

**City of Grambling  
Grambling, Louisiana**

**Basic Financial Statements  
And Independent Auditors' Report  
As of and for the Year Ended December 31, 2012**

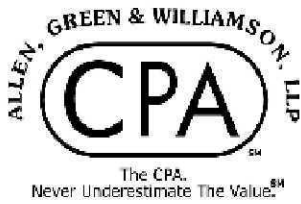


**City of Grambling  
Table of Contents**

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT	5-7
REQUIRED SUPPLEMENTARY INFORMATION	8
Management Discussion and Analysis	9-17
 BASIC FINANCIAL STATEMENTS	
	<u>Statement</u>
Government-wide Financial Statements (GWFS)	18
Statement of Net Position	A 19
Statement of Activities	B 20-21
Fund Financial Statements (FFS)	22
Governmental Funds:	
Balance Sheet	C 23
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	D 24
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances	E 25
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	F 26
Budgetary Comparison Schedule:	
General Fund	G-1 27
Health & Sanitation	G-2 28
Proprietary Fund – Maintenance Enterprise Fund:	
Statement of Net Position	H 29
Statement of Revenues, Expenses, and Changes in Fund Net Position	I 30
Statement of Cash Flows	J 31
Notes to the Basic Financial Statements	
Index	32
Notes	33-48
 SUPPLEMENTARY INFORMATION REQUIRED BY U.S. DEPARTMENT OF AGRICULTURE	 <u>Schedule</u> 49
Proprietary Fund – Maintenance Enterprise Fund:	
Comparative Statement of Net Position	1 50
Proposed Budget 2013	2 51
Schedule of Compensation Paid Council Members	3 52
Schedule of Insurance Coverage	4 53
Schedule of Breakdown of Utility Customers	5 54
Schedule of Water & Sewer Rates	6 55
 OTHER REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>	  56-57
Schedule of Findings and Questioned Costs	58-61
 OTHER INFORMATION	 62
Summary Status of Prior Audit Findings	63-64
Corrective Action Plan for Current-Year Findings and Questioned Costs	65-68







# ALLEN, GREEN & WILLIAMSON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

P. O. Box 6075

Monroe, LA 71211-6075

2441 Tower Drive  
Monroe, LA 71201

Telephone: (318) 388-4422

Fax: (318) 388-4664

Toll-free: (888) 741-0205

www.allengreencpa.com

Tim Green, CPA  
Margee Williamson, CPA  
Amy Tynes, CPA  
Aimee Buchanan, CPA

Rachel Davis, CPA  
Jaime Esswein, CPA, CFE  
Shonda McCoy, CPA  
Jaunicia Mercer, CPA, CFE  
Roomi Shakir, CPA  
Cindy Thomason, CPA

Ernest L. Allen, CPA  
(Retired) 1963 - 2000

## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the 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 as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Grambling as of and for the year ended December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison schedules for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter Regarding Going Concern***

The accompanying financial statements have been prepared assuming that the City of Grambling will continue as a going concern. As discussed in Note 15 to the financial statements, the City has suffered recurring losses from operations and has a fund balance deficiency in the General Fund that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 15. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

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

### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Grambling's basic financial statements. The accompanying supplementary information, as listed in the table of contents and the other information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information, as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying other information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated July 11, 2013 on our consideration of the City of Grambling's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

*Allen Green & Williamson, LLP*

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana  
July 11, 2013

**REQUIRED SUPPLEMENTARY INFORMATION:**

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

---

**City of Grambling**  
**Management's Discussion and Analysis (MD&A)**  
**For Year Ended December 31, 2012**

---

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, 2012.

**FINANCIAL HIGHLIGHTS** In fiscal year 2012, the City implemented the following GASB Statements:

Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position." This Statement establishes standards for reporting of deferred outflows of resources, deferred inflows of resources, and net position.

Statement No. 65, "Items Previously Reported as Assets and Liabilities." This Statement amends or supersedes the accounting and financial guidance for certain items previously required as assets or liabilities as well as establishes accounting and financial reporting standards for the financial statement of state and local governments.

Although these Statements had no current effect on the financial statements as a result of implementation, the Statements did change the presentation of the City's financials, which consisted of the net assets being classified as net position.

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

Governmental activities reported a decrease in net position of \$832,610 whereas business-type activities reported an increase of \$191,244. The decrease in the net position of governmental activities was primarily due to changes in the General Fund's fund balance.

Total governmental activities revenues decreased \$127,624 or 5%. Ad valorem taxes decreased \$37,635 or 7% while sales taxes increased \$259,522 or 35% due primarily to a one-time settlement of over \$100,000. Grants and other revenues decreased \$349,511 primarily due to the prior year including over \$200,000 received for a contract signed with a firm to hold rights to leasing space on the City's water tower. Other minor variances combine to form the total decrease. Total governmental activities expenses decreased \$167,913 or 6%.

