

**City of Grambling  
Grambling, Louisiana**

**Basic Financial Statements  
And Independent Auditors' Report  
As of and for the Year Ended December 31, 2011**

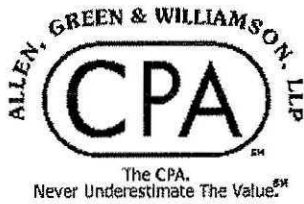


**City of Grambling  
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## INDEPENDENT AUDITORS' REPORT

Honorable Edward Jones,  
and Members of the City Council  
City of Grambling  
Grambling, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Grambling as of and for the year ended December 31, 2011, 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 such opinion. An audit also 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 previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison schedules 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 30, 2012, 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 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The accompanying information identified in the table of contents as supplemental information schedules required by the U. S. Department of Agriculture, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information, identified in the table of contents, schedules required by the U.S. Department of Agriculture, is fairly stated in all material respects in relation to the financial statements as a whole.

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 other information, as listed in the table of contents, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Allen, Green + Williamson, LLP*

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana  
June 30, 2012

**REQUIRED SUPPLEMENTAL INFORMATION:**

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

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**City of Grambling**  
**Management's Discussion and Analysis (MD&A)**  
**For Year Ended December 31, 2011**

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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, 2011.

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 a decrease in net assets of \$144,889 whereas business-type activities reported a decrease of \$302,241. The decrease in the governmental funds was due to a combination of increases and decreases in revenues and expenses.

Total revenues decreased \$229,598 or 9%. Ad valorem taxes increased \$91,078 or 21% while sales taxes increased \$72,227 or 11%. Grants and other intergovernmental revenues decreased over \$450,000 due to the completion of the sewer capital project fund that is accounted for as a governmental activity until its completion and transfer to the Maintenance Fund. The City received \$42,826 in insurance proceeds for a claim stemming from wind damage to a building. Total governmental activities expenses increased \$140,773 or 5%. Additionally, during the year, an advance of \$400,000 to the Maintenance Fund was posted through transfers in. The City made a decision to recover funds previously loaned to the Maintenance Fund over a period of five to ten years.

The decrease in business-type activities was primarily due to the \$400,000 transfer mentioned above. Additionally, expenses such as accounting and auditing which were previously borne by the General Fund were allocated to all funds. For the year ended December 31, 2011, \$39,870 of accounting and auditing fees were allocated to the Maintenance Fund. Other increases in expenses included \$37,525 in salaries, \$21,044 in fuel, and \$85,768 in repairs.

Total spending for governmental activities was \$2,751,435. 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 two areas: general government of \$1,046,038 and public safety of \$1,150,343.

The General Fund's fund balance decreased by \$20,549 during 2011 as compared to a decrease in 2010 of \$810,450.

General Fund revenues increased in 2011 by \$259,804 or 14.8%. This increase is primarily due to cell tower lease buyout agreement for \$200,275.

General Fund 2011 expenditures increased \$323,609 or 15.3% over 2010. This overall increase is mainly due to increases in salaries, wages and benefits of \$196,982, bad debt expense of \$53,358, minor equipment of \$32,405, vehicle maintenance and repairs of \$25,250, contracted services of \$23,286, accounting expense of \$25,488, and repairs and maintenance of \$27,973. Salaries, wages and benefits increased due to raises and changes in personnel. Bad debt expense increased due to adjusting the estimate based on historical collections. Minor equipment increased due to upgrades in police equipment and office furniture. The City opened new City Hall offices at the Community Center. Vehicle maintenance increased due to our efforts to bring maintenance up to

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**City of Grambling**  
**Management's Discussion and Analysis (MD&A)**  
**For Year Ended December 31, 2011**

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date on the City's vehicles and due to unforeseen repair needs. Accounting expense increased because the City replaced the in house accountant with a salary of \$65,000 with an outside CPA. Accounting fees are allocated among the funds. Repairs and maintenance increased due to the City's efforts to bring maintenance on property and equipment up to date.

The Health and Sanitation Fund's fund balance increased \$142,407 as compared to an increase of \$50,671 in 2010. Health and Sanitation Fund's revenues were \$401,453 or 10% higher than 2010 revenues.

Health and Sanitation Fund's 2011 expenditures increased by \$45,190 or 21.1% over 2010 expenditures. The increase in total expenditures was primarily due to an increase in salaries of \$55,726. Salaries of certain personnel were allocated to multiple funds based on their duties.

The Debt Service Fund had an increase in fund balance of \$3,633 in 2011 as compared to a net decrease in 2010 of \$20,250. Funds to service the debt are transferred from the General Fund.

The Capital Project Fund had a decrease in fund balance of \$380,966. This fund accounted for the DEQ grant. The decrease is due to the redemption of a certificate of deposit that was determined not to be restricted to the Capital Projects Fund. Funds were transferred to the General Fund.

#### **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.

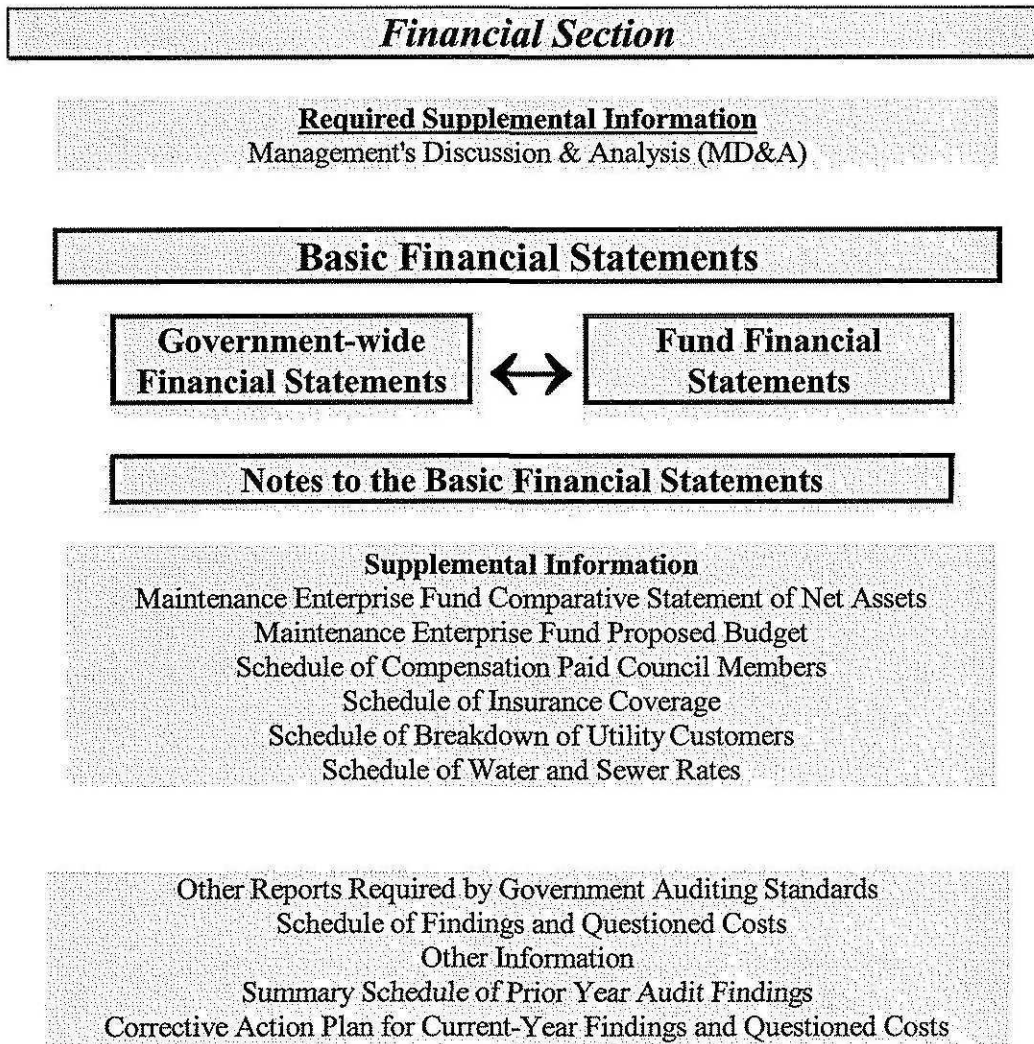


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**City of Grambling**  
**Management's Discussion and Analysis (MD&A)**  
**For Year Ended December 31, 2011**

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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.

### **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

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**City of Grambling**  
**Management's Discussion and Analysis (MD&A)**  
**For Year Ended December 31, 2011**

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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 City.

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 and sewer 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 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).

