

**City of Grambling
Grambling, Louisiana**

**Basic Financial Statements
And Independent Auditors' Report
As of and for the Year Ended December 31, 2006**

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

Release Date 6-27-07

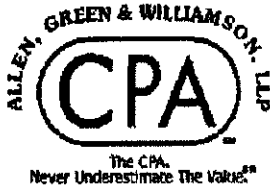
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INDEPENDENT AUDITORS' REPORT

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

Basic Financial Statements We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the City of Grambling, Louisiana, as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The City has not established a satisfactory system of internal control over receipts in the water department. We were unable to satisfy ourselves as to the operating revenue reported in the enterprise fund and the carrying value of accounts receivable reported in the enterprise fund.

In our opinion, except for the effect of such adjustments, is any, as might have been determined to be necessary had we been able to examine evidence regarding the operating revenue and accounts receivable of the enterprise fund, as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the City of Grambling, Louisiana, as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated June 20, 2007, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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

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

Allen, Green & Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana

June 20, 2007

REQUIRED SUPPLEMENTAL INFORMATION:

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

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

Our discussion and analysis of the City of Grambling's financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2006.

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

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

Governmental activities reported an increase in net assets of \$86,255 whereas business-type activities reported a decrease of \$124,836. The increase in the governmental funds was due mainly to an increase in earnings on investments and to an increase in intergovernmental revenues.

Total spending for our governmental activities was \$1,732,608. 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 four areas: general government of \$631,828, public safety of \$673,373, health and sanitation of \$210,952 and highways and streets \$139,993.

The General Fund had a net decrease of \$18,548 in fund balance for 2006 as compared to a net increase in 2005 of \$14,596. Revenues increased in 2006 by \$21,850 which is a 2% increase over 2005 revenues. This increase is due mainly to an increase in interest earned on investments and an increase in licensed and permits.

Expenditures in the General Fund for 2006 decreased \$61,039 from 2005, which is a 4% decrease. This decrease is mainly due to a decrease in spending for public safety, highways and streets, and capital outlay.

Fund balance for the Health & Sanitation Fund increased \$48,722 as compared with a decrease of \$31,872 in 2005. Revenues increased in 2006 by \$13,999 which is a 4% increase over 2005 revenues. This increase is due mainly to a \$3 dollar increase in the fee for garbage collection and increase in the sales of garbage containers.

Expenditures in 2006 for the Health & Sanitation Fund increased by \$78,898 over 2005 expenditures or a 37% increase. The increase in expense was due mainly to the City making two payments on the lease for the garbage truck during 2006.

The Debt Service Fund had a decrease in fund balance of \$23,352 in 2006 as compared to a net decrease in 2005 of \$22,517. Revenues increase in 2006 by \$33,914 over 2005 revenues due to a decrease in ad valorem tax revenue. Expenditures in 2006 consisted of principal and interest payments made on the Fire Station of \$109,709.

The Capital Project Fund had a decrease in fund balance of \$73,313 as compared to a net increase in 2005 of \$231,242 which was mainly due to bond proceeds received in 2005. Revenues for 2006 increased by \$94,700 due to a grant received from the state. The main expense was for capital outlay of \$168,137 for the construction of the new recreation center.

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

The original budget for the General Fund was amended \$198,087 which was a reduction in the amount of taxes to be collected and a transfer of \$50,000 when compared to the final budget. Over all expenses were also reduced from the original budget to the final budget by \$251,554.

The general fund budgeted revenues for the 2006 year include a 3% decrease in revenues and a 3% percent increase in budgeted expenses. These increases in expenses are due to rising costs of operations.

The Health and Sanitation Fund had a reduction of \$47,737 in revenues and a reduction of \$70,321 in expenses when comparing the original budget to the final budget. Actual expenditures exceeded budgeted expenditures due to the City making two payments on the garbage truck lease when only one was budgeted.

USING THIS ANNUAL REPORT

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

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

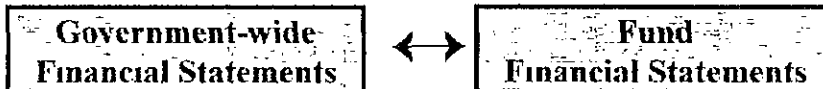
The following chart reflects the information included in this annual report

Financial Section

Required Supplemental Information

Management's Discussion & Analysis (MD&A)

Basic Financial Statements



Notes to the Basic Financial Statements

Supplemental Information

- Maintenance Enterprise Fund Comparative Statement of Net Assets
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- Summary Schedule of Prior Year Audit Findings
- Corrective Action Plan for Current Year Findings and Questioned Costs
- Management Letter Items
- Status of Prior Management Letter Items

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

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 statements, report information about the City as a whole and its activities in a way that helps answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

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

Business-type Activities - The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water 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:

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

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).

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, 2006

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Current and other assets	\$1,887,098	\$1,895,710	\$ 19,084	\$ 60,902	\$1,906,182	\$1,956,612
Restricted assets	0	0	335,081	381,631	335,081	381,631
Capital assets, net	<u>1,912,370</u>	<u>1,928,754</u>	<u>1,906,672</u>	<u>2,093,865</u>	<u>3,819,042</u>	<u>4,022,619</u>
Total assets	3,799,468	3,824,464	2,260,837	2,536,398	6,060,305	6,360,862
Current and other liabilities	272,435	220,803	176,595	329,116	449,030	549,919
Long-term liabilities	<u>967,348</u>	<u>1,130,231</u>	<u>1,859,938</u>	<u>1,858,142</u>	<u>2,827,286</u>	<u>2,988,373</u>
Total Liabilities	1,239,783	1,351,034	2,036,533	2,187,258	3,276,316	3,538,292
Net assets						
Invested in capital assets, net of related debt	963,623	814,197	50,594	110,704	1,014,217	924,901
Restricted	680,980	903,009	335,081	381,631	1,016,061	1,284,640
Unrestricted	<u>915,082</u>	<u>756,224</u>	<u>(161,371)</u>	<u>(143,195)</u>	<u>753,711</u>	<u>613,029</u>
Total net assets	<u>\$2,559,685</u>	<u>\$2,473,430</u>	<u>\$ 224,304</u>	<u>\$ 349,140</u>	<u>\$2,783,989</u>	<u>\$2,822,570</u>

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

Table 2
Changes in Net Assets
For the Year Ended December 31, 2006

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenue:						
Program revenues:						
Charges for services	\$ 295,541	\$ 309,005	\$ 491,526	\$ 456,252	\$ 787,067	\$ 765,257
Operating grants and contributions	0	19,784	0	0	0	19,784
General revenues:						
Ad valorem tax	394,648	445,384	45,032	63,613	439,680	508,997
Sales tax revenue	647,074	689,883	17,587	19,069	664,661	708,952
License and permits	184,416	166,145	0	0	184,416	166,145
Fines and forfeitures	19,210	19,377	0	0	19,210	19,377
Use of money & property	23,204	10,954	2,347	6,975	25,551	17,929
Intergovernmental revenue	315,486	121,564	0	0	315,486	121,564
Miscellaneous	<u>83,799</u>	<u>81,835</u>	<u>4,807</u>	<u>36,470</u>	<u>88,606</u>	<u>118,305</u>
Total revenues	1,963,378	1,863,931	561,299	582,379	2,524,677	2,446,310
Functions/Program expenses:						
Governmental activities:						
General Government	631,828	601,989	0	0	631,828	601,989
Public Safety	673,373	688,189	0	0	673,373	688,189
Health & Sanitation	210,952	190,930	0	0	210,952	190,930
Highway & Streets	139,993	150,200	0	0	139,993	150,200
Parks & Recreation	0	44	0	0	0	44
Interest Expense	76,462	27,931	0	0	76,462	27,931
Business-type activities:						
Utility enterprise	<u>0</u>	<u>0</u>	<u>830,650</u>	<u>792,788</u>	<u>830,650</u>	<u>792,788</u>
Total Functions/Program expenses	<u>1,732,608</u>	<u>1,659,283</u>	<u>830,650</u>	<u>792,788</u>	<u>2,563,258</u>	<u>2,452,071</u>
Increase (decrease) in net assets before transfers	230,770	204,648	(269,351)	(210,409)	(38,581)	(5,761)
Transfers	<u>(144,515)</u>	<u>(72,517)</u>	<u>144,515</u>	<u>72,517</u>	<u>0</u>	<u>0</u>
Increase (decrease) in net assets	86,255	132,131	(124,836)	(137,892)	(38,581)	(5,761)
Net assets – beginning	2,473,430	3,189,233	349,140	(310,362)	2,822,570	2,878,871
Prior period adjustment	<u>0</u>	<u>(847,934)</u>	<u>0</u>	<u>797,394</u>	<u>0</u>	<u>(50,540)</u>
Net assets- ending	<u>\$2,559,685</u>	<u>\$2,473,430</u>	<u>\$ 224,304</u>	<u>\$ 349,140</u>	<u>\$2,783,989</u>	<u>\$2,822,570</u>

