste Disposal Systems for Rural Communities, CFDA#10.760.

Criteria or specific requirement: The United States Department of Agriculture requires the audit for the City be filed 150 days after fiscal year end of December 31 each year.

Condition found: The City did not file the audit by the end of the 150 days as required. The audit for the year ended December 31, 2005 was filed in June, 2006.

**City of Grambling
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2005**

Possible asserted effect (cause and effect):

Cause: The City was unaware of the 150 day requirement for submission of the audit report.

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

Recommendation to prevent future occurrences: In the future, the City should consult with auditors to ensure that the audit report is filed in a timely manner with the USDA to assure compliance with requirements.

Reference # and title: **05-F6** **Water Rate Increase Adopted**

Criteria or specific requirement: When the Council of the City of Grambling adopts a resolution regarding the increase of water rates, the resolution should be enacted or the resolution rescinded by the Council.

Condition found: The City has not enacted the \$3.00 per customer water rate increase adopted by the Council in November, 2004. The effective date should have been January, 2005. The council did not rescind the resolution.

Possible asserted effect (cause and effect):

Cause: The Council reconsidered the water rate increase and decided not to apply the \$3.00 increase.

Effect: The City enacted a resolution, but failed to enact or rescind the resolution.

Recommendation to prevent future occurrences: In the future, the City should enact resolutions passed or rescind the resolution.

Other Information

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

City of Grambling
Summary Schedule of Prior Year Audit Findings
For the Year Ended December 31, 2005

Reference # and title: **04-F1** **Asset Management Law**

Condition: The City did not maintain a comprehensive inventory of fixed assets during the year. The list was completed after year end.

Corrective action taken: The City has maintained a complete listing on excel of all fixed assets and updated as was necessary.

Reference # and title: **04-F2** **Inadequate Documentation for Vendor Expenses**

Condition found: Expenses should be documented with original invoices or other documentation to provide support for the expenses. Effective internal control should provide for documentation of approval of the invoice for payment. The following was noted from a test of 38 vendor disbursements:

- The canceled check was not provided for one check.
- One check did not contain the appropriate number of signatures. Two signatures are required for all checks except individual payroll checks.
- One invoice was not supported by a purchase order.
- Three invoices were not properly approved by appropriate personnel for payment.
- Four checks were not supported by proper documentation.
- Two checks were not paid timely.

Corrective action planned: See current-year finding 05-F2.

Reference # and title: **04-F3** **Payroll Expenses**

Condition found: All employees should have an I-9 in their personnel file. All personnel files should have documentation showing the employees rate of pay. All time records should be signed by both the employee and the employee's supervisor. The following was noted from a test of 26 payroll disbursements:

- Twenty-four personnel files did not have I-9's in them.
- Two time sheets were not signed by the employee's supervisor.
- Ten personnel files did not have documentation of the employee's rate of pay.
- Nineteen time sheets were not signed by the employee

Corrective action planned: See current-year finding 05-F3.

Reference # and title: **04-F4** **Issuance of 1099's**

Condition found: Instructions for filing 1099's state that anyone, except a corporation who receives more than \$600 for services or other income payments must have a 1099 filed by the payer. The City is not issuing 1099's to all individuals as defined by IRS laws and regulations.

Corrective action taken: The City has made all efforts to obtain social security numbers and federal ID numbers of all vendors due a 1099 and issue same.

City of Grambling
Corrective Action Plan for Current-Year Findings and Questioned Costs
For the Year Ended December 31, 2005

Reference # and title: **05-F1** **Violation of the Budget Act**

Condition: The City did not publish a notice regarding the proposed budget and public hearing as required by LSA-R.S. 39:1307.

Corrective action planned: The City will ensure in the future that the public hearing on the proposed budget will be published as required by the Budget Act.

Person responsible for the above corrective actions:

Mayor Martha W. Andrus
City of Grambling
P. O. Box 108
Grambling, LA 71245

Telephone: (318) 247-6120
Fax: (318) 247-0940

Anticipated completion date: Immediately.

Reference # and title: **05-F2** **Internal Control over Vendor Expenses**

Condition found: The following was noted from a test of 48 vendor disbursements:

- One exception was found where the purchase order was not present.
- Two exceptions were found where the invoice payment was not properly approved.
- Two exceptions were found where the charge was not supported by original documentation.
- Six exceptions were found where the date of the invoice was not current when compared with the date of the check.
- One exception was found where the charge was not supported by evidence of goods/services.

Corrective action planned: The City has hired additional staff to ensure there is adequate control over vendor disbursements. All payments will be properly documented, approved, and have supporting documentation.

Person responsible for the above corrective actions:

Mayor Martha W. Andrus
City of Grambling
P. O. Box 108
Grambling, LA 71245

Telephone: (318) 247-6120
Fax: (318) 247-0940

Anticipated completion date: Immediately.

Reference # and title: **05-F3** **Payroll Expenses**

Condition found: The following was noted from a test of 24 payroll disbursements:

- Twenty-two personnel files did not have documentation of the employee's rate of pay.
- Ten time sheets were not signed by the employee.

City of Grambling
Corrective Action Plan for Current-Year Findings and Questioned Costs
For the Year Ended December 31, 2005

Corrective action planned: The payroll clerk will examine all time sheets to ensure they are signed by the employee before checks are produced. The payroll clerk will also ensure all employee files have documentation of the current rate of pay.

Person responsible for the above corrective actions:

Mayor Martha W. Andrus	Telephone: (318) 247-6120
City of Grambling	Fax: (318) 247-0940
P. O. Box 108	
Grambling, LA 71245	

Anticipated completion date: Immediately.