**City of Grambling**  
**Management's Discussion and Analysis (MD&A)**  
**For Year Ended December 31, 2011**

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, 2011**

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 903,884	\$1,065,352	\$ 244,675	\$ 422,551	\$1,148,559	\$1,487,903
Capital assets, net	2,691,282	2,690,590	1,596,128	1,799,449	4,287,410	4,490,039
Total assets	3,595,166	3,755,942	1,840,803	2,222,000	5,435,969	5,977,942
Current and other liabilities	335,912	244,357	223,330	212,662	559,242	457,019
Long-term liabilities	465,640	573,084	1,309,598	1,399,222	1,775,238	1,972,306
Total Liabilities	801,552	817,441	1,532,928	1,611,884	2,334,480	2,429,325
Net assets						
Invested in capital assets, net of related debt	2,265,811	2,147,888	293,093	405,833	2,558,904	2,553,721
Restricted	933,087	1,168,013	-	90,494	933,087	1,258,507
Unrestricted	(405,284)	(377,400)	14,782	113,789	(390,502)	(263,611)
Total net assets	\$ 2,793,614	\$2,938,501	\$ 307,875	\$ 610,116	\$3,101,489	\$3,548,617



**City of Grambling**  
**Management's Discussion and Analysis (MD&A)**  
**For Year Ended December 31, 2011**

**Table 2**  
**Changes in Net Assets**  
**For the Year Ended December 31, 2011**

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>Revenue:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 360,651	\$ 157,354	\$ 700,637	\$ 652,398	\$ 1,061,288	\$ 809,752
Operating grants and contributions	-	-	100,000	-	100,000	-
Capital grants and contributions	52,109	655,559	-	-	52,109	655,559
<b>General revenues:</b>						
Ad valorem tax	532,814	441,736	77,401	65,112	610,215	506,848
Sales tax revenue	738,151	665,924	-	-	738,151	665,924
License and permits	151,344	185,115	-	-	151,344	185,115
Fines and forfeitures	27,903	227,673	-	-	27,903	227,673
Use of money & property	202,770	523	1,166	624	203,936	1,147
Intergovernmental revenue	52,339	103,464	-	-	52,339	103,464
Miscellaneous	346,030	256,361	2,635	24,127	348,665	280,488
Total revenues	2,464,111	2,693,709	881,839	742,261	3,345,950	3,435,970
<b>Functions/Program expenses:</b>						
<b>Governmental activities:</b>						
General Government	1,046,038	846,530	-	-	1,046,038	846,530
Public Safety	1,334,021	1,484,707	-	-	1,334,021	1,484,707
Health & Sanitation	223,354	140,088	-	-	223,354	140,088
Highway & Streets	103,131	113,098	-	-	103,131	113,098
Parks & Recreation	23,486	-	-	-	23,486	-
Interest Expense	21,405	26,239	-	-	21,405	26,239
<b>Business-type activities:</b>						
Utility enterprise	-	-	1,203,655	1,050,355	1,203,655	1,050,355
Total Functions/Program expenses	2,751,435	2,610,662	1,203,655	1,050,355	3,955,090	3,661,017
Increase (decrease) in net assets before transfers	(287,324)	83,047	(321,816)	(308,094)	(609,140)	(225,047)
Transfers	24,821	(796,356)	(24,821)	796,356	-	-
Increase (decrease) in net assets	(262,503)	(713,309)	(346,637)	488,262	(609,140)	(225,047)
Net assets – beginning	2,938,503	3,517,637	610,116	207,064	3,548,619	3,724,701
Prior period adjustment	117,614	134,173	44,396	(85,210)	162,010	48,963
Net assets- ending	\$ 2,793,614	\$ 2,938,501	\$ 307,875	\$ 610,116	\$ 3,101,489	\$ 3,548,617

**City of Grambling**  
**Management's Discussion and Analysis (MD&A)**  
**For Year Ended December 31, 2011**

***Governmental Activities***

The cost of all governmental activities this year was \$2,751,435. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$1,270,965 because some of the cost was paid by those who directly benefited from the programs \$360,651 or by other governments and organizations that subsidized certain programs with grants and contributions \$52,109.

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, 2011**

	Total Cost of Services				Net Cost of Services			
	Governmental Activities		Business-type Activities		Governmental Activities		Business-type Activities	
	2011	2010	2011	2010	2011	2010	2011	2010
General Government	\$1,046,038	\$ 846,530	\$ -	\$ -	\$ (1,046,038)	\$ (846,530)	\$ -	\$ -
Public Safety	1,334,021	1,484,707	-	-	(1,150,343)	(1,484,707)	-	-
Health & Sanitation	223,354	140,088	-	-	5,728	672,825	-	-
Parks and Recreation	23,486	-	-	-	(23,486)	-	-	-
Highway & Streets	103,131	113,098	-	-	(103,131)	(113,098)	-	-
Interest Expense	21,405	26,239	-	-	(21,405)	(26,239)	-	-
Business-type activities:								
Utility enterprise	-	-	1,203,655	1,050,355	-	-	(403,018)	(397,957)
Total Functions/Program Expenses	<u>\$2,751,435</u>	<u>\$2,610,662</u>	<u>\$1,203,655</u>	<u>\$1,050,355</u>	<u>\$ (2,338,675)</u>	<u>\$ (1,797,749)</u>	<u>\$ (403,018)</u>	<u>\$ (397,957)</u>

***Business-type Activities***

Revenues and expenses of the City's business-type activities (see Table 2) remained relatively stable for 2011 compared with 2010.

**THE CITY'S FUNDS**

As the City completed the year, its governmental funds reported a combined fund balance of \$577,979 which is a decrease of \$255,475 in fund balance from last year.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Original total budgeted expenditures in the General Fund were \$1,663,617. Amendments increased total budgeted expenditures by \$477,183. These amendments were the result of an analysis of variances from estimates at the time the original budget was prepared. Significant individual accounts amended were salaries of \$79,732; police supplement pay of \$100,000 which was inadvertently omitted from the original budget; capital outlay of \$50,000 to budget for purchase which was not included in the original budget.

**City of Grambling**  
**Management's Discussion and Analysis (MD&A)**  
**For Year Ended December 31, 2011**

Because of various unforeseen transactions, changes in allocations among funds, and audit adjustments for various errors and differences of opinion, actual General Fund revenues were \$182,389 more than budgeted revenues while actual General Fund expenditures exceeded budgeted expenditures by \$418,332.

The City has improved upon former budgeting and operating policies and procedures and continues to work on policies and procedures to improve the use of budgets as a tool. Expenditure control was particularly challenging during 2011 as the City worked on catching up overdue bills and on maintenance and repair of equipment that management believed was necessary to maintain an appropriate level of service to the citizens.

**CAPITAL ASSETS**

*Capital Assets* At December 31, 2011, the City had invested in the following capital assets:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2011	2010	2011	2010	2011	2010
Land	\$ 42,902	\$ 42,902	\$ 16,526	\$ 16,526	\$ 59,428	\$ 59,428
Buildings	2,680,759	2,635,359	30,000	30,000	2,710,759	2,665,359
Vehicles	-	-	32,530	32,530	32,530	32,530
Equipment	1,478,122	1,463,587	-	-	1,478,122	1,463,587
Construction in Progress	573,193	510,999	-	-	573,193	510,999
Water/Sewer Equipment	-	-	1,094,125	1,094,125	1,094,125	1,094,125
Sewage Plant	-	-	3,102,736	3,052,736	3,102,736	3,052,736
Water System	-	-	1,749,680	1,749,680	1,749,680	1,749,680
Subtotal	4,774,976	4,652,847	6,025,597	5,975,597	10,800,573	10,628,444
Less Accumulated Depreciation	2,083,694	1,962,257	4,429,469	4,176,148	6,513,163	6,138,405
Total	<u>\$ 2,691,282</u>	<u>\$ 2,690,590</u>	<u>\$ 1,596,128</u>	<u>\$ 1,799,449</u>	<u>\$ 4,287,410</u>	<u>\$ 4,490,039</u>

Construction in progress during the year was for the sewer pond renovation. See Note 8 of the Notes to the Basic Financial Statements for further details of capital assets.

**DEBT ADMINISTRATION** At December 31, 2011, the City's Maintenance Enterprise fund had \$1,303,035 in bonds payable outstanding and the Governmental funds had debt consisting of capital leases in the amount of \$30,079 and \$395,392 in certificate of indebtedness. For further details see Note 10 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 ad valorem tax and sales tax collections. Ad valorem taxes and sales taxes make up more than 50% of 2011 revenues. The 2012 budget includes very little change in ad valorem tax and sales tax revenues. Major plans for 2012 include developing an area of the City to include a hotel and restaurants. Management will strive to improve the City's financial condition by restricting expenditures to needs and by searching for ways to raise revenue, such as with the hotel and restaurant development. Management expects future needs to be more and more manageable as routine obligations and repair and maintenance needs are brought up to date.

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**City of Grambling**  
**Management's Discussion and Analysis (MD&A)**  
**For Year Ended December 31, 2011**

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**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 Ed Jones, Mayor, at the City of Grambling, P. O. Box 108, Grambling, Louisiana 71245, telephone number (318) 247-6120.

**BASIC FINANCIAL STATEMENTS:**

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

City of Grambling

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**CITY OF GRAMBLING**  
**STATEMENT OF NET ASSETS**  
**December 31, 2011**

Statement A

	<b>GOVERNMENTAL</b>	<b>BUSINESS-TYPE</b>	<b>TOTAL</b>
	<b>ACTIVITIES</b>	<b>ACTIVITIES</b>	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 273,756	\$ 9,782	\$ 283,538
Investments	209,285	0	209,285
Receivables, net of allowance	408,872	147,282	556,154
Internal balances	661	(661)	0
Restricted assets	0	86,788	86,788
Prepaid expenses	11,310	1,484	12,794
Capital assets, net	2,691,282	1,596,128	4,287,410
<b>TOTAL ASSETS</b>	<b>3,595,166</b>	<b>1,840,803</b>	<b>5,435,969</b>
<b>LIABILITIES</b>			
Accounts payable	222,317	81,401	303,718
Accrued and other liabilities	76,029	5,512	81,541
Deferred revenue	27,559	0	27,559
Interest payable from restricted assets	10,007	46,017	56,024
Customer deposits payable from restricted assets	0	90,400	90,400
Long term liabilities			
Due within one year	141,647	94,740	236,387
Due in more than one year	323,993	1,214,858	1,538,851
<b>TOTAL LIABILITIES</b>	<b>801,552</b>	<b>1,532,928</b>	<b>2,334,480</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	2,265,811	293,093	2,558,904
Restricted for Debt Retirement	51,161	0	51,161
Restricted for Health & Sanitation	881,926	0	881,926
Unrestricted	(405,284)	14,782	(390,502)
<b>TOTAL NET ASSETS</b>	<b>\$ 2,793,614</b>	<b>\$ 307,875</b>	<b>\$ 3,101,489</b>