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

Governmental Activities

The cost of all governmental activities this year was \$1,732,608. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$1,437,067 because some of the cost was paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions.

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

**Table 3
Governmental Activities
For the Year Ended December 31, 2006**

	Total Cost of Services				Net Cost of Service			
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Governmental Activities								
General Government	\$ 631,828	\$ 601,989	\$ 0	\$ 0	\$ 631,828	\$ 601,989	\$ 0	\$ 0
Public Safety	673,373	688,189	0	0	453,933	446,117	0	0
Health & Sanitation	210,952	190,930	0	0	134,851	123,997	0	0
Highway & Streets	139,993	150,200	0	0	139,993	130,416	0	0
Parks & Recreation	0	44	0	0	0	44	0	0
Interest Expense	76,462	27,931	0	0	76,462	27,931	0	0
Business-type activities:								
Utility enterprise	0	0	830,650	792,788	0	0	339,124	336,536
Total Functions/Program Expenses	<u>\$1,732,608</u>	<u>\$1,659,283</u>	<u>\$830,650</u>	<u>\$792,788</u>	<u>\$1,437,067</u>	<u>\$1,330,494</u>	<u>\$339,124</u>	<u>\$336,536</u>

Business-type Activities

Revenues and expenses of the City's business-type activities (see Table 2) remained relatively stable for 2006 compared with 2005.

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

THE CITY'S FUNDS

As the City completed the year, its governmental funds reported a combined fund balance of \$1,605,735 which is a decrease of \$66,491 in fund balance from last year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues exceeded budgeted revenues by \$168,786. This variance is due mainly to an increase in the final amount of property tax and sales tax received during 2006, an increase in revenue from other governments, and an increase in licenses and permits revenue.

Overall actual expenditures were more than budgeted expenditures by \$45,134. The variance is due mainly to an increase in general government.

CAPITAL ASSETS

Capital Assets At December 31, 2006, the City had invested in the following capital assets:

	<u>Governmental Activities</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Total</u>
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Land	\$ 42,902	\$ 42,902	\$ 16,526	\$ 16,526	\$ 59,428	\$ 59,428
Buildings	1,601,788	1,601,788	30,000	30,000	1,631,788	1,631,788
Vehicles	0	0	12,758	12,758	12,758	12,758
Equipment	1,229,004	1,196,481	1,059,612	1,036,151	2,288,616	2,232,632
Construction In Progress	168,137	0	0	0	168,137	0
Sewage Plant	0	0	2,483,313	2,483,313	2,483,313	2,483,313
Water System	0	0	1,566,193	1,566,193	1,566,193	1,566,193
Subtotal	3,041,831	2,841,171	5,168,402	5,144,941	8,210,233	7,986,112
Less Accumulated Depreciation	(1,129,461)	(912,417)	(3,261,730)	(3,051,076)	(4,391,191)	(3,963,493)
Total	<u>\$ 1,912,370</u>	<u>\$ 1,928,754</u>	<u>\$ 1,906,672</u>	<u>\$ 2,093,865</u>	<u>\$ 3,819,042</u>	<u>\$ 4,022,619</u>

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

DEBT ADMINISTRATION At December 31, 2006, the City's Maintenance Enterprise fund had \$1,856,078 in bonds payable outstanding and the Governmental funds had debt consisting of capital leases in the amount of \$168,055 and \$780,692 in certificate of indebtedness. For further details see Note 10 of the Notes to the Basic Financial Statements.

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

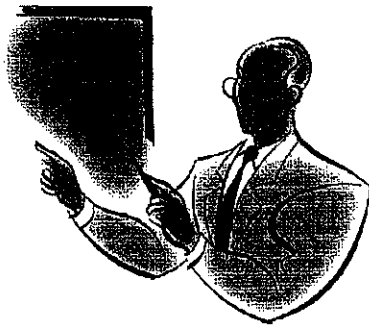
ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS Our elected and appointed officials and citizens consider many factors when setting the City's budget and tax rates. One of the most important factors affecting the budget is our ad valorem tax and sales tax collections. Approximately, 51% of total revenues in the general fund for 2006 are ad valorem tax and sales tax. We have budgeted very little change in ad valorem tax and sales tax revenues for the year ending December 31, 2007.

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

BASIC FINANCIAL STATEMENTS:

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

City of Grambling



CITY OF GRAMBLING
STATEMENT OF NET ASSETS
December 31, 2006

Statement A

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL
ASSETS					
Cash and cash equivalents	\$	781,097	\$	103,199	\$ 884,296
Investments		468,761		0	468,761
Receivables, net of allowance of \$805		460,825		54,846	515,671
Internal balances		138,961		(138,961)	0
Restricted assets		0		335,081	335,081
Prepaid expenses		7,304		0	7,304
Bond issuance costs, net of amortization		30,150		0	30,150
Capital assets, net		<u>1,912,370</u>		<u>1,906,672</u>	<u>3,819,042</u>
TOTAL ASSETS		<u>3,799,468</u>		<u>2,260,837</u>	<u>6,060,305</u>
LIABILITIES					
Accounts payable		220,497		9,680	230,177
Accrued and other liabilities		30,716		4,059	34,775
Interest payable		21,222		65,861	87,083
Customer deposits payable		0		96,995	96,995
Long term liabilities					
Due within one year		114,524		127,570	242,094
Due in more than one year		<u>852,824</u>		<u>1,732,368</u>	<u>2,585,192</u>
TOTAL LIABILITIES		<u>1,239,783</u>		<u>2,036,533</u>	<u>3,276,316</u>
NET ASSETS					
Invested in capital assets, net of related debt		963,623		50,594	1,014,217
Restricted for Debt Retirement		82,725		335,081	417,806
Restricted for Health & Sanitation		328,264		0	328,264
Restricted for Capital Projects		269,991		0	269,991
Unrestricted		<u>915,082</u>		<u>(161,371)</u>	<u>753,711</u>
TOTAL NET ASSETS	\$	<u>2,559,685</u>	\$	<u>224,304</u>	\$ <u>2,783,989</u>

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

CITY OF GRAMBLING
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2006

	PROGRAM REVENUES		
		OPERATING	
	EXPENSES	CHARGES FOR	GRANTS AND
		SERVICES	CONTRIBUTIONS
FUNCTIONS/PROGRAMS			
Governmental Activities:			
General government	\$ 631,828	\$ 0	0
Public safety	673,373	219,440	0
Health and sanitation	210,952	76,101	0
Highways and streets	139,993	0	0
Interest expense	76,462	0	0
Total Governmental Activities	1,732,608	295,541	0
Business-Type Activities:			
Utility Enterprise	830,650	491,526	0
Total Business-Type Activities	830,650	491,526	0
Total	\$ 2,563,258	\$ 787,067	\$ 0