The \$172,311 increase in business-type activities expenses was primarily due to increases in water and wastewater management fees of \$92,882, depreciation expense of \$50,873, and contracted services of \$83,381 offset by a decreases in water system repair of \$69,401. Other minor increases and decreases combined to form the total increase. The increase in water and wastewater management fees is due to the addition of water system management fees. The City previously only outsourced sewer system management. It was determined that professional management was more efficient. The increase in contracted services is due to the accrual of fees for a contract signed by the previous administration that came to light in 2012. The project was canceled and the City had not paid any fees. Fees of \$96,180 were accrued as a result of the settlement of a lawsuit in 2013.

Total spending for governmental activities was \$2,583,522. Most of the City's property and sales taxes were used to support the net cost (after deducting restricted grants and fees charged to users) of these two areas: general government of \$816,293 and public safety of \$1,184,158.

The General Fund's fund balance decreased by \$279,875 during 2012 as compared to a decrease in 2011 of \$138,163. Revenues decreased by \$201,523 while expenditures decreased by \$80,326. Transfers in were \$410,464 and \$50,309 for 2011 and 2012, respectively. Transfers out were \$118,030 and \$112,050, respectively for 2011 and 2012. Sales of capital assets totaled \$333,660 during 2012 while there were no sales during 2011.

---

**City of Grambling**  
**Management's Discussion and Analysis (MD&A)**  
**For Year Ended December 31, 2012**

---

The decrease in General Fund revenue was caused by the following:

Lease Revenue	\$ (201,975.10)
Property tax sale reclaim	(20,446.91)
Building permits	23,080.21
Rent - ATT- Tower	<u>(22,621.56)</u>
	<u>\$ (221,963.36)</u>

Prior year transfers in included an entry to record a transfer due from Maintenance Fund in the amount of \$400,000. Sales of capital assets included the sale of a medical building previously leased to a medical practice.

The General Fund's fund balance is a deficit of \$634,983 due to several conditions. When the current administration took office on January 1, 2011, the deficit was \$216,945. There have been many instances since January 2011 whereby management has learned of prior obligations, such as for liability insurance and workmen's compensation insurance, that contributed to the current deficit in that these old bills had to be accrued. The old bills also took cash that was needed to pay current bills. Current management has made a concerted effort to make repairs and improvements to city facilities and systems. This effort has caused a temporary increase in expenditures that is expected to result in savings in the long run by properly maintaining facilities and systems and preventing unnecessary repairs. Also, the City has purchased property to include in the development of a hotel, restaurant, and other businesses in the City that are expected to generate significant property and sales tax revenues in the future as well as increasing licenses and permits and utility revenues.

In addition to the development plans, the City is analyzing expenditures to identify areas where costs can be reduced at least until revenues increase. Management is focusing on salaries and benefits as they are the largest expenditures of the City and because many costs are fixed costs that the City cannot reduce. During 2012, the City allocated expenditures to other funds where possible to ease the burden on the General Fund.

The Health and Sanitation Fund's fund balance increased \$173,180 as compared to an increase of \$142,407 in 2011. Health and Sanitation Fund's revenues were \$573,201 which is \$171,748 or 43% higher than 2011 revenues. The City received a one-time settlement of protested sales taxes of over \$200,000 during 2012.

Health and Sanitation Fund's 2012 expenditures increased by \$140,975 or 54% over 2011 expenditures. The increase in total expenditures was due to the purchase of a truck for \$75,100 and the allocation of expenditures to the fund. Salaries, worker's compensation insurance, and liability insurance increased by \$29,142, \$19,077, and \$12,131.

The Debt Service Fund had a decrease in fund balance of \$50,030 in 2012 as compared to a net increase in 2011 of \$3,633. Funds to service the debt are transferred from the General Fund.

The Capital Project Fund had no change in fund balance. This fund accounted for a DEQ grant.