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, 2011

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
<b>Governmental Activities:</b>				
General government	\$ 1,046,038	\$ 0	\$ 0	0
Public safety	1,334,021	183,678	0	0
Health and sanitation	223,354	176,973	0	52,109
Parks and recreation	23,486	0	0	0
Highways and streets	103,131	0	0	0
Interest expense	21,405	0	0	0
Total Governmental Activities	<u>2,751,435</u>	<u>360,651</u>	<u>0</u>	<u>52,109</u>
<b>Business-Type Activities:</b>				
Utility Enterprise	1,203,655	700,637	100,000	0
Total Business-Type Activities	<u>1,203,655</u>	<u>700,637</u>	<u>100,000</u>	<u>0</u>
Total	<u>\$ 3,955,090</u>	<u>\$ 1,061,288</u>	<u>\$ 100,000</u>	<u>\$ 52,109</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>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>TOTAL</u>
\$ (1,046,038)	\$ 0	\$ (1,046,038)
(1,150,343)		(1,150,343)
5,728		5,728
(23,486)		(23,486)
(103,131)		(103,131)
(21,405)		(21,405)
<u>(2,338,675)</u>	<u>0</u>	<u>(2,338,675)</u>
	(403,018)	(403,018)
	(403,018)	(403,018)
<u>\$ (2,338,675)</u>	<u>\$ (403,018)</u>	<u>\$ (2,741,693)</u>
532,814	77,401	610,215
738,151	0	738,151
151,344	0	151,344
27,903	0	27,903
202,770	1,166	203,936
52,339	0	52,339
346,030	2,635	348,665
24,821	(24,821)	0
<u>2,076,172</u>	<u>56,381</u>	<u>2,132,553</u>
<u>(262,503)</u>	<u>(346,637)</u>	<u>(609,140)</u>
2,938,503	610,116	3,548,619
<u>117,614</u>	<u>44,396</u>	<u>162,010</u>
<u>3,056,117</u>	<u>654,512</u>	<u>3,710,629</u>
<u>\$ 2,793,614</u>	<u>\$ 307,875</u>	<u>\$ 3,101,489</u>

**BASIC FINANCIAL STATEMENTS:**  
**FUND FINANCIAL STATEMENTS (FFS)**

**CITY OF GRAMBLING**  
**GOVERNMENTAL FUNDS**  
**Balance Sheet**  
**December 31, 2011**

Statement C

	<u>GENERAL</u>	<u>HEALTH &amp; SANITATION</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECT</u>	<u>TOTAL</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 259,862	\$ 5,042	\$ 8,852	\$ 0	\$ 273,756
Investments	24,591	184,694	0	0	209,285
Receivables	313,241	43,522	0	52,109	408,872
Interfund receivables	34,666	694,311	42,309	27,422	798,708
Prepaid expenses	11,310	0	0	0	11,310
<b>TOTAL ASSETS</b>	<u>643,670</u>	<u>927,569</u>	<u>51,161</u>	<u>79,531</u>	<u>1,701,931</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	161,488	8,720	0	52,109	222,317
Accrued and other liabilities	73,111	2,918	0	0	76,029
Deferred revenue	27,559	0	0	0	27,559
Interfund payables	736,620	34,005	0	27,422	798,047
<b>TOTAL LIABILITIES</b>	<u>998,778</u>	<u>45,643</u>	<u>0</u>	<u>79,531</u>	<u>1,123,952</u>
<b>FUND BALANCES:</b>					
Unspendable	11,310	0	0	0	11,310
Restricted	0	881,926	51,161	0	933,087
Unassigned	(366,418)	0	0	0	(366,418)
<b>TOTAL FUND BALANCES</b>	<u>(355,108)</u>	<u>881,926</u>	<u>51,161</u>	<u>0</u>	<u>577,979</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 643,670</u>	<u>\$ 927,569</u>	<u>\$ 51,161</u>	<u>\$ 79,531</u>	<u>\$ 1,701,931</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, 2011**

**Statement D**

Total fund balances - governmental funds	\$	577,979
--	----	---------

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 City 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	4,774,976	
Depreciation expense to date	<u>(2,083,694)</u>	
		2,691,282

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, 2011 are:

Bond payable	(395,392)	
Compensated absences	(40,169)	
Leases payable	(30,079)	
Interest payable	<u>(10,007)</u>	
		<u>(475,647)</u>

Net Assets	\$	<u>2,793,614</u>
------------	----	------------------

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, 2011**

**Statement E**

	<u>GENERAL</u>	<u>HEALTH &amp; SANITATION</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECT</u>	<u>TOTAL</u>
<b>REVENUES</b>					
Local sources:					
Taxes	\$ 1,051,971	\$ 218,994	\$ 0	\$ 0	\$ 1,270,965
Licenses and permits	151,344	0	0	0	151,344
Intergovernmental revenues	48,319	4,020	0	52,109	104,448
Fines and forfeitures	211,581	0	0	0	211,581
Use of money and property	202,481	245	34	10	202,770
Miscellaneous revenues	344,809	178,194	0	0	523,003
<b>Total revenues</b>	<u>2,010,505</u>	<u>401,453</u>	<u>34</u>	<u>52,119</u>	<u>2,464,111</u>
<b>EXPENDITURES</b>					
Current:					
General government	974,018	10,429	56	375	984,878
Public Safety	1,315,230	0	0	0	1,315,230
Health and sanitation	0	217,237	0	0	217,237
Parks and recreation	23,486	0	0	0	23,486
Highways and streets	46,973	0	0	0	46,973
Debt service:					
Principal retirement	0	28,827	88,404	0	117,231
Interest and bank charges	0	2,553	21,304	0	23,857
Capital outlay	81,395	0	0	51,734	133,129
<b>Total expenditures</b>	<u>2,441,102</u>	<u>259,046</u>	<u>109,764</u>	<u>52,109</u>	<u>2,862,021</u>
<b>EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES</b>	<u>(430,597)</u>	<u>142,407</u>	<u>(109,730)</u>	<u>10</u>	<u>(397,910)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	410,464	0	113,363	0	523,827
Transfers out	(118,030)	0	0	(380,976)	(499,006)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>292,434</u>	<u>0</u>	<u>113,363</u>	<u>(380,976)</u>	<u>24,821</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ (138,163)</u>	<u>\$ 142,407</u>	<u>\$ 3,633</u>	<u>\$ (380,966)</u>	<u>\$ (373,089)</u>

(CONTINUED)

CITY OF GRAMBLING

GOVERNMENTAL FUNDS  
 Combined Statement of Revenues, Expenditures,  
 and Changes in Fund Balances  
 For the Year Ended December 31, 2011

Statement E

	<u>GENERAL</u>	<u>HEALTH &amp; SANITATION</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECT</u>	<u>TOTAL</u>
FUND BALANCES - BEGINNING, AS ORIGINALLY STATED	\$ (334,559)	\$ 739,519	\$ 47,528	\$ 380,966	\$ 833,454
PRIOR PERIOD ADJUSTMENT	<u>117,614</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>117,614</u>
FUND BALANCES - BEGINNING, AS RESTATED	<u>(216,945)</u>	<u>739,519</u>	<u>47,528</u>	<u>380,966</u>	<u>951,068</u>
FUND BALANCES - ENDING	<u>\$ (355,108)</u>	<u>\$ 881,926</u>	<u>\$ 51,161</u>	<u>\$ 0</u>	<u>\$ 577,979</u>

(CONCLUDED)

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, 2011**

**Statement F**

Total net change in fund balances - governmental funds \$ (373,089)

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 difference between capital outlays and depreciation expense:

Capital outlays	133,129	
Depreciation	<u>(132,437)</u>	692

Repayment of bonds and capital leases is an expenditure in the governmental funds, but reduces long-term liabilities in the Statement of Net Assets. 117,231

Compensated absences are recognized in the Statement of Net Assets as an increase to liabilities, but not in the Fund Financial Statements. (9,787)

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. 2,450

Change in net assets of governmental activities. \$ (262,503)

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, 2011

Statement G-1

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
BUDGETARY FUND BALANCES, Beginning	\$ 0	\$ (216,945)	\$ (216,945)	0
Resources (inflows)				
Local sources:				
Taxes	947,324	1,008,305	1,051,971	43,666
Licenses and permits	202,977	138,850	151,344	12,494
Intergovernmental revenues	21,577	29,000	48,319	19,319
Fines and forfeitures	255,615	208,075	211,581	3,506
Miscellaneous revenues	140,297	454,350	547,290	92,940
Transfers from other funds	200,000	400,000	410,464	10,464
Amounts available for appropriations	<u>1,767,790</u>	<u>2,021,635</u>	<u>2,204,024</u>	<u>182,389</u>
Charges to appropriations (outflows)				
Current:				
General government	437,981	654,000	974,018	(320,018)
Public Safety	1,137,452	1,336,400	1,315,230	21,170
Parks and recreation	0	20,000	23,486	(3,486)
Highways and streets	11,568	14,400	46,973	(32,573)
Debt service:				
Principal retirement	0	0	0	0
Interest and bank charges	0	0	0	0
Capital outlay	41,750	116,000	81,395	34,605
Transfers	34,866	0	118,030	(118,030)
Total charges to appropriations	<u>1,663,617</u>	<u>2,140,800</u>	<u>2,559,132</u>	<u>(418,332)</u>
BUDGETARY FUND BALANCES, ENDING	<u>\$ 104,173</u>	<u>\$ (119,165)</u>	<u>\$ (355,108)</u>	<u>(235,943)</u>