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

Net assets - ending

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

Statement B

PRIMARY GOVERNMENT

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS

<u>Governmental</u>	<u>Business-Type</u>	<u>TOTAL</u>
<u>Activities</u>	<u>Activities</u>	
\$ (631,828)	\$ 0	\$ (631,828)
(453,933)		(453,933)
(134,851)		(134,851)
(139,993)		(139,993)
<u>(76,462)</u>		<u>(76,462)</u>
<u>(1,437,067)</u>	<u>0</u>	<u>(1,437,067)</u>
	<u>(339,124)</u>	<u>(339,124)</u>
	<u>(339,124)</u>	<u>(339,124)</u>
<u>(1,437,067)</u>	<u>(339,124)</u>	<u>(1,776,191)</u>
394,648	45,032	439,680
647,074	17,587	664,661
184,416		184,416
19,210		19,210
23,204	2,347	25,551
315,486	0	315,486
83,799	4,807	88,606
<u>(144,515)</u>	<u>144,515</u>	<u>0</u>
<u>1,523,322</u>	<u>214,288</u>	<u>1,737,610</u>
86,255	(124,836)	(38,581)
<u>2,473,430</u>	<u>349,140</u>	<u>2,822,570</u>
<u>\$ 2,559,685</u>	<u>\$ 224,304</u>	<u>\$ 2,783,989</u>

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

CITY OF GRAMBLING
GOVERNMENTAL FUNDS
 Balance Sheet
 December 31, 2006

Statement C

	<u>GENERAL</u>	<u>HEALTH & SANITATION</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECT</u>	<u>TOTAL</u>
ASSETS					
Cash and cash equivalents	\$ 472,979	\$ 104,503	\$ 3,303	\$ 200,312	\$ 781,097
Investments	230,930	221,934	11,323	4,574	468,761
Receivables	259,688	38,208	68,099	94,830	460,825
Interfund receivables	72,614	0	0	107,637	180,251
Prepaid expenses	5,522	1,782	0	0	7,304
TOTAL ASSETS	<u>1,041,733</u>	<u>366,427</u>	<u>82,725</u>	<u>407,353</u>	<u>1,898,238</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	63,604	19,531	0	137,362	220,497
Accrued and other liabilities	27,217	3,499	0	0	30,716
Interfund payables	26,157	15,133	0	0	41,290
TOTAL LIABILITIES	<u>116,978</u>	<u>38,163</u>	<u>0</u>	<u>137,362</u>	<u>292,503</u>
FUND BALANCES:					
Reserved for debt service	0	0	82,725	0	82,725
Unreserved, reported in:					
General Fund	924,755	0	0	0	924,755
Special Revenue Fund	0	328,264	0	0	328,264
Capital Projects Fund	0	0	0	269,991	269,991
TOTAL FUND BALANCES	<u>924,755</u>	<u>328,264</u>	<u>82,725</u>	<u>269,991</u>	<u>1,605,735</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,041,733</u>	<u>\$ 366,427</u>	<u>\$ 82,725</u>	<u>\$ 407,353</u>	<u>\$ 1,898,238</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, 2006**

Statement D

Total fund balances - governmental funds \$ 1,605,735

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	3,041,831	
Depreciation expense to date	<u>(1,129,461)</u>	
		1,912,370

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, 2006 are:

Bond payable	(780,692)	
Bond amortization	30,150	
Compensated absences	(18,601)	
Leases payable	(188,055)	
Interest payable	<u>(21,222)</u>	
		<u>(958,420)</u>

Net Assets \$ 2,559,685

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, 2006**

Statement E

	<u>GENERAL</u>	<u>HEALTH & SANITATION</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECT</u>	<u>TOTAL</u>
REVENUES					
Local sources:					
Taxes	\$ 753,850	\$ 225,230	\$ 62,642	\$ 0	\$ 1,041,722
Licenses and permits	184,416	0	0	0	184,416
Intergovernmental revenues	239,430	0	0	94,665	334,095
Fines and forfeitures	220,041	0	0	0	220,041
Use of money and property	9,575	12,896	452	281	23,204
Miscellaneous revenues	59,663	100,237	0	0	159,900
Total revenues	1,466,975	338,363	63,094	94,946	1,963,378
EXPENDITURES					
Current:					
General government	611,070	0	0	0	611,070
Public Safety	596,038	0	0	0	596,038
Health and sanitation	0	208,816	0	0	208,816
Highways and streets	42,872	0	0	0	42,872
Debt service:					
Principal retirement	37,517	55,558	69,308	0	162,383
Interest and bank charges	5,087	17,905	40,401	122	63,515
Capital outlay	25,161	7,362	0	168,137	200,660
Total expenditures	1,317,745	289,641	109,709	168,259	1,885,354
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	149,230	48,722	(46,615)	(73,313)	78,024
OTHER FINANCING SOURCES (USES)					
Transfers in	0	0	23,263	0	23,263
Transfers out	(167,778)	0	0	0	(167,778)
TOTAL OTHER FINANCING SOURCES (USES)	(167,778)	0	23,263	0	(144,515)
NET CHANGE IN FUND BALANCES	(18,548)	48,722	(23,352)	(73,313)	(66,491)
FUND BALANCES - BEGINNING	943,303	279,542	106,077	343,304	1,672,226
FUND BALANCES - ENDING	\$ 924,755	\$ 328,264	\$ 82,725	\$ 269,991	\$ 1,605,735

THE NOTES TO THE 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, 2006

Statement F

Total net change in fund balances - governmental funds \$ (66,491)

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

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

Capital outlays	200,660	
Depreciation	<u>(217,044)</u>	(16,384)

Repayment of bonds and capital leases is an expenditure in the governmental funds, but reduces long-term liabilities in the Statement of Net Assets. 165,810

Bond costs are reported in the Government-wide Statements, but not in the Fund Financial Statements.

Bond amortization expense		(3,350)
---------------------------	--	---------

Compensated absences are recognized in the Statement of Net Assets as an increase to liabilities, but not in the Fund Financial Statements. (2,927)

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. 9,597

Change in net assets of governmental activities. \$ 86,255

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, 2006

Statement G-1

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
BUDGETARY FUND BALANCES, Beginning	\$ 943,303	\$ 943,303	\$ 943,303	0
Resources (inflows)				
Local sources:				
Taxes	682,500	685,600	753,850	68,250
Licenses and permits	178,950	132,750	184,416	51,666
Intergovernmental revenues	250,763	215,809	239,430	23,621
Fines and forfeitures	295,000	224,600	220,041	(4,559)
Miscellaneous revenues	39,063	39,430	69,238	29,808
Transfers from other funds	50,000	0	0	0
Amounts available for appropriations	<u>2,439,579</u>	<u>2,241,492</u>	<u>2,410,278</u>	<u>168,786</u>
Charges to appropriations (outflows)				
Current:				
General government	592,133	528,870	611,070	(82,200)
Public Safety	825,484	600,228	596,038	4,190
Highways and streets	52,405	48,550	42,872	5,678
Parks and recreation	18,235	0	0	0
Debt service:				
Principal retirement	0	34,631	37,517	(2,886)
Interest and bank charges	0	5,165	5,087	78
Capital outlay	0	55,145	25,161	29,984
Transfers	<u>203,686</u>	<u>167,800</u>	<u>167,778</u>	<u>22</u>
Total charges to appropriations	<u>1,691,943</u>	<u>1,440,389</u>	<u>1,485,523</u>	<u>(45,134)</u>
BUDGETARY FUND BALANCES, ENDING	<u>\$ 747,636</u>	<u>\$ 801,103</u>	<u>\$ 924,755</u>	<u>123,652</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, 2006