Reference # and title: **05-F4** **Gasoline Credit Card Expenses**

Condition found: After testing 10 gasoline credit card charges, 9 were found to have inadequate documentation.

Corrective action planned: The Mayor will ensure all documentation for credit cards is attached before payment is made in the future.

Person responsible for the above corrective actions:

Mayor Martha W. Andrus	Telephone: (318) 247-6120
City of Grambling	Fax: (318) 247-0940
P. O. Box 108	
Grambling, LA 71245	

Anticipated completion date: Immediately.

Reference # and title: **05-F5** **Late Submission of the Audit Report to the USDA**

Condition found: The City did not file the audit by the end of the 150 days as required. The audit for the year ended December 31, 2005 was filed in June, 2006.

Corrective action planned: The City will consult with auditors to ensure timely filing of report with USDA in the future.

Person responsible for the above corrective actions:

Mayor Martha W. Andrus	Telephone: (318) 247-6120
City of Grambling	Fax: (318) 247-0940
P. O. Box 108	
Grambling, LA 71245	

Anticipated completion date: Immediately.

City of Grambling
Corrective Action Plan for Current-Year Findings and Questioned Costs
For the Year Ended December 31, 2005

Reference # and title: 05-F6

Condition found: The City has not enacted the \$3.00 per customer water rate increase adopted by the Council in November, 2004. The effective date should have been January, 2005. The council did not rescind the resolution.

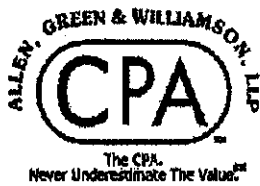
Corrective action planned: The City Council will rescind the motion to increase water rates at the July 7, 2006 council meeting.

Person responsible for the above corrective actions:

Mayor Martha W. Andrus
City of Grambling
P. O. Box 108
Grambling, LA 71245

Telephone: (318) 247-6120
Fax: (318) 247-0940

Anticipated completion date: Immediately.



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Management Letter

Honorable Martha W. Andrus,
and Members of the City Council
City of Grambling
Grambling, Louisiana

In planning and performing our audit of the governmental activities, the business-type activities and each major fund of the City of Grambling, as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements, we considered the City's internal control to plan our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control.

However, during our audit, we noted certain matters involving internal control and other operational matters that is presented for your consideration. This letter does not affect our report dated June 28, 2006 on the financial statements of the City. We will review the status of these comments during our next audit engagement. Our comments and recommendations, which have been discussed with appropriate members of management, are intended to improve internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

05-M1 Adherence to the Louisiana Bid Law

Comment: In testing bids files of the City, the following was noted:

-Quotes were taken on equipment exceeding \$20,000, not bids as required.

Recommendation: The City should follow all regulations of the bid law to ensure compliance.

Management's response: The City will ensure that the bid law requirements are followed in the future.

05-M2 **Tag Numbers for Capital Assets**

Comment: While testing capital assets, it was noted that the City does not have a centralized system for ensuring all new capital asset additions are tagged.

Recommendation: The City should institute a centralized system is in place to ensure all capital assets can be tracked in the future.

Management's response: The City will institute a centralized system to ensure capital assets are properly tagged and tracked.

05-M3 **Accepting Cash Payments**

Comment: The City accepts cash for payments of property tax and utility service payments.

Recommendation: The City should consider accepting check or money orders for payments of property taxes and other payments to reduce risk which arise when cash is kept on hand.

Management's response: The City will refrain from accepting cash payments, except for small dollar items.

Also included are management's responses to our current-year management letter items. We have performed no audit work to verify the content of the responses.

Our audit procedures are designed primarily to enable us to form an opinion on the financial statements and, therefore, may not reveal all weaknesses in policies and procedures that may exist.

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

Allen, Green & Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
June 28, 2006

City of Grambling
Status of Prior Management Letter Items
For the Year Ended December 31, 2005

04-M1 **Interest Yield on Bank Funds**

Comment: The City has funds invested in non interest yielding bank accounts.

Recommendation: The City should investigate other possible investments in which to place funds in which the rate of return on investment is greater than now being received for bank accounts.

Management's response: The City has investigated other investment opportunities to increase interest returns.

04-M2 **Documentation for vendor invoices**

Comment: We reviewed the vendor checks and invoices for the month of September 2004. We noted that some of the checks did not have adequate supporting documentation. Some of the checks had copies or faxes of the original invoice. We also noted that one check did not have any supporting documentation.

Recommendation: The City should establish procedures to ensure that all disbursements contain the proper documentation before payment is made

Management's response: The City has restructured the front office to establish procedures to ensure that all disbursements contain the proper supporting documentation before payments are made. This will include the use of original invoices only.

04-M3 **Donations of Public Funds**

Comment: In reading the board minutes, we noted the City made several small donations of public funds to private organizations.

Recommendation: The City should consult with the city attorney when considering the donations of public funds to ensure compliance with Article 7, Section 14 of the Louisiana constitution.

Management's response: The City has absolutely refrained from donations of public funds unless completely in compliance with Article 7, Section 14 of the Louisiana Constitution.

04-M4 **Local Government Budget Act**

Comment: The City published the notice stating that the proposed budget was available for public inspection; however, the notice was published six days prior to the date of the first public hearing, not the ten days required by law.

Recommendation: The City should ensure the newspaper advertisement for the public hearing regarding the budget is published ten or more days before the date of the public hearing.

Management's response: See current-year finding 05-F1.