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, 2011

Statement G-2

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
BUDGETARY FUND BALANCES, Beginning	\$ 739,519	\$ 739,519	\$ 739,519	0
Resources (inflows)				
Local sources:				
Taxes	215,885	203,000	218,994	15,994
Intergovernmental revenues	0	4,000	4,020	20
Use of money and property	0	0	245	245
Miscellaneous revenues	148,500	179,000	178,194	(806)
Transfers from other funds	0	0	0	0
Amounts available for appropriations	<u>1,103,904</u>	<u>1,125,519</u>	<u>1,140,972</u>	<u>15,453</u>
Charges to appropriations (outflows)				
Current:				
General government	8,320	7,000	10,429	(3,429)
Health and sanitation	164,925	153,850	217,237	(63,387)
Debt service:				
Principal retirement	0	34,000	28,827	5,173
Interest and bank charges	0	2,500	2,553	(53)
Capital outlay	39,692	4,000	0	4,000
Transfers	<u>150,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total charges to appropriations	<u>362,937</u>	<u>201,350</u>	<u>259,046</u>	<u>(57,696)</u>
BUDGETARY FUND BALANCES, ENDING	<u>\$ 740,967</u>	<u>\$ 924,169</u>	<u>\$ 881,926</u>	<u>(42,243)</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, 2011**

**Statement H**

<b>ASSETS</b>	
Cash and cash equivalents	\$ 9,782
Receivables, net of allowance of \$26,460	147,282
Interfund receivable	34,005
Prepaid expenses	1,484
Restricted assets	
Cash	82,259
Investments	<u>4,529</u>
 Total current assets	 279,341
 Capital assets, net	 <u>1,596,128</u>
 TOTAL ASSETS	 <u>1,875,469</u>
 <b>LIABILITIES</b>	
Accounts payable	81,401
Accrued and other liabilities	5,512
Interfund payable	34,666
Interest payable from restricted assets	46,017
Customer deposits payable from restricted assets	90,400
Current portion of long term debt	<u>94,740</u>
 Total current liabilities	 <u>352,736</u>
 Long term liabilities:	
Compensated absences	3,504
Revenue bonds payable	<u>1,211,354</u>
 Total long term liabilities	 <u>1,214,858</u>
 TOTAL LIABILITIES	 <u>1,567,594</u>
 <b>NET ASSETS</b>	
Invested in capital assets, net of related debt	293,093
Restricted - Expendable	0
Unrestricted	<u>14,782</u>
 TOTAL NET ASSETS	 <u>\$ 307,875</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, 2011

	Statement I
OPERATING REVENUES	
Water sales	\$ 213,769
Water connection charges	6,925
Sewer fees	<u>479,943</u>
Total operating revenues	<u>700,637</u>
OPERATING EXPENSES	
Salaries and benefits	366,888
Materials and supplies	23,901
Operating costs	404,888
Professional services	69,165
Depreciation	253,321
Other	<u>24,338</u>
Total operating expenses	<u>1,142,501</u>
OPERATING INCOME (LOSS)	<u>(441,864)</u>
NONOPERATING REVENUES (EXPENSES)	
Miscellaneous	2,635
Interest income	1,166
Ad valorem tax revenues	77,401
Intergovernmental revenue	100,000
Interest expense	<u>(61,154)</u>
Total nonoperating revenues (expenses)	<u>120,048</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(321,816)</u>
TRANSFERS IN/OUT	
Transfers in	380,370
Transfers out	<u>(405,191)</u>
Total transfers in/out	<u>(24,821)</u>
CHANGE IN NET ASSETS	<u>(346,637)</u>
NET ASSETS - BEGINNING, AS ORIGINALLY STATED	610,116
Prior period adjustment	<u>44,396</u>
NET ASSETS - BEGINNING, AS RESTATED	<u>654,512</u>
NET ASSETS - ENDING	<u>\$ 307,875</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 Cash Flows

For the Year Ended December 31, 2011

Statement J

CASH FLOW FROM OPERATING ACTIVITIES

Receipts from customers	\$ 650,257
Payments to employees	(301,951)
Payments to others	<u>(189,885)</u>
Net cash provided (used) for operating activities	<u>158,421</u>

CASH FLOW (USES) FROM NONCAPITAL FINANCING ACTIVITIES:

Ad valorem tax receipts	77,401
Transfers	(400,524)
Other miscellaneous receipts	<u>98,647</u>
Net cash provided (used) for noncapital financing activities	<u>(224,476)</u>

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

Principal payments on notes and bonds	(90,581)
Interest paid on bonds	<u>(62,143)</u>
Net cash provided (used) for capital and related financing activities	<u>(152,724)</u>

CASH FLOW FROM INVESTING ACTIVITIES

Sale of investments	123,966
Earnings on investments	<u>1,166</u>
Net cash provided (used) for investing activities	<u>125,132</u>

Net increase (decrease) in cash and cash equivalents (93,647)

CASH AND CASH EQUIVALENTS - BEGINNING 185,688

CASH AND CASH EQUIVALENTS - ENDING 92,041

RECONCILIATION TO FINANCIAL STATEMENTS

Cash and cash equivalents	9,782
Restricted cash	<u>82,259</u>
	<u>92,041</u>

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

Operating income (loss)	(441,864)
Adjustments to reconcile operating income to net cash provided (used) for operating activities:	
Depreciation	253,321
(Increase) decrease in accounts interfund receivables	(238,827)
(Increase) decrease in accounts receivable	(40,686)
Increase (decrease) in prepaids	558
Increase (decrease) in accounts payable	38,432
Increase (decrease) in wages payable	267
Increase (decrease) in compensated absences	3,504
Increase (decrease) in interfund payables	615,191
Increase (decrease) in deferred revenue	2,626
Increase (decrease) in customer deposits	<u>(34,101)</u>
Net cash provided (used) by operating activities	<u>\$ 158,421</u>

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

**City of Grambling**  
**Notes to the Basic Financial Statements**  
**December 31, 2011**

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**City of Grambling**  
**Notes to the Basic Financial Statements**  
**December 31, 2011**

**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, 2011.

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.

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The City's current operations require the use of governmental and proprietary fund types described as follows:

**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



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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 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 funds 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



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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 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 reports 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.

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LA-R.S. 33:2955.

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LAMP is a 2a7-like investment pool. The following facts are relevant for 2a7-like investment pools:

- Credit risk: LAMP is rated AAAM by Standard & Poor's.
- Custodial credit risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.
- Concentration of credit risk: Pooled investments are excluded from the 5 percent disclosure requirement.
- Interest rate risk: LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 60 days, and consists of no securities with a maturity in excess of 397 days. The WAM for LAMP's total investments is 54 as of December 31, 2011.
- Foreign currency risk: Not applicable to 2a7-like pools.

The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the net asset value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

LAMP issues financial reports. These financial reports 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.

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**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** Full time employees are allowed five days of annual leave in the first two years of employment. After the first two years, employees are eligible for ten annual leave days which can accumulate to 20 days. Employees earn ten days of sick leave each year which is not paid upon retirement or termination. 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.

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, cash and investments are restricted for debt service payments, maintenance on the sewer system, and customer deposits payable.

**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, 2011.

**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**

The City adopted GASB 54 *Fund Balance Reporting and Governmental Fund Type Definitions* for the year ended December 31, 2011. GASB 54 requires the fund balance amounts to be reported within the fund balance categories as follows:

**Non-spendable:** Fund balance that is not in spendable form or legally or contractually required to be maintained intact. This category includes items that are not easily converted to cash such as inventories and prepaid items.

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**Restricted:** Fund balance that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

**Committed:** Fund balance that can only be used for specific purposes determined by the City's highest level of decision making authority. Committed amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action it employed to previously commit the funds. Committed fund balance is the result of either a policy of the City or motions were passed at a City meeting committing the funds. The motions passed are usually the result of budget revisions.

**Assigned:** Fund balance that is constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by the Council.

**Unassigned:** Fund balance that is the residual classification for the general fund.

The City reduces committed amounts, followed by assigned amounts and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**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. The revenue from the Lincoln Parish Sales and Use Tax Commission is for general operating expenses of the City. The Police Jury Tax Revenue is dedicated to Health and Sanitation.

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**NOTE 2 - BUDGET TO GAAP RECONCILIATION**

<u>Sources/inflows of resources:</u>	<u>General</u>	<u>Health &amp; Sanitation</u>
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule-Statement G	\$ 2,204,024	\$ 1,140,972
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	216,945	(739,519)
Transfers in from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(410,464)</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances – governmental funds-Statement E	<u>2,010,505</u>	<u>401,453</u>
 <u>Charges to appropriations/outflows</u>		
Actual amounts (budgetary basis) "charges to appropriations" from the budgetary comparison schedule-Statement G	2,559,132	259,046
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(118,030)</u>	<u>-</u>
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds- Statement E	<u>\$ 2,441,102</u>	<u>\$ 259,046</u>

**NOTE 3 - DEPOSITS & INVESTMENTS** At December 31, 2011, the City had the following investments:

<u>Type of investment</u>	<u>Carrying Amount Fair Value</u>
Investments not subject to categorization:	
External investment pool (LAMP)	<u>\$213,814</u>
Total investments	<u>\$213,814</u>

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

Credit Risk: The City's policy does not address credit rate risk.

Custodial Credit-Deposits: At year end, The City's carrying amount of deposits was \$365,797 (Statement A-Cash and cash equivalents of \$283,538 and restricted assets of \$82,259. 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, 2011, the City's bank balance was \$412,913 which was covered by federal depository insurance.