Statement G-2

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
BUDGETARY FUND BALANCES, Beginning	\$ 371,879	\$ 279,542	\$ 279,542	0
Resources (inflows)				
Local sources:				
Taxes	200,000	218,000	225,230	7,230
Use of money and property	5,600	6,500	12,896	6,396
Miscellaneous revenues	72,000	97,700	100,237	2,537
Transfers from other funds	0	0	0	0
Amounts available for appropriations	<u>649,479</u>	<u>601,742</u>	<u>617,905</u>	<u>16,163</u>
Charges to appropriations (outflows)				
Current:				
Health and sanitation	171,928	143,407	208,816	(65,409)
Debt service:				
Principal retirement	29,767	29,767	55,558	(25,791)
Interest and bank charges	0	8,200	17,905	(9,705)
Capital outlay	0	0	7,362	(7,362)
Transfers	<u>50,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total charges to appropriations	<u>251,695</u>	<u>181,374</u>	<u>289,641</u>	<u>(108,267)</u>
BUDGETARY FUND BALANCES, ENDING	<u>\$ 397,784</u>	<u>\$ 420,368</u>	<u>\$ 328,264</u>	<u>(92,104)</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, 2006

Statement H

ASSETS

Cash and cash equivalents	\$ 103,199
Receivables, net of allowance of \$805	54,846
Capital assets, net	1,906,672
Restricted assets	
Cash	220,000
Investments	<u>115,081</u>
 TOTAL ASSETS	 <u>2,399,798</u>

LIABILITIES

Account payable	9,680
Accrued and other liabilities	4,059
Interfund payable	138,961
Interest payable	65,861
Customer deposits payable	96,995
Current portion of bonds payable	127,570
Notes payable	25,000
Revenue bonds payable	<u>1,707,368</u>
 TOTAL LIABILITIES	 <u>2,175,494</u>

NET ASSETS

Invested in capital assets, net of related debt	50,594
Restricted for Debt Retirement	335,081
Unrestricted	<u>(161,371)</u>
 TOTAL NET ASSETS	 <u>\$ 224,304</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, 2006

Statement I

OPERATING REVENUES	
Water sales	\$ 217,051
Water connection charges	2,400
Sewer fees	<u>272,075</u>
Total operating revenues	<u>491,526</u>
OPERATING EXPENSES	
Water department	506,363
Sewer department	<u>231,316</u>
Total operating expenses	<u>737,679</u>
OPERATING INCOME (LOSS)	<u>(246,153)</u>
NONOPERATING REVENUES (EXPENSES)	
Miscellaneous	4,807
Interest income	2,347
Ad valorem tax revenues	45,032
Sales tax revenues	17,587
Interest expense	<u>(92,971)</u>
Total nonoperating revenues (expenses)	<u>(23,198)</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(269,351)</u>
TRANSFERS IN/OUT	
Transfers in	144,515
Transfers out	<u>0</u>
Total transfers in/out	<u>144,515</u>
CHANGE IN NET ASSETS	(124,836)
NET ASSETS - BEGINNING	<u>349,140</u>
NET ASSETS - ENDING	<u>\$ 224,304</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, 2006**

Statement J

CASH FLOW FROM OPERATING ACTIVITIES

Receipts from customers	\$ 477,447
Payments to employees	(126,494)
Payments to others	<u>(375,454)</u>
Net cash provided (used) for operating activities	<u>(24,501)</u>

CASH FLOW (USES) FROM NONCAPITAL FINANCING ACTIVITIES:

Transfers in	144,515
Sales tax receipts	17,587
Ad valorem tax receipts	45,032
(Increase) decrease in restricted assets - deposits	46,550
Other miscellaneous receipts	<u>4,807</u>
Net cash provided (used) for noncapital financing activities	<u>258,491</u>

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

Acquisition of capital assets	(23,461)
Principal payments on notes and bonds	(122,926)
Interest paid on bonds	<u>(84,404)</u>
Net cash provided (used) for capital and related financing activities	<u>(230,791)</u>

CASH FLOW FROM INVESTING ACTIVITIES

Earnings on investments	<u>2,347</u>
-------------------------	--------------

Net increase (decrease) in cash and cash equivalents 5,546

CASH AND CASH EQUIVALENTS - BEGINNING 97,653

CASH AND CASH EQUIVALENTS - ENDING \$ 103,199

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

Operating income (loss)	\$ (246,153)
Adjustments to reconcile operating income to net cash provided (used) for operating activities:	
Depreciation	210,654
(Increase) decrease in accounts receivable	(14,079)
(Increase) decrease in prepaid expenses	3,961
Increase (decrease) in accounts payable	(45,755)
Increase (decrease) in accrued and other liabilities	4,457
Increase (decrease) in compensated absences	(2,442)
Increase (decrease) in interfund payables	57,482
Increase (decrease) in customer deposits	<u>7,374</u>

Net cash provided (used) by operating activities \$ (24,501)

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

City of Grambling
Notes to the Basic Financial Statements

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City of Grambling
Notes to the Basic Financial Statements

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

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

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

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

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

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

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

Funds are classified into two categories; governmental and proprietary. Each category, in turn, is divided into separate "fund types." Governmental funds are used to account for a government's general activities, where the focus of attention is on the providing of services to the public as opposed to proprietary funds where the focus of attention is on the recovering the cost of providing services to the public or other agencies through service charges or user fees. The City's current operations require the use of governmental and proprietary fund types described as follows:

City of Grambling
Notes to the Basic Financial Statements

Governmental Funds

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

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

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

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

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

Fund Financial Statements (FFS)

Governmental Funds The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to

City of Grambling
Notes to the Basic Financial Statements

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

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

City of Grambling
Notes to the Basic Financial Statements

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 reported at amortized cost money market investments and *participating* interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less.

Definitions:

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

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

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

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

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

City of Grambling
Notes to the Basic Financial Statements

An audit of LAMP is conducted annually by an independent certified public accountant. The Legislative Auditor of the state of Louisiana has full access to the records of the LAMP. The LAMP may invest in U. S. Government Securities. The LAMP is designed to comply with restriction on investment by municipalities, parishes, and other types of political subdivisions imposed under Louisiana Revised Statute 33:2955.

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

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

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

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

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

I. COMPENSATED ABSENCES 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.

City of Grambling
Notes to the Basic Financial Statements

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

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

K. RISK MANAGEMENT The City is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. To handle such risk of loss, the City maintains commercial insurance policies covering its automobiles, professional liability, general liability, and surety bond coverage. There were no significant reductions in insurance coverage during the year ended December 31, 2006.

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

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments;

Imposed by law through constitutional provisions or enabling legislation. All restricted net assets reported on statement A are the result of enabling legislation.

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

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

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

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

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

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

City of Grambling
Notes to the Basic Financial Statements

NOTE 2 - BUDGET TO GAAP RECONCILIATION

<u>Sources/inflows of resources:</u>	<u>General</u>	<u>Health & Sanitation</u>
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule-Statement G	\$2,410,278	\$ 617,905
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	(943,303)	(279,542)
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds-Statement E	<u>\$1,466,975</u>	<u>\$ 338,363</u>
 <u>Charges to appropriations/outflows</u>		
Actual amounts (budgetary basis) "charges to appropriations" from the budgetary comparison schedule-Statement G	\$1,485,523	\$289,641
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(167,778)	0
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds-Statement E	<u>\$1,317,745</u>	<u>\$289,641</u>

The General Fund had actual expenditures greater than of budgeted expenditures of \$45,134 and the Health and Sanitation Fund had actual expenditures greater than budgeted of \$108,267.