**NOTE 4 - 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.



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

	<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Expiration Date</u>
Public streets	6.50	5.51	2019
Water system	5.00	4.24	2016
Police department	5.50	4.66	2019
Public improvement (35%) and fire department (65%)	32.00	27.12	2019
General Alimony Constitutional	7.00	6.00	Statutory

**Property Tax Calendar**

Lien Date	No set date
Levy Date	October 31, 2011
Due Date	December 31, 2011
Collection Dates	November 1 through June 30

**NOTE 5 - RECEIVABLES** The following is a summary of receivables at December 31, 2011:

<u>Class of Receivable</u>	<u>General Fund</u>	<u>Health &amp; Sanitation Fund</u>	<u>Capital Projects</u>	<u>Maintenance Fund</u>	<u>Total</u>
<b>Taxes:</b>					
Property taxes	\$ 287,339	\$ -	\$ -	\$ 28,217	\$ 315,556
Sales and use	43,394	27,659	-	-	71,053
<b>Intergovernmental revenue:</b>					
Grants	10,460	-	52,109	50,000	112,569
User fees	-	19,829	-	95,525	115,354
Franchise Fees	10,717	-	-	-	10,717
Bingo Fee	16,917	-	-	-	16,917
Gross Receivables	<u>368,827</u>	<u>47,488</u>	<u>52,109</u>	<u>173,742</u>	<u>642,166</u>
Less allowance for uncollectibles	55,586	3,966	-	26,460	86,012
	<u>\$ 313,241</u>	<u>\$ 43,522</u>	<u>\$ 52,109</u>	<u>\$ 147,282</u>	<u>\$ 556,154</u>

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**NOTE 6 - INTERFUND ASSETS/LIABILITIES (FFS LEVEL ONLY)**

Individual balances due from/to other funds at December 31, 2011 are as follows:

<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
Maintenance	34,005	Health & Sanitation	34,005
Debt Service	42,309	General Fund	42,309
General	34,666	Maintenance	34,666
Capital Projects	27,422	General Fund	27,422
Health & Sanitation	666,889	General Fund	666,889
Health & Sanitation	27,422	Capital Projects	27,422
Total	<u>\$ 832,713</u>	Total	<u>\$ 832,713</u>

The Health & Sanitation receivable from the General Fund is the result of a cash shortage in the General Fund. The other receivables are the result of bills being paid by one fund for another. The Health & Sanitation receivable is not expected to be repaid within a year.

Transfers during the year ended December 31, 2011 were as follows:

	<u>Transfer From Other Funds</u>	<u>Transfer to Other Funds</u>
General Fund	\$ 410,464	\$ 118,030
Health and Sanitation	-	-
Maintenance Fund	380,370	405,191
Capital Project Fund	-	380,976
Debt Service Fund	113,363	-
Total	<u>\$ 904,197</u>	<u>\$ 904,197</u>

The Capital Project Fund transfer to the Maintenance Fund was to close out the Capital Project fund balance which was a result of utility related activities. The other transfers occurred in the normal course of everyday operations.

**NOTE 7 - ACCRUED AND OTHER LIABILITIES** The payables at December 31, 2011 are as follows:

<u>Payable category</u>	<u>General Fund</u>	<u>Health &amp; Sanitation</u>	<u>Maintenance Enterprise</u>	<u>Total</u>
Wages	\$ 55,044	\$ 2,918	\$ 5,512	\$ 63,474
Other	18,067	-	-	18,067
Total	<u>\$ 73,111</u>	<u>\$ 2,918</u>	<u>\$ 5,512</u>	<u>\$ 81,541</u>

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**NOTE 8 - CAPITAL ASSETS** The following presents the changes in capital assets for the year ended December 31, 2011:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental activities:				
Nondepreciable assets:				
Land	\$ 42,902	\$ -	\$ -	\$ 42,902
Construction in progress	510,999	62,194	-	573,193
Total nondepreciable assets	<u>553,901</u>	<u>62,194</u>	<u>-</u>	<u>616,095</u>
Depreciable Assets:				
Buildings and improvements	2,635,359	45,400	-	2,680,759
Furniture and equipment	1,463,587	25,535	11,000	1,478,122
Total depreciable assets	<u>4,098,946</u>	<u>70,935</u>	<u>11,000</u>	<u>4,158,881</u>
Less: accumulated depreciation				
Buildings and improvements	651,073	64,579	-	715,652
Furniture and equipment	1,311,184	67,858	11,000	1,368,042
Total accumulated depreciation	<u>1,962,257</u>	<u>132,437</u>	<u>11,000</u>	<u>2,083,694</u>
Net depreciable capital assets	<u>2,136,689</u>	<u>(61,502)</u>	<u>-</u>	<u>2,075,187</u>
Governmental activities capital assets, net	<u>\$ 2,690,590</u>	<u>\$ 692</u>	<u>\$ -</u>	<u>\$ 2,691,282</u>

Depreciation expense for 2011 was charged to governmental activities as follows:

General government	\$ 54,493
Public safety	18,791
Health and sanitation	2,995
Highways and streets	56,158
Total	<u>\$ 132,437</u>



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A summary of plant and equipment changes in the Maintenance Enterprise Fund for 2011 are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Nondepreciable assets:				
Land	\$ 16,526	\$ -	\$ -	\$ 16,526
Depreciable Assets:				
Buildings and improvements	30,000	-	-	30,000
Sewage plant	3,052,736	50,000	-	3,102,736
Water system	1,749,680	-	-	1,749,680
Water/Sewer equipment	1,094,125	-	-	1,094,125
Vehicles	32,530	-	-	32,530
Total depreciable assets:	<u>5,959,071</u>	<u>50,000</u>	<u>-</u>	<u>6,009,071</u>
Less: accumulated depreciation				
Buildings and improvements	24,000	1,500	-	25,500
Sewage plant	1,997,423	153,054	-	2,150,477
Water system	1,059,124	87,486	-	1,146,610
Water/Sewer equipment	1,071,222	7,585	-	1,078,807
Vehicles	24,379	3,696	-	28,075
Total accumulated depreciation	<u>4,176,148</u>	<u>253,321</u>	<u>-</u>	<u>4,429,469</u>
Net depreciable capital assets	<u>1,782,923</u>	<u>(203,321)</u>	<u>-</u>	<u>1,579,602</u>
Enterprise fund capital assets, net	<u>\$ 1,799,449</u>	<u>\$ (203,321)</u>	<u>\$ -</u>	<u>\$ 1,596,128</u>

**NOTE 9 - 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 5% 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 year ending December 31, 2011 were \$10,034 and employees contributed \$10,034.

**NOTE 10 - CHANGES IN LONG-TERM OBLIGATIONS** The following is a summary of long-term obligation transactions for the year ended December 31, 2011:

	Governmental Funds				Maintenance - Enterprise Fund		
	Compensated Absences	Capital Leases	Certificate of Indebtedness	Total	Compensated Absences	Bonds Payable	Total
Balance, beginning	\$ 30,382	\$ 58,906	\$ 483,796	\$ 573,084	\$ 5,606	\$ 1,393,616	\$ 1,399,222
Additions	31,008	-	-	31,008	4,016	-	4,016
Retirements	21,221	28,827	88,404	138,452	3,059	90,581	93,640
Balance, ending	40,169	30,079	395,392	465,640	6,563	1,303,035	1,309,598
Due within one year	<u>\$ 21,221</u>	<u>\$ 30,079</u>	<u>\$ 90,347</u>	<u>\$ 141,647</u>	<u>\$ 3,059</u>	<u>\$ 91,681</u>	<u>\$ 94,740</u>

Compensated absences are paid from Governmental Funds (General Fund & Health & Sanitation) and the Maintenance Enterprise Fund.

**City of Grambling**  
**Notes to the Basic Financial Statements**  
**December 31, 2011**

Bonded debt payable at December 31, 2011 is comprised of the following individual issues:

\$850,000 - Certificate of Indebtedness, Series 2005 – the principal is due in annual installments beginning June 30, 2005 and due each year through 2015, with an interest rate of 4.25%. The funds were used for a new fire station. Debt retirement payments are made from the Debt Service Fund.	\$ 395,392
\$1,250,000 - Utilities Revenue Bonds, Series 1995 – the remaining principal is due in annual installments through 2036 with an interest rate of 5.125%. The funds were used for the water system. Debt retirement payments are made from the Maintenance Enterprise Fund.	1,019,249
\$1,170,000 - 1993 Utilities Revenue Bond, Series 1993 – the remaining principal is due in annual installments through March, 2015, with an interest rate of 2.95%. The funds were used for the sewer system. Debt retirement payments are made from the Maintenance Enterprise Fund.	<u>283,786</u>
<b>Total</b>	<u><u>\$ 1,698,427</u></u>

As shown on Statement C, \$51,161 is available in the Debt Service Fund to service the bonded debt on the Certificate of Indebtedness, Series 2005. The annual requirements to amortize all outstanding bonded debt at December 31, 2011 are as follows:

Debt Service fund:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 90,347	\$ 19,361	\$ 109,708
2013	94,841	14,867	109,708
2014	99,558	10,150	109,708
2015	110,646	12,745	123,391
<b>Total</b>	<u><u>\$ 395,392</u></u>	<u><u>\$ 57,123</u></u>	<u><u>\$ 452,515</u></u>

Of the restricted cash and investments on Statement H, \$12,235 is restricted for debt service on the bonded debt. The annual requirements to amortize all outstanding bonded debt at December 31, 2011 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 91,681	\$ 58,779	\$ 150,460
2013	92,840	56,059	148,899
2014	99,061	53,062	152,123
2015	94,134	50,209	144,343
2016	26,703	47,826	74,529
2017-2021	156,521	216,123	372,644
2022-2026	203,085	169,559	372,644
2027-2031	263,501	109,142	372,643
2032-2036	275,509	31,385	306,894
<b>Total</b>	<u><u>\$ 1,303,035</u></u>	<u><u>\$ 792,144</u></u>	<u><u>\$ 2,095,179</u></u>

**City of Grambling**  
**Notes to the Basic Financial Statements**  
**December 31, 2011**

Under the terms of the bond indenture on the outstanding Utility Revenue Bonds, Series 1993, the following requirements are stated:

Sinking Fund-A monthly payment equal to 1/12 of the current year principal and interest installment must be made from the Water Revenue Account into the Sinking Fund Account. This requirement was not met as of December 31, 2011.

Reserve Fund-The Reserve Fund is required by the Authorizing Resolution to be funded to an amount equal to the scheduled maximum principal and interest requirements in any succeeding bond year. This amount is \$77,594 as of December 31, 2011. This requirement was not met as of December 31, 2011.

Replacement Fund-A replacement fund balance of \$75,000 is required to be maintained to care for extensions, additions, renewals and replacements necessary to properly operate the wastewater treatment plant. This requirement was not met as of December 31, 2011.

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 (Health & Sanitation Fund).

At December 31, 2011, the City had the following assets under capital lease:

Asset	Cost	Accumulated Depreciation	Net Book Value
Garbage Truck #2	\$ 144,396	\$ 115,516	\$ 28,880

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, 2011:

Fiscal year:	Health & Sanitation
2012	\$ 31,384
Total lease payments	31,384
Less amounts representing interest	1,305
Present value of net minimum lease payments	\$ 30,079

**NOTE 11-LITIGATION AND CLAIMS** At December 31, 2011 there are several lawsuits outstanding. It is the opinion of legal counsel that the ultimate resolution of these lawsuits would not materially affect the financial statements.

**Grant Disallowances** The City participates in a number of state and federally assisted grant programs. The programs are subject to compliance audits under the single audit approach. Such audits could lead to requests for reimbursement by the grantor agency for expenditures disallowed under terms of the grants. City Management believes that the amount of disallowances, if any, which may arise from future audits will not be material.

**NOTE 12 - SUBSEQUENT EVENTS** The City continues to work with the Environmental Protection Agency to get the sewer pond in compliance with EPA regulations.

The City purchased a tract of land after year end for \$166,000.

**City of Grambling**  
**Notes to the Basic Financial Statements**  
**December 31, 2011**

**NOTE 13 - PRIOR PERIOD ADJUSTMENTS** There were two prior period adjustments made. The General Fund beginning net assets were adjusted for \$117,614 due to the correction of inter-fund balances from the prior year. In addition, the Maintenance Fund was adjusted for \$44,396 due to the write off of inactive meter deposits.

**NOTE 14 - GENERAL FUND DEFICIT** The General Fund has a deficit fund balance at the end of the fiscal year of \$355,108. The City and their fee accountant are reviewing salaries expense and staffing in all departments of the City, as well as benefit costs paid by the City. They are also looking at all expenditure lines in the financials to evaluate ways to decrease expenditures for the balance of the 2012 calendar year and for 2013. The City is also working to finalize an agreement with a major hotel chain to build a hotel in Grambling in the near future which will bring in significant new revenue. A new chain discount store is currently being built in Grambling and there are plans for an expansion in a local shopping center. All of this activity will increase the revenue base for the City.

The City hired a consulting firm to review their water and sewer rates and to make recommendations for any changes needed. The consulting firm advised that the City should increase their water and sewer rates and presented a proposed new rate schedule. A resolution to increase the water and sewer rates will be presented at an upcoming Council meeting.

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

CITY OF GRAMBLING

PROPRIETARY FUND TYPE - MAINTENANCE ENTERPRISE FUND  
 Comparative Statement of Net Assets  
 December 31, 2011 and 2010

Schedule 1

	2011 MAINTENANCE FUND	2010 MAINTENANCE FUND
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 9,782	\$ 52,516
Receivables, net of allowance of \$26,460 and \$26,809	147,282	106,596
Interfund receivable	34,005	0
Prepaid expenses	1,484	2,042
Capital assets, net	1,596,128	1,799,449
Restricted Assets:		
Cash	82,259	133,172
Investments	4,529	128,225
<b>TOTAL ASSETS</b>	<u>1,875,469</u>	<u>2,222,000</u>
<b>LIABILITIES</b>		
Accounts payable	81,401	33,354
Accrued and other liabilities	5,512	5,779
Deferred revenue	0	2,626
Interfund payable	34,666	0
Interest payable from restricted assets	46,017	46,402
Customer deposits payable from restricted assets	90,400	124,501
Current portion of bonds payable	94,740	90,581
Compensated absences	3,504	5,606
Revenue bonds payable	1,211,354	1,303,035
<b>TOTAL LIABILITIES</b>	<u>1,567,594</u>	<u>1,611,884</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	293,093	405,833
Restricted for Debt Retirement	0	90,494
Unrestricted	14,782	113,789
<b>Total Net Assets</b>	<u>\$ 307,875</u>	<u>\$ 610,116</u>

CITY OF GRAMBLING  
 PROPRIETARY FUND - MAINTENANCE ENTERPRISE FUND  
 Proposed Budget - 2012  
 For the Year Ended December 31, 2011

Schedule 2

OPERATING REVENUES	
Water sales	\$ 323,000
Water connection charges	6,000
Sewer fees	<u>535,000</u>
Total operating revenues	<u>864,000</u>
OPERATING EXPENSES	
Water department	772,500
Sewer department	<u>311,500</u>
Total operating expenses	<u>1,084,000</u>
OPERATING INCOME (LOSS)	<u>(220,000)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	1,000
Ad valorem tax revenues	50,000
Sales tax revenues	1,000
Other income	118,000
Interest expense	<u>(9,000)</u>
Total nonoperating revenues (expenses)	<u>161,000</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(59,000)</u>
TRANSFERS IN	
Transfers in	0
Transfers out	<u>0</u>
Total transfers	<u>0</u>
CHANGE IN NET ASSETS	(59,000)
NET ASSETS - BEGINNING	<u>149,218</u>
NET ASSETS - ENDING	<u>\$ 90,218</u>

**City of Grambling**  
**Schedule of Compensation Paid Council Members**  
**For the Year Ended December 31, 2011**

**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>
Birdex Copeland	12/31/2014	\$ 8,400
Yanise Days	12/31/2014	8,400
Cathy Holmes	12/31/2014	10,150
Cullen Jackson	12/31/2014	6,000
Roy Jackson	12/31/2014	<u>17,150</u>
Total		<u>\$50,100</u>



**City of Grambling  
Schedule of Insurance Coverage  
As of December 31, 2011**

**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	APPUC101805	Building: \$2,198,000	\$ 2,500	7/30/2012
			Personal Property: \$540,000	2,500	7/30/2012
Automobile	Agency Management Corporation	5CA8938	Based on individual Vehicle	500	3/13/2012
Fidelity Bond	Traveler's Casualty	103093269	\$15,000	NONE	2/11/2013
		104436852	5,000	500	
		103093272	10,000	NONE	

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

Community Financial Insurance Center, LLC  
P. O. Drawer 2010  
Monroe, LA 71207-2010

**City of Grambling**  
**Schedule of Breakdown of Utility Customers**  
**For the Year Ended December 31, 2011**

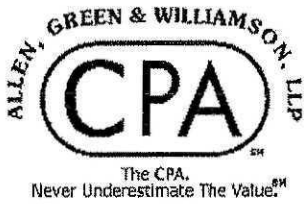
**Schedule 5**

Commercial	34
Residential	<u>1,068</u>
Total Customers	<u>1,102</u>

**City of Grambling**  
**Schedule of Water & Sewer Rates**  
**As of and For the Year Ended December 31, 2011**

**Schedule 6**

<u>Gallon</u>	<u>Water rates</u>	<u>Sewer rates</u>
1,000	\$10.00	\$ 9.25
2,000	10.00	10.50
3,000	11.75	11.75
4,000	13.50	13.00
5,000	15.25	14.25
6,000	17.00	15.50
7,000	18.75	16.75
8,000	20.50	18.00
9,000	22.25	19.25
10,000	24.00	20.50



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Ernest L. Allen, CPA  
(Retired) 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 Ed Jones,  
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, each major fund, and the aggregate remaining fund information of the City of Grambling, (the City) as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 30, 2012. 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

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as items 11-F1, 11-F2, 11-F3, and 11-F4 that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 11-F1, 11-F3, and 11-F4.

The City's responses to the findings identified in our audit are described in the accompanying Corrective Action Plan for Current Year Findings and Questioned Costs. We did not audit the City's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the council members, management, 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 30, 2012

**City of Grambling**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended December 31, 2011**

**Reference # and title:**     **11-F1**     **Capital Asset Management**

**Entity-Wide or program /department specific:** This finding is entity wide.

**Criteria or specific requirement:** Louisiana Revised Statutes LSA-R.S.24:515 requires the City to maintain a comprehensive listing of capital assets.

**Condition found:** The fee accountants maintain the capital assets listing and depreciation schedule based on information supplied to them by the City and their review of the financial records. The following exceptions were noted during testing:

- A. Two used vehicles purchased during the 2010 calendar year had still not been added to the depreciation schedule.
- B. The rehabilitation of a sewer lift station for \$50,000 had not been added to the depreciation schedule.
- C. There were no deletions of capital assets from the depreciation schedule, even though the Council approved the sale of two used vehicles in the minutes for 2011.

**Possible asserted effect (cause and effect):**

**Cause:** The recording of capital assets is not being given a high priority.

**Effect:** The total amount of capital assets recorded was understated by \$43,090. The amount of accumulated depreciation reported was overstated by \$10,136.

**Recommendation to prevent future occurrences:** The City and Fee Accountants should establish procedures to ensure that all additions and deletions of capital assets are correctly recorded on the asset listing and depreciation schedule.

**Reference # and title:**     **11-F2**     **Bank Reconciliations**

**Entity-Wide or program /department specific:** This finding is entity-wide.

**Criteria or specific requirement:** Proper internal controls require that all bank accounts be reconciled timely (within 30 days) and that outstanding checks over a year old be investigated and properly handled. As the fee accountants are performing the bank reconciliations, the City should receive the reconciliations when completed and a City employee approve the reconciliations.

**Condition found:** Reconciliations for the first half of 2011 were not performed timely. The reconciliations were not approved by a City employee. The General Fund main bank account reconciliation has numerous outstanding checks dating back to 2009.

**City of Grambling**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended December 31, 2011**

**Possible asserted effect (cause and effect):**

**Cause:** The fee accountant does the bank reconciliations. The reconciliations are not approved by a City employee. Due to timing of the fee accountants work schedule, the bank statements for the first half of the year were not reconciled until several months later. Old outstanding checks are not being reviewed.