Stewardship, Compliance, and Accountability

A. Excess of Expenditures Over Appropriations in Individual Funds The following individual funds had actual expenditures over budgeted expenditures for the year ended December 31, 2006:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
General Fund	\$1,440,389	\$1,485,523	\$ 45,134
Health & Sanitation	181,374	289,641	108,267

NOTE 3 - DEPOSITS & INVESTMENTS At December 31, 2006, the City had the following investments:

<u>Type of investment</u>	<u>Carrying Amount Fair Value</u>	<u>Concentration of Credit risk</u>
Investments not subject to categorization:		
External investment pool (LAMP)	<u>\$391,416</u>	83%
Total investments	<u>\$391,416</u>	

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

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

Custodial Credit-Deposits: At year end, The City's carrying amount of deposits was \$1,296,722 (Statement A-Cash and cash equivalents of \$884,296, restricted assets of \$335,081 and certificates of Deposit classified as investments of \$77,345). 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, 2006, the City's bank balance was \$1,422,328 of which \$370,265 was covered by federal depository insurance or by collateral held by the City's agent in the City's name (GASB Category 1). The

City of Grambling
Notes to the Basic Financial Statements

remaining \$1,052,063 of the bank balance was exposed to custodial credit risk because it was uninsured and collateralized with security held by the pledging financial institutions trust department or agent but not in the City's name. Even though the pledge securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the City that the fiscal agent has failed to pay deposited funds upon request.

Custodial Credit Risk-Investments: For an investment, this is the risk that, in the event of the failure of the counter party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At December 31, 2006, the City had 100% of its investments with an outside party. The City's policy does not address custodial credit risk.

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.

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

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

Property Tax Calendar

Lien Date	No set date
Levy Date	October 31, 2006
Due Date	December 31, 2006
Collection Dates	November 1 through June 30

City of Grambling
Notes to the Basic Financial Statements

NOTE 5 - RECEIVABLES The following is a summary of receivables at December 31, 2006:

<u>Class of Receivable</u>	<u>General Fund</u>	<u>Health & Sanitation Fund</u>	<u>Debt Service Fund</u>	<u>Capital Fund</u>	<u>Maintenance Fund</u>	<u>Total</u>
Taxes:						
Property taxes	\$198,659	\$ 0	\$67,833	\$ 0	\$30,283	\$296,775
Sales and use	49,097	38,208	0	0	0	87,305
Intergovernmental revenue	0	0	0	94,665	0	94,665
User fees	0	0	0	0	21,762	21,762
Franchise Fees	10,088	0	0	0	0	10,088
Other	1,844	0	266	165	2,801	5,076
Total	<u>\$259,688</u>	<u>\$38,208</u>	<u>\$68,099</u>	<u>\$94,830</u>	<u>\$54,846</u>	<u>\$515,671</u>

These receivables are expected to be collected in full; therefore, no allowance for doubtful accounts was established in the governmental funds. The receivable of \$54,846 in the maintenance enterprise fund is net of an allowance for doubtful accounts of \$805.

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

Individual balances due from/to other funds at December 31, 2006 are as follows:

<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
General	\$ 15,133	Health & Sanitation	\$ 15,133
	57,481	Maintenance	57,481
Capital Projects	81,480	Maintenance	81,480
	<u>26,157</u>	General	<u>26,157</u>
Total	<u>\$180,251</u>	Total	<u>\$180,251</u>

The general fund receivables are for payroll which is paid by the general fund and reimbursed by other funds. The receivable of the capital projects fund is to cover cash flow.

Transfers during the year ended December 31, 2006 were as follows:

	<u>Transfer From Other Funds</u>	<u>Transfer to Other Funds</u>
General Fund	\$ 0	\$167,778
Debt Service Fund	23,263	0
Maintenance Fund	144,515	0
Total	<u>\$167,778</u>	<u>\$167,778</u>

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

City of Grambling
Notes to the Basic Financial Statements

NOTE 7 - ACCOUNTS PAYABLE AND ACCRUED AND OTHER LIABILITIES The payables at December 31, 2006 are as follows:

<u>Payable category</u>	<u>General Fund</u>	<u>Health & Sanitation Fund</u>	<u>Capital Project Fund</u>	<u>Maintenance Enterprise Fund</u>	<u>Total</u>
Vendors	\$63,604	\$19,531	\$137,362	\$ 9,680	\$230,177
Wages	18,429	3,499	0	4,059	25,987
State Grant	8,788	0	0	0	8,788
Total	\$90,821	\$23,030	\$137,362	\$13,739	\$264,952

NOTE 8 - CAPITAL ASSETS The following presents the changes in capital assets for the year ended December 31, 2006:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental activities:				
Nondepreciable assets:				
Land	\$ 42,902	\$ 0	\$0	\$ 42,902
Construction in progress	0	168,137	0	168,137
Total nondepreciable assets	42,902	168,137	0	211,039
Depreciable Assets:				
Buildings and improvements	1,601,788	0	0	1,601,788
Furniture and equipment	1,196,481	32,523	0	1,229,004
Total depreciable assets	2,798,269	32,523	0	2,830,792
Less: accumulated depreciation	(912,417)	(217,044)	0	(1,129,461)
Net depreciable capital assets	1,885,852	(184,521)	0	1,701,331
Governmental activities capital assets, net	\$1,928,754	\$ (16,384)	\$0	\$ 1,912,370

Depreciation expense for 2006 was charged to governmental activities as follows:

General government	\$ 41,142
Public safety	77,335
Health and sanitation	1,446
Highways and streets	97,121
Total	\$217,044

City of Grambling
Notes to the Basic Financial Statements

A summary of plant and equipment changes in the Maintenance Enterprise Fund for 2006 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Land	\$ 16,526	\$ 0	\$0	\$ 16,526
Depreciable Assets				
Buildings and improvements	30,000	0	0	30,000
Sewage plant	2,483,313	0	0	2,483,313
Water system	1,566,193	0	0	1,566,193
Water/Sewer equipment	1,036,151	23,461	0	1,059,612
Vehicles	<u>12,758</u>	<u>0</u>	<u>0</u>	<u>12,758</u>
Total depreciable assets	5,128,415	23,461	0	5,151,876
Less: accumulated depreciation	<u>(3,051,076)</u>	<u>(210,654)</u>	<u>0</u>	<u>(3,261,730)</u>
Net capital assets, depreciable	<u>2,077,339</u>	<u>(187,193)</u>	<u>0</u>	<u>1,890,146</u>
Enterprise fund capital assets, net	<u>\$ 2,093,865</u>	<u>\$(187,193)</u>	<u>\$0</u>	<u>\$ 1,906,672</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 3% for that calendar year. The funds are immediately vested when paid into the plan. The plan is based on the IRS Code and must comply with all IRS Code requirements. The City of Grambling's contributions to the system for the years ending December 31, 2006 and 2005 were \$3,840 and \$4,245, respectively, equal to the required contributions for each year.

NOTE 10 - CHANGES IN LONG-TERM OBLIGATIONS The following is a summary of long-term obligation transactions for the year ended December 31, 2006:

	<u>Governmental Funds</u>			<u>Total</u>	<u>Maintenance - Enterprise Fund</u>		
	<u>Compensated Absences</u>	<u>Capital Leases</u>	<u>Certificate of Indebtedness</u>		<u>Compensated Absences</u>	<u>Bonds Payable</u>	<u>Total</u>
Balance, beginning	\$15,674	\$264,557	\$850,000	\$1,130,231	\$2,442	\$1,979,004	\$1,981,446
Additions	10,011	0	0	10,011	3,665	0	3,665
Retirements	<u>7,084</u>	<u>96,502</u>	<u>69,308</u>	<u>172,894</u>	<u>2,247</u>	<u>122,926</u>	<u>125,173</u>
Balance, ending	<u>\$18,601</u>	<u>\$168,055</u>	<u>\$780,692</u>	<u>\$ 967,348</u>	<u>\$3,860</u>	<u>\$1,856,078</u>	<u>\$1,859,938</u>
Amounts due in one year	<u>\$18,601</u>	<u>\$ 25,046</u>	<u>\$ 70,877</u>	<u>\$ 114,524</u>	<u>\$3,860</u>	<u>\$ 123,710</u>	<u>\$ 127,570</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

Bonded debt payable at December 31, 2006 is comprised of the following individual issues:

\$850,000 – Certificate of Indebtedness, Series 2005 – the principal is due in annual installments of \$109,708 beginning June 30, 2005 and due each year through 2015, with an interest rate of 4.974%. Debt retirement payments are made from the Debt Service Fund.	\$ 780,692
\$150,000 - Certificate of Indebtedness, Series 2001 – the remaining principal is due in annual installments of \$21,000 to \$25,000 through February, 2008, with an interest rate of 5.65%. Debt retirement payments are made from the Maintenance Enterprise Fund.	49,000
\$1,250,000 – Utilities Revenue Bonds, Series 1995 – the remaining principal is due in annual installments of \$15,000 to \$72,000 through 2035, with the balance of \$12,305 being paid in 2036, with an interest rate of 5.125. Debt retirement payments are made from the Maintenance Enterprise Fund.	1,120,293
\$380,000 -1970 Water Sewer Bonds Junior Lien Revenue Bonds – the remaining principal is due in annual installments of \$21,000 to \$25,000 through 2009, with the balance of \$11,000 being paid in 2010, with an interest rate of 5.375%. Debt retirement payments are made from the Maintenance Enterprise Fund.	83,000
\$1,170,000 - 1993 Utilities Revenue Bond, Series 1993 – the remaining principal is due in annual installments of \$55,000 to \$75,000 through March, 2015, with an interest rate of 2.95%. Debt retirement payments are made from the Maintenance Enterprise Fund.	<u>603,785</u>
Total	<u>\$2,636,770</u>

As shown on Statement C, \$82,725 is available in the Debt Service Fund to service the bonded debt. The annual requirements to amortize all outstanding bonded debt at December 31, 2006 are as follows:

Debt Service Fund:

Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 70,877	\$ 38,832	\$109,709
2008	74,402	35,306	109,708
2009	78,103	31,605	109,708
2010	81,988	27,720	109,708
2011	86,066	23,642	109,708
2012-2015	<u>389,256</u>	<u>49,579</u>	<u>438,835</u>
Total	<u>\$780,692</u>	<u>\$206,684</u>	<u>\$987,376</u>

City of Grambling
Notes to the Basic Financial Statements

As shown on Statement H, \$335,081 is available in the Maintenance Enterprise Fund to service the bonded debt. The annual requirements to amortize all outstanding bonded debt at December 31, 2006 are as follows:

Maintenance Enterprise Fund:

Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 123,710	\$ 78,260	\$ 201,970
2008	126,603	75,982	202,585
2009	108,544	74,334	182,878
2010	95,536	73,343	168,879
2011	90,581	69,476	160,057
2012-2016	404,418	314,122	718,540
2017-2021	156,521	216,123	372,644
2022-2026	203,085	169,559	372,644
2027-2031	263,502	109,143	372,645
2032-2036	<u>283,578</u>	<u>31,985</u>	<u>315,563</u>
Total	<u>\$1,856,078</u>	<u>\$1,212,327</u>	<u>\$3,068,405</u>

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

At December 31, 2006, the City had the following assets under capital lease:

<u>Asset</u>	<u>Cost</u>
Fire Truck	\$ 91,575
New Holland Tractor	15,929
Garbage Truck	206,790
Ford Expedition	23,200
Crown Victoria	19,988
Crown Victoria	<u>19,988</u>
Total	<u>\$377,470</u>

The following is a schedule of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments, as of December 31, 2006:

General Fund:	<u>Amount</u>
Fiscal year:	
2007	\$ 28,657
2008	53,736
2009	52,953
2010	<u>52,955</u>
Total lease payments	188,301
Less amounts representing interest	<u>(20,246)</u>
Present value of net minimum lease payments	<u>\$168,055</u>

City of Grambling
Notes to the Basic Financial Statements

NOTE 11 - LITIGATION AND CLAIMS At December 31, 2006, the City is involved in litigation. In the opinion of the City's legal counsel, the outcome of any litigation will not materially affect the financial statements.

NOTE 12 - CONTINGENT LIABILITIES The City has an outstanding liability at December 31, 2006 in the amount of \$59,798 to Louisiana Municipal Risk Management Agency for prior years worker compensation policy premium covering the policy period of May 1, 2004 to May 1, 2005. In January, 2007, the City made a payment to the agency for \$29,899, leaving a balance of \$29,899 owed by the City.

City of Grambling

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, 2006 and 2005

Schedule 1

	2006	2005
	MAINTENANCE	MAINTENANCE
	FUND	FUND
	<u> </u>	<u> </u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 103,199	\$ 97,653
Receivables, net	54,846	40,767
Prepaid expenses	0	3,961
Capital assets, net	1,906,672	2,093,865
Restricted Assets:		
Cash	220,000	339,346
Investments	<u>115,081</u>	<u>42,285</u>
 TOTAL ASSETS	 <u>2,399,798</u>	 <u>2,617,877</u>
 LIABILITIES		
Accounts payable	9,680	55,435
Accrued and other liabilities	4,059	3,462
Interfund payable	138,961	81,479
Interest payable	65,861	57,294
Customer deposits payable	96,995	89,621
Current portion of bonds payable	127,570	123,304
Notes payable	25,000	49,000
Revenue bonds payable	<u>1,707,368</u>	<u>1,809,142</u>
 TOTAL LIABILITIES	 <u>2,175,494</u>	 <u>2,268,737</u>
 NET ASSETS		
Invested in capital assets, net of related debt	50,594	110,704
Restricted for Debt Retirement	335,081	381,631
Unrestricted	<u>(161,371)</u>	<u>(143,195)</u>
 Total Net Assets	 <u>\$ 224,304</u>	 <u>\$ 349,140</u>

CITY OF GRAMLING
PROPRIETARY FUND - MAINTENANCE ENTERPRISE FUND
Proposed Budget - 2007
For the Year Ended December 31, 2006

Schedule 2

OPERATING REVENUES	
Water sales	\$ 213,520
Water connection charges	3,600
Sewer fees	<u>325,842</u>
Total operating revenues	<u>542,962</u>
OPERATING EXPENSES	
Water department	403,863
Sewer department	<u>374,266</u>
Total operating expenses	<u>778,129</u>
OPERATING INCOME (LOSS)	<u>(235,167)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	1,000
Ad valorem tax revenues	11,000
Sales tax revenues	18,000
Interest expense	<u>(80,885)</u>
Total nonoperating revenues (expenses)	<u>(50,885)</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(286,052)</u>
TRANSFERS IN	
Transfers in	<u>182,188</u>
Total transfers in	<u>182,188</u>
CHANGE IN NET ASSETS	(103,864)
NET ASSETS - BEGINNING	<u>349,140</u>
NET ASSETS - ENDING	<u>\$ 245,276</u>

City of Grambling
Schedule of Compensation Paid Council Members
For the Year Ended December 31, 2006

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>
Alvin Bradley, Sr., President	12/31/06	\$ 4,725
Clarence Kennedy	12/31/06	4,725
Edward Jones	12/31/06	4,900
Shawn Robinson, Sr.	12/31/06	4,725
Toby Bryan	12/31/06	<u>4,206</u>
Total		<u>\$23,281</u>

City of Grambling
Schedule of Insurance Coverage
As of December 31, 2006

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	07/30/07
			Personal Property-\$540,000	\$2,500	07/30/07
Automobile	Agency Management Corporation	5CA8938	Based on individual Vehicle	\$1,000	03/13/07
Fidelity Bond	Traveler's Casualty	103093269	\$15,000	NONE	07/20/07
		104436852	\$ 5,000	\$500	02/11/10
		103093272	\$10,000	NONE	07/20/07

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

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

City of Grambling
Schedule of Breakdown of Utility Customers
For the Year Ended December 31, 2006

Schedule 5

<i>Commercial</i>	23
<i>Residential</i>	<u>996</u>
Total Customers	<u>1,019</u>

City of Grambling
Schedule of Water & Sewer Rates
As of and For the Year Ended December 31, 2006

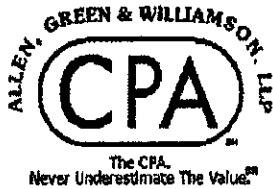
Schedule 6

<u>Gallons</u>	<u>Dollar amount</u>
1,000	10.00
2,000	10.00
3,000	11.75
4,000	13.50
5,000	15.25
6,000	17.00
7,000	18.75
8,000	20.50
9,000	22.25
10,000	24.00

City of Grambling

**OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

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



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

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of the City of Grambling, (the City) as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 20, 2007. Our report was qualified for operating revenues and accounts receivable in the enterprise fund. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 06-F4, 06-F5, 06-F6, and 06-F7 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purposes described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 06-F4, 06-F5, 06-F6, and 06-F7 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 06-F1, 06-F2 06-F3, and 06-F8.