**Effect:** Errors in the bank statements would not be detected timely.

**Recommendation to prevent future occurrences:** The City and the Fee Accountants should arrange the work schedule to ensure that bank statements are reconciled timely. The Fee Accountants should provide the City with the completed reconciliations so that the reconciliations can be approved. Outstanding checks over a year old should be investigated and handled properly.

**Reference # and title:**     **11-F3**     **Bond Debt Covenants**

**Entity-Wide or program /department specific:** This finding is specific to the Maintenance Fund.

**Criteria or specific requirement:** The DEQ Sewer System 1993 Bond had three debt covenants that the City was required to meet. They are:

1. Monthly deposits are to be made in the Sinking Fund account equal to 1/12 of the next year's required principal and interest payment.
2. A reserve fund was to be established and funded for the amount of the highest years combined required principal and interest payment. As of December 31, 2011 this amount is \$77,594. This fund was a reserve in case the necessary payments to the Sinking Fund did not get made in any year due to financial conditions of the City.
3. A replacement fund was to be established and funded until a balance of \$75,000 was obtained. This fund was to care for extensions, additions, improvements and replacements necessary to operate the sewer system.

**Condition found:** Monthly payments from water revenue to the sinking fund are not being made. As of December 31, 2011, the sinking fund was approximately \$58,000 under funded. The City does not have the required reserve fund nor the required replacement fund.

**Possible asserted effect (cause and effect):**

**Cause:** Due to the financial difficulties that the City has experienced over the last few years, payments to the required funds were discontinued and the reserves that had been accumulated were used to fund operations of the City.

**Effect:** The City is not in compliance with the required 1993 Bond Debt Covenants.

**Recommendation to prevent future occurrences:** The City should start making monthly payments to the sinking fund, the reserve fund and the replacement fund as per the bond requirements.

**City of Grambling**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended December 31, 2011**

**Reference # and title:**     **11-F4**     **Louisiana Budget Law**

**Entity-Wide or program /department specific:** This finding is specific to the General Fund and Health and Sanitation Fund.

**Criteria or specific requirement:** Louisiana Revised Statutes LSA R.S. 39:1310 and 39:1311 require that the City amend its budget as necessary to ensure that total actual expenditures for the year do not exceed total budgeted expenditures by 5% or more.

**Condition found:** Total actual expenditures for the General Fund and the Health and Sanitation Fund exceeded the budgeted expenditures by more than 5%.

**Possible asserted effect (cause and effect):**

**Cause:** The required amendments to the budget were not made as required.

**Effect:** Budget overruns greater than 5% occurred.

**Recommendation to prevent future occurrences:** The City should review its year to date financials as required before year end and make the appropriate budget amendments.



## **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 Status of Prior Audit Findings**  
**For the Year Ended December 31, 2011**

**Reference # and title:**     **10-F1**     **Louisiana Local Government Budget Act**

**Origination Date:** 2005.

**Entity-Wide or program /department specific:** This finding is for the governmental funds.

**Condition:** LSA-R.S.39:1307 states in part that the public notice advertising the public hearing and adoption of the budget for a municipality must include a statement that the budget is available for public inspection. LSA-R.S.39:1306 states that the proposed budget be made available for public inspection no later than 15 days prior to the beginning of each fiscal year. LSA-R.S.39:1311 also states that if actual revenues are less than budgeted revenues by 5% or more or actual expenses are over budget by 5% or more, the governing body must adopt budget amendments to address the differences.

The public notice published concerning the public hearing and adoption of the 2010 proposed budget did not include a statement that the proposed budget was available for public inspection. The General Fund actual revenues were 9% less than the final amended budget and the General Fund expenditures were 56% greater than the final amended budget.

**Corrective action planned:** See current year finding 11-F4.

**Reference # and title:**     **10-F2**     **Late Submission of the Audit Report to the USDA**

**Origination Date:** 2005.

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

**Condition:** The United States Department of Agriculture requires that the audit for the City be filed within 150 days after their fiscal year end of December 31 each year.

The City did not file the audit within the 150 days as required.

**Corrective action taken:** The USDA has clarified that the audit report is due within 6 months instead of 5 months after year end.

**Reference # and title:**     **10-F3**     **Capital Asset Management**

**Origination Date:** 2007.

**Entity-Wide or program /department specific:** This finding is entity-wide.

**Condition:** Louisiana Revised Statutes LSA-R.S.24:515 requires the City to maintain a comprehensive listing of capital assets.

The fee accountants maintain the capital asset and depreciation schedule. Two vehicles purchased during the year were not on the depreciation schedule, nor was the costs involved with the sewer renovation recorded as construction in progress. An annual physical inventory was not taken.

**City of Grambling**  
**Summary Status of Prior Audit Findings**  
**For the Year Ended December 31, 2011**

**Corrective action planned:** See current year finding 11-F1.

**Reference # and title:**     **10-F4**     **Police Department Ticket Books and Fines**

**Origination Date:** 2008.

**Entity-Wide or program /department specific:** This finding is specific to the Police Department.

**Condition:** Ticket books issued to the police officers should be properly accounted for. In addition the Clerk of Courts report of fines collected for each month should be reconciled to the police fines revenue recorded in the general ledger each month.

When someone other than the Clerk of Court issues a ticket book to an officer they do not write the officer's name on the book. Therefore when the empty book is returned to the Clerk of Court, she has no way of matching that book to her issued book log. This prevents her from performing any type of reconciliation to account for all the tickets that have been issued. There is no reconciliation of fines revenue posted to the clerk of court's system to the revenue posted in the general ledger for fines. A sample of 42 tickets written during the year was tested by tracing the fee to the standard fee schedule and tracing the collection to a bank deposit and proper recording in the general ledger. 6 of the tickets tested could not be traced to a bank deposit or recording in the general ledger.

**Corrective action taken:** The City ensures that the receiver's name, along with the range of tickets are written in the book at the end of each month; in addition, the Clerk of Courts' report of fines collected and posted is reconciled to the recorded fines revenue in the general ledger.

**Reference # and title:**     **10-F5**     **Late Submission of Audit Report to Legislative Auditor**

**Origination Date:** 2005.

**Entity-Wide or program /department specific:** This finding is entity-wide.

**Condition:** Louisiana Revised Statute 24:513A (5) (a) (I) requires that "...audits shall be completed within six months of the close of the entity's fiscal year".

The City requested an extension of time by the Legislative Auditor's Office and an extension was approved to September 30, 2011.

**Corrective action taken:** The City has hired an accounting firm to ensure that all financial records are up-to-date so that the audit can be completed in a timely manner.

**Reference # and title:**     **10-F6**     **Adjustments to Utility Bills/Reconnect Fees**

**Origination Date:** 2006.

**Entity-Wide or program /department specific:** This finding is specific to the Enterprise Fund.

**City of Grambling**  
**Summary Status of Prior Audit Findings**  
**For the Year Ended December 31, 2011**

**Condition:** Good internal controls require that adjustments to customer's bills be properly approved and adequate records kept. In addition, reconnect fees should be charged to customers who have had their water service disconnected due to failure to pay and adequate records kept to ensure that the reconnect fees are charged and received.

The City had a computer report of adjustments made to customer's accounts during the year, however there was no support for these adjustments. The personnel who had made these adjustments in the 2010 year had been dismissed as of January 1, 2011 and the new personnel had no knowledge of these adjustments nor could they find any support for the adjustments at City Hall. In addition, there was no way to determine if a reconnect fee had been paid by a customer before his or her service was reconnected. Reconnect fees are not added in the computerized billing system and are only recorded in total on the cash register daily z tapes.

**Corrective action taken:** The City has now established procedures to ensure that all utility adjustments and payments are properly recorded and approved by the Mayor.

**Reference # and title:**     **10-F7**     **Utility System Crash**

**Origination Date:** 2010.

**Entity-Wide or program /department specific:** This finding is specific to the Enterprise Fund.

**Condition:** Good internal controls require that computerized systems such as the Utility Department Billing System be properly backed up and a recovery plan in place to ensure that any data loss resulting from a computer system crash is minimal.

In the 2010 calendar year, the Utility Billing System crashed as the result of a virus. There was no back-up system in place and all data records were lost.

**Corrective action taken:** The City has now purchased a back-up system, and daily procedures are now in place to prevent loss of data.

**Reference # and title:**     **10-F8**     **General Accounting**

**Origination Date:** 2006.

**Entity-Wide or program /department specific:** This finding is entity wide.

**Condition:** Good internal controls require that all manual journal entries be properly maintained along with the supporting documentation for each. Each manual journal entry should show the preparer, the reason for the entry and the period it is posted to. Although QuickBooks has a record of the manual journal entries posted, a hard copy including the supporting documentation should be kept as a permanent record of the City's finances. In addition, some sort of review procedure should be initiated so that there are proper checks and balances in this area.

Proper internal controls also require that all bank accounts be reconciled timey, hourly employees should clock out for lunch and clock back in after lunch, support for all employee deductions should be kept in the employee's file, and purchase orders should be dated before invoice dates.

**City of Grambling**  
**Summary Status of Prior Audit Findings**  
**For the Year Ended December 31, 2011**

As for revenue receipts, the daily deposits should be for the same amount as the daily z tape from the cash register and the break out of water, sewer, penalties, etc. shown on the water revenue daily summary report should be the same as the break out on the z tape.

Adequate supporting documentation should be kept for all property tax payments received by the cashier and these payments should be posted timely to the property tax sub-ledger. Monthly financial reports to the Council should be prepared after the bank accounts are reconciled and all inter-fund entries made to ensure that revenue and expenses are in the correct funds.

The City should assign someone to keep up with all grants received and their associated expenditures and prepare the year end Schedule of Expenditures of Federal Awards.