Management Letter Items

We noted matters involving internal control over financial reporting, which we have reported to the management of the City in a separate letter dated June 20, 2007.

The City's responses to the findings identified in our audit are described in the accompanying schedule of 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, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of these reports may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Allen, Green + Williamson, LLP
ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
June 20, 2007

City of Grambling
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2006

Reference # and title: **06-F1** **Related-Party Transactions**

Criteria or specific requirement: Revised statute 42:1119 of the Louisiana Code of Ethics states, in part, "no member of the immediate family of an agency head shall be employed in his agency". Also, Revised statute 42:1113 states, in part, "no elected official or public employee or member of such public servant's immediate family...enter into any contract, subcontract, or other transaction that is under the supervision or jurisdiction of the public servant's agency".

Condition found: The City administers a federal grant which provides medical related services at the medical clinic. Two people who were paid contract amounts of \$850 and \$300 from this grant are relatives of City employees. Also, the City paid two city employees who also worked on this grant as contract labor, not through the payroll system.

Possible asserted effect (cause and effect):

Cause: Per the Mayor, the City requested legal advice before hiring relatives and was told it was acceptable because the exception for a hospital service district applied to this situation.

Effect: The grant is administered by the City; therefore, it appears that the payments may have violated state law.

Recommendations to prevent future occurrences: The City should not hire or enter into any contract with relatives of city employees in the future to ensure compliance with state laws. Also, all payments to city employees should be processed through the payroll system not as contract labor.

Reference # and title **06-F2** **Louisiana Local Government Budget Act**

Criteria or specific requirement: LSA-R.S. 39:1301-1314 states, in part, that chief executive or administrative officer is to advise the governing authority or independently elected official in writing when total expenditures for the remainder of the year, within a fund, are exceeding total budgeted expenditures by five percent or more.

Condition found: The Health & Sanitation Fund had actual expenditures exceeding budgeted expenditures in excess of 5% for the year.

Possible asserted effect (cause and effect):

Cause: The budget was not monitored closely in order to amend as required by law.

Effect: The City is in violation of the Louisiana Local Government Budget Act.

Recommendations to prevent future occurrences: The City should monitor revenues and expenditures and amend budgets when necessary as required by law.

City of Grambling
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2006

Reference # and title **06-F3** **Accounting For USDA-Housing Preservation Grant Funds**

Criteria or specific requirement: Per the written agreement with USDA regarding the Housing Preservation Grant revenue, accounting records should be maintained by the grantee who is the City of Grambling.

Condition found: The funds received from USDA-Housing Preservation Grant were not included in the accounting records for the City. There was no activity recorded for the grant in the accounting records for the year ended December 31, 2006.

Possible asserted effect (cause and effect):

Cause: The City was unaware this grant should be accounted for as part of the City's accounting records.

Effect: The City is in violation of the agreement with USDA.

Recommendations to prevent future occurrences: The City should include in the accounting records all grants in which the City is the grantee in the future.

Reference # and title: **06-F4** **Lack of Separation of Duties in Water & Sewer Department**

Criteria or specific requirement: Good internal control procedures require assignment of job responsibilities in such a way as to divide the accounting function between two or more people so that if transactions were processed that were not consistent with management's policies and/or errors were made in the accounting process, these transactions would be discovered by the City's personnel in the process of performing their assigned duties within a timely period and the necessary corrections could be made.

Condition found: The Clerk for the water & sewer department prepares the billing lists, accepts all payments, and enters payments into the computer system maintained for the water & sewer department.

Possible asserted effect (cause and effect):

Cause: Unknown.

Effect: Internal control over accounting records for the water & sewer is inadequate.

Recommendations to prevent future occurrences: The City should realign duties between the clerk and the two other individuals in the administrative office in order to have better internal control over the accounting function in the future.

City of Grambling
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2006

Reference # and title: **06-F5** **Untimely Cash Deposits of Water & Sewer Receipts**

Criteria or specific requirement: Good cash management requires that cash receipts be deposited in a timely manner. AG&W consider deposits within three banking days as being timely.

Condition found: While testing cash receipts for the Water and Sewer Enterprise funds, it was noted that eight deposits tested were not deposited in a timely manner (within three business days). One receipt for August 4, 2006 could not be traced to a deposit. Receipts for June 8, 2006 were deposited before the receipts for June 1, 2006. There was also lack of physical security of receipts as it was noted that tickets, checks and cash were laid on top of the cash register where they could be easily taken.

Possible asserted effect (cause and effect):

Cause: The clerk in the Water & Sewer Department made bank deposits haphazardly.

Effect: Cash deposits were not made in a timely manner by the City.

Recommendation to prevent future occurrences: The City should ensure that all cash receipts are deposited in a timely manner (within three business days). There should be greater internal control over all cash receipts. There should be a reconciliation of receipts to the actual deposit of all payments performed by an employee outside of the Water & Sewer Department. The receipts should always be in a secure location when not being counted. One person is now taking receipts, entering receipts and preparing the bank deposit and all summary reports.

Reference # and title: **06-F6** **Delinquent Customer Accounts in Water & Sewer Department**

Criteria or specific requirement: All customer accounts not made by the required date should be disconnected and procedures taken to collect all monies owed to the City for services. Policies should be in place and strictly adhered to.

Condition found: While testing the month of June, 2006, it was noted that 6 of the 10 customer payments tested had not been paid. The security deposit paid by the customer had not been drawn down against the outstanding amount owed in 5 of the 6 instances. None of the 6 had ever had their services terminated nor had any of the accounts owed been turned over to a collection agency. The security deposit listing was examined and it was noted that numerous inactive customers' deposits are still listed in the total deposits.

Possible asserted effect (cause and effect):

Cause: The City has no written disconnect policy/collection policy for delinquent utility bills.

Effect: The City is not collecting all monies owed for utility services. The security deposits held by the City are not being applied to outstanding amounts.

Recommendation to prevent future occurrences: The City should establish written guidelines to be followed in regards to non-payment of utility bills by customers. Also, a procedure should be written outlining the process to be followed to attempt to collect delinquent amounts. These guidelines should be strictly enforced on all delinquent accounts. Security deposits records should be updated to reflect actual current deposits of customers.

City of Grambling
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2006

Reference # and title: **06-F7** **Material Journal Entries Not Recorded**

Criteria or specific requirement: The agency should record journal entries to accrue all material accounts receivable and accounts payable at year-end.

Condition found: There were no entries made to record accounts receivable and accounts payable at year-end.

Possible asserted effect (cause and effect):

Cause: Unknown.

Effect: Auditors were required to make journal entries to record material accounts payable and accounts receivable for the year ended December 31, 2006.

Recommendation to prevent future occurrences: The City should record all material journal entries in the accounting records for accruals at year-end. The accounting firm now being used by the City should make the entries or the entries should be made by a qualified employee of the City.

Reference # and title: **06-F8** **Late Submission of the Audit Report to the USDA**

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

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

Condition found: The City did not file the audit by the end of the 150 days as required. The audit for the year ended December 31, 2006 was filed in June, 2007.

Possible asserted effect (cause and effect):

Cause: The audit for the City was not completed in time to meet the required deadline due to additional testing of accounting records required by auditors.

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

Recommendation to prevent future occurrences: In the future, the City should maintain accounting records necessary for auditors to complete the audit to meet the deadline.

Other Information

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

City of Grambling
Summary Schedule of Prior Year Audit Findings
For the Year Ended December 31, 2006

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

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

Corrective action taken: The required notice was published.

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

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

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

Corrective action taken: Care is taken to ensure disbursements are properly documented.

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

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

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

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

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

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

Corrective action taken: Documentation for credit cards is now retained and reconciled with statement before payment each month.

**City of Grambling,
Summary Schedule of Prior Year Audit Findings
For the Year Ended December 31, 2006**

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

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

Corrective action planned: See current-year finding 06-F8.

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

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

Corrective action taken: The City Council rescinded the motion to increase water rates at the July 6, 2006 council meeting.

City of Grambling
Corrective Action Plan for Current-year Findings and Questioned Costs
For the Year Ended December 31, 2006

Reference # and title: **06-F1** **Related-Party Transactions**

Condition found: The City administers a federal grant which provides medical related services at the medical clinic. Two people who were paid contract amounts of \$850 and \$300 from this grant are relatives of city employees. Also, the City paid two city employees who also worked on this grant as contract labor, not through the payroll system.

Corrective action planned: I must protest this finding for the following reasons:

- a. This was done in 2005 and should have been addressed then;
- b. It was pointed out by our previous employee who now works for you; we feel this is a conflict.
- c. The employees in question were working for a medical grant out of the medical clinic, all were nurses, doctors or students working on degrees in HIM (Health Information Management).

We realize this is a gray area of concern and the city will absolutely not be guilty of this or any similar infraction again.

Person responsible for the above corrective actions:

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

Anticipated completion date: Immediately.

Reference # and title: **06-F2** **Louisiana Local Government Budget Act**

Condition found: The Health & Sanitation Fund had actual expenditures exceeding budgeted expenditures in excess of 5% for the year.

Corrective action planned: The City is in the process of employing additional accounting personnel who will ensure, along with the mayor and council that all budgets are current.

Person responsible for the above corrective actions:

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

Anticipated completion date: June 30, 2007.

Reference # and title: **06-F3** **Accounting for USDA-Preservation Grant Funds**

Condition found: The funds received from USDA-Housing Preservation Grant were not included in the accounting records for the City. There was no activity recorded for the grant in the accounting records for the year ended December 31, 2006.

Corrective action planned: USDA funds will be properly recorded in all accounting records for the city effective immediately.

City of Grambling
Corrective Action Plan for Current-year Findings and Questioned Costs
For the Year Ended December 31, 2006

Person responsible for the above corrective actions:

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

Anticipated completion date: Immediately.

Reference # and title: **06-F4** **Lack of Separation of Duties in Water & Sewer Department**

Condition found: The Clerk for the water & sewer department prepares the billing lists, accepts all payments, and enters payments into the computer system maintained for the water & sewer department.

Corrective action planned: The above mentioned duties will be separated to allow for effective check and balance in the department.

Person responsible for the above corrective actions:

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

Anticipated completion date: Immediately.

Reference # and title: **06-F5** **Untimely Cash Deposits of Water & Sewer Receipts**

Condition found: While testing cash receipts for the Water and Sewer Enterprise funds, it was noted that eight deposits tested were not deposited in a timely manner (within three business days). One receipt for August 4, 2006 could not be traced to a deposit. Receipts for June 8, 2006 were deposited before the receipts for June 1, 2006. There was also lack of physical security of receipts as it was noted that bill stubs, checks and cash were laid on top of the cash register where they could be easily taken.

Corrective action planned: All deposits will be made within three business days. Measures will be taken to ensure the security of cash, checks and tickets. The door will be closed and locked and use will be made of the window opening. That way these items will not be in reach of the customers.

Person responsible for the above corrective actions:

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

Anticipated completion date: Immediately.

City of Grambling
Corrective Action Plan for Current-year Findings and Questioned Costs
For the Year Ended December 31, 2006

Reference # and title: **06-F6** **Delinquent Customer Accounts in Water & Sewer Department**

Condition found: While testing the month of June, 2006, it was noted that 6 of the 10 customer payments tested had not been paid. The security deposit paid by the customer had not been drawn down against the outstanding amount owed in 5 of the 6 instances. None of the 6 had ever had their services terminated nor had any of the accounts owed been turned over to a collection agency. The security deposit listing was examined and it was noted that numerous inactive customers' deposits are still listed in the total deposits.

Corrective action planned: The City will develop and follow a strict policy for customer payment of utility bills.

Person responsible for the above corrective actions:

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

Anticipated completion date: Immediately.

Reference # and title: **06-F7** **Material Journal Entries Not Recorded**

Condition found: There were no entries made to record accounts receivable and accounts payable at year-end.

Corrective action planned: With the additional personnel in accounting this will not happen again.

Person responsible for the above corrective actions:

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

Anticipated completion date: These reports will be completed on time at year end.

Reference # and title: **06-F8** **Late Submission of the Audit Report to the USDA**

Condition found: The City did not file the audit by the end of the 150 days as required. The audit for the year ended December 31, 2006 was filed in June, 2007.

Corrective action planned: With additional help on accounting all audits and report will be made on time in the future.

City of Grambling
Corrective Action Plan for Current-year Findings and Questioned Costs
For the Year Ended December 31, 2006

Person responsible for the above corrective actions:

Mayor Martha W. Andrus

Telephone: (318) 247-6120

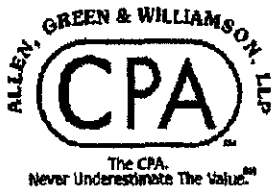
City of Grambling

Fax: (318) 247-0940

P. O. Box 108

Grambling, LA 71245

Anticipated completion date: In time for the next auditing review.



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Diane Ferschoff, CPA
Amy Tynes, CPA
Rusty Bryan, CPA
Aimee Buchanan, CPA

Ernest L. Allen, CPA
(Retired) 1963 - 2006

Management Letter

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

In planning and performing our audit of the governmental activities, the business-type activities and each major fund of the City of Grambling, as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements, we considered the City's internal control to plan our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control.

However, during our audit, we noted certain matters involving internal control and other operational matters that is presented for your consideration. This letter does not affect our report dated June 20, 2007 on the financial statements of the City. We will review the status of these comments during our next audit engagement. Our comments and recommendations, which have been discussed with appropriate members of management, are intended to improve internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

06-M1 Accepting Cash Payments for Utility Payments

Comment: The City accepts cash for payments of utility service bills by customers.

Recommendation: The City should consider accepting check or money orders for utility payments to reduce the risk the City is exposed to when cash is kept on hand.

Management's response: The city will collect payments in the form of checks or money orders to reduce the risk to the city.

Comment: It was observed that the City was required to make payment to the credit card company (MBNA) for amounts it had already reimbursed to an employee and council member. The credit card company was threatening to take legal action if the City did not make payment. The amounts were then deducted from the employee and council member's wages through the payroll system until the amounts were reimbursed to the City.

Recommendation: The City should cancel the credit cards in the employees/council members name or either make payment directly to the credit card company.

Management's response: The city will cancel the credit cards.

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

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

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

Allen, Green + Williamson, LLP
ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
June 20, 2007

City of Grambling
Status of Prior Management Letter Items
For the Year Ended December 31, 2006

05-M1 **Adherence to the Louisiana Bid Law**

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

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

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

Management's response: The City ensures the Louisiana Bid Law has been adhered to for purchases.

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

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

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

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

05-M3 **Accepting Cash Payments**

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

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

Management's response: See current-year management letter item 06-M1.