The City's Accountant had made numerous manual journal entries in 2010 but had not printed them or kept a file with the supporting documentation. The reasonableness and necessity of these manual journal entries could not be determined. As for bank reconciliations, none had been performed timely and a third party CPA firm was hired after the end of the fiscal year to perform the reconciliations. Hourly employees of the maintenance department were not clocking out and in for lunch. Employees who did not clock out had their daily time reduced to the nearest whole number to compensate for a lunch break. Therefore, the actual time paid per the check stub did not equal the hours shown on the time sheets. In addition, there was missing support for wage garnishments, credit union deductions and child support. There were three exceptions noted where the PO was dated after the invoice date.

In testing 194 utility payments, none of the receipts amounts shown on the daily summary from the Utility Billing System tie to the amounts shown as deposited per the daily cash register z tapes because monies were collected after the cash register cleared at 4:00 pm. Also the revenue distribution as shown on the daily summary sheets, do not tie to the distribution shown on the z tapes.

In testing 5 days of property tax receipts, there was one day of support that was unable to be produced by the City and one day's receipts that were not deposited timely. There were two of the five days where the amounts shown as received did not match the deposit and the daily Z tape due to monies collected after the cash register cleared at 4:00 pm.

We reviewed the June 2010 financials presented to the Council and noted several errors. All expenses were being paid out of the General Fund and as of June 30, 2010 none of the transfers had been made to the Health and Sanitation or Maintenance Funds. The financials as presented did not reflect the true status of each fund of the City. Also at that time, none of the bank recons had been performed so there was no assurance that all revenue and expenses had been reflected.

Finally, the City was not able to provide us with a list of grants received or detail of grant expenditures by grant.

**Corrective action taken:** As of January 2011, the City has an accounting firm to keep its financial records and to ensure that the proper internal controls are followed.

**Reference # and title:**     **10-F9**       **Cash Management**

**Origination Date:** 2010.

**Federal program and specific federal award identification:** This finding relates to Capitalization Grants for Clean

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Water State Revolving Funds, CFDA#66.458 ARRA, from federal agency, Environmental Protection Agency passed through the State of Louisiana.

**Condition:** Federal guidelines for these funds require that those entities which receive advances from the pass through agency minimize the time between the receipt of the funds and the disbursement of funds for program expenses. AGW considers within three days as being a timely disbursement of advanced funds.

In testing three receipts of federal funds none of the claimed disbursements to the vendors were made timely. There was at least a week between the receipt date and the date of the vendor checks.

**Corrective action taken:** The City will follow the guidelines for the disbursement of advanced federal funds.

**Reference # and title:**     **10-F10**     **Separate Accounting for ARRA funds**

**Origination Date:** 2010.

**Federal program and specific federal award identification:** This finding relates to Capitalization Grants for Clean Water State Revolving Funds, CFDA#66.458 ARRA, from federal agency, Environmental Protection Agency passed through the State of Louisiana.

**Condition:** Federal guidelines for these American Recovery and Reinvestment funds require that the ARRA funds received and disbursed be accounted for separately in the City's financial records. The ARRA funding revenue was recorded in the same revenue account as state appropriation funds and not identified separately. The ARRA expenditures were combined with other capital projects expenditures and not reported separately.

**Corrective action taken:** The City will follow the guidelines for the ARRA funding requiring a separate accounting from other monies received by the City.

**Reference # and title:**     **10-F11**     **Capital Asset Management**

**Origination Date:** 2010.

**Entity-Wide or program /department specific:** This finding is entity-wide.

**Condition:** Louisiana Revised Statutes LSA-R.S.24:515 requires the City to maintain a comprehensive listing of capital assets.

The fee accountants maintain the capital asset and depreciation schedule. Two vehicles purchased during the year were not on the depreciation schedule, nor was the costs involved with the sewer renovation recorded as construction in progress. An annual physical inventory was not taken.

**Corrective action planned:** See current year finding 11-F1.



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**Reference # and title:**     **11-F1**     **Capital Asset Management**

**Entity-Wide or program /department specific:** This finding is entity wide.

**Criteria or specific requirement:** Louisiana Revised Statutes LSA-R.S.24:515 requires the City to maintain a comprehensive listing of capital assets.

**Condition:** The fee accountants maintain the capital assets listing and depreciation schedule based on information supplied to them by the City and their review of the financial records. The following exceptions were noted during testing:

- A. Two used vehicles purchased during the 2010 calendar year had still not been added to the depreciation schedule.
- B. The rehabilitation of a sewer lift station for \$50,000 had not been added to the depreciation schedule.
- C. There were no deletions of capital assets from the depreciation schedule, even though the Council approved the sale of two used vehicles in the minutes for 2011.

**Corrective action planned:** We will consult with the fee accountants to devise a procedure for ensuring that the schedule is complete.

**Person responsible for the above corrective actions:**

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

**Anticipated completion date:** December 31, 2012.

**Reference # and title:**     **11-F2**     **Bank Reconciliations**

**Entity-Wide or program /department specific:** This finding is entity-wide.

**Criteria or specific requirement:** Proper internal controls require that all bank accounts be reconciled timely (within 30 days) and that outstanding checks over a year old be investigated and properly handled. As the fee accountants are performing the bank reconciliations, the City should receive the reconciliations when completed and a City employee approve the reconciliations.

**Condition:** Reconciliations for the first half of 2011 were not performed timely. The reconciliations were not approved by a City employee. The General Fund main bank account reconciliation has numerous outstanding checks dating back to 2009.

**Corrective action planned:** The fee accountants were engaged after the beginning of the year. Their first priority was adjusting the books and preparing for the 2010 audit. They began monthly bookkeeping procedures after the 2010 books were closed. The reconciliations were timely from that point forward. We will implement a procedure for review of the reconciliations beginning with May 2012.

**Person responsible for the above corrective actions:**

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**Anticipated completion date:** June 30, 2012.

**Reference # and title:**      **11-F3**      **Bond Debt Covenants**

**Entity-Wide or program /department specific:** This finding is specific to the Maintenance Fund.

**Criteria or specific requirement:** The DEQ Sewer System 1993 Bond had three debt covenants that the City was required to meet. They are:

1. Monthly deposits are to be made in the Sinking Fund account equal to 1/12 of the next year's required principal and interest payment.
2. A reserve fund was to be established and funded for the amount of the highest years combined required principal and interest payment. As of December 31, 2011 this amount is \$77,594. This fund was a reserve in case the necessary payments to the Sinking Fund did not get made in any year due to financial conditions of the City.
3. A replacement fund was to be established and funded until a balance of \$75,000 was obtained. This fund was to care for extensions, additions, improvements and replacements necessary to operate the sewer system.

**Condition:** Monthly payments from water revenue to the sinking fund are not being made. As of December 31, 2011, the sinking fund was approximately \$58,000 under funded. The City does not have the required reserve fund nor the required replacement fund.

**Corrective action planned:** Due to the City's financial condition, we were unable to meet these requirements. We will begin correction of the situation as soon as we are able.

**Person responsible for the above corrective actions:**

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Grambling, LA 71245	

**Anticipated completion date:** As soon as our financial condition permits.

**Reference # and title:**      **11-F4**      **Louisiana Budget Law**

**Entity-Wide or program /department specific:** This finding is specific to the General Fund and Health and Sanitation Fund.

**Criteria or specific requirement:** Louisiana Revised Statutes LSA R.S. 39:1310 and 39:1311 require that the City amend its budget as necessary to ensure that total actual expenditures for the year do not exceed total budgeted expenditures by 5% or more.

**Condition:** Total actual expenditures for the General Fund and Health and Sanitation Fund exceeded the budgeted expenditures by more than 5%.

**Corrective action planned:** We made a concerted effort to ensure that the actual expenditures were in line with budgeted expenditures. The year ended December 31, 2011 was especially challenging due to the new administration's discovery of outstanding bills for many items including property and liability insurance. Additionally, much of the City's vehicles and equipment was in need of maintenance and repair. These conditions



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caused many unexpected expenditures. Additionally, in an effort to improve the General Fund's condition, we studied expenditures and allocated costs to other funds when possible. Some of these allocations were made after the final amended budget was adopted. Finally, the audit adjustments for various errors and differences of opinion changed expenditures.

We have made significant improvements to the budget and financial reporting process. We will endeavor to continue improving and will make amendments as we become aware of changes in estimates. This task should prove less challenging as we improve other areas of operations as mentioned above.

**Person responsible for the above corrective actions:**

Mayor Ed Jones	Telephone: (318) 247-6120
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**Anticipated completion date:** December 31, 2012.

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**Status of Prior Year Agreed-Upon-Procedures Findings**  
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**Financial Management:**

**Comment:** The accounting department of the City did not furnish the Town Council with timely and correct accounting information each month during the year ended December 31, 2010.

**Status:** The City hired a CPA firm to assist with their accounting and accurate and timely financials were provided monthly to the City Council in 2011.

**Comment:** Deficit spending occurred in the general, debt service, and capital project funds. The City does not have a formal/written plan to eliminate the deficit spending.

**Status:** For the 2011 year, the City had deficit spending in the general, capital projects and maintenance enterprise funds. The City hired a consulting firm to review their water and sewer rates and to make recommendations for any changes needed. The consulting firm advised that the City should increase their water and sewer rates and presented a proposed new rate schedule. A resolution to increase the water and sewer rates will be presented at an upcoming Council meeting. Also, the City and their fee accountant are reviewing salaries expense and staffing in all departments of the City, as well as benefit costs paid by the City. They are also looking at all expenditure lines in the financials to evaluate ways to decrease expenses for the balance of the 2012 calendar year and for 2013. The City is also working to finalize an agreement to have a major hotel chain build a hotel in Grambling in the near future which will bring in significant new revenue. A new chain discount store is currently being built in Grambling and there are plans for an expansion in a local shopping center. All of this activity will increase the revenue base for the City.

**Credit Cards**

**Comment:** In reviewing credit card expenditures, it was noted that there was one purchase order which was dated after the purchase.

**Status:** The current administration has implemented measures for assuring that support documentation will be attached to all purchase statements and that purchase orders will be completed prior to the purchase.