**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 Position 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

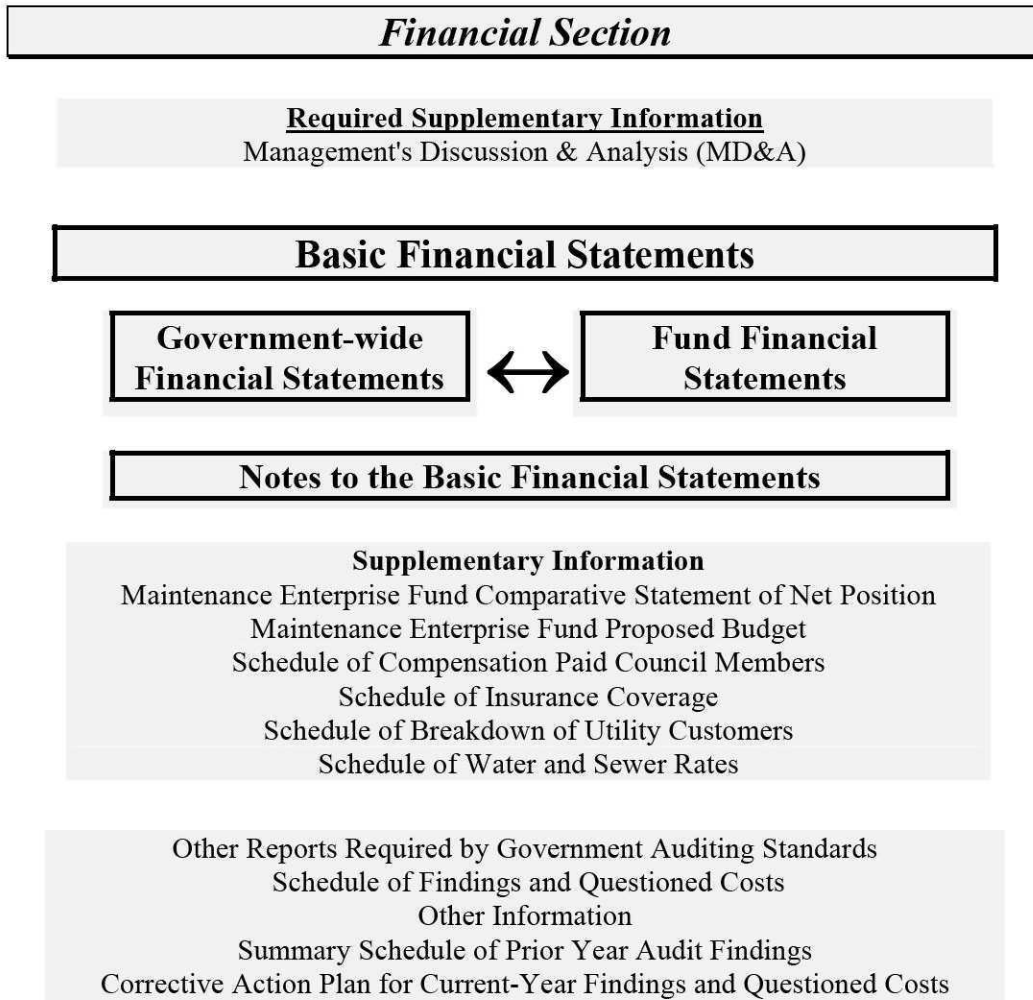
---

**City of Grambling**  
**Management's Discussion and Analysis (MD&A)**  
**For Year Ended December 31, 2012**

---

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.

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



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



---

**City of Grambling**  
**Management's Discussion and Analysis (MD&A)**  
**For Year Ended December 31, 2012**

---

## **Reporting the City as a Whole**

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

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

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

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

## **Reporting the City's Most Significant Funds**

### ***Fund Financial Statements***

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

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



**City of Grambling**  
**Management's Discussion and Analysis (MD&A)**  
**For Year Ended December 31, 2012**

describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position 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 Position 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 position (Table 1) and changes in net position (Table 2) of the City's governmental and business-type activities.

**Table 1**  
**Net Position**  
**December 31**

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 762,857	\$ 903,884	\$ (22,615)	\$ 244,675	\$ 740,242	\$ 1,148,559
Capital assets, net	1,893,377	2,691,282	2,149,982	1,596,128	4,043,359	4,287,410
Total assets	2,656,234	3,595,166	2,127,367	1,840,803	4,783,601	5,435,969
Current and other liabilities	349,038	335,912	302,688	223,330	651,726	559,242
Long-term liabilities	346,193	465,640	1,275,559	1,309,598	1,621,752	1,775,238
Total Liabilities	695,231	801,552	1,578,247	1,532,928	2,273,478	2,334,480
Net position						
Net investment in capital assets	1,590,609	2,265,811	881,914	293,093	2,472,523	2,558,904
Restricted	1,056,236	933,087	-	-	1,056,236	933,087
Unrestricted	(685,842)	(405,284)	(332,794)	14,782	(1,018,636)	(390,502)
Total net position	\$ 1,961,003	\$ 2,793,614	\$ 549,120	\$ 307,875	\$ 2,510,123	\$ 3,101,489

**City of Grambling**  
**Management's Discussion and Analysis (MD&A)**  
**For Year Ended December 31, 2012**

**Table 2**  
**Changes in Net Position**  
**For the Year Ended December 31**

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenue:						
Program revenues:						
Charges for services	\$ 366,929	\$ 360,651	\$ 823,392	\$ 700,637	\$ 1,190,321	\$ 1,061,288
Operating grants and contributions	-	-	119,785	100,000	119,785	100,000
Capital grants and contributions	-	52,109	-	-	-	52,109
General revenues:						
Ad valorem tax	495,179	532,814	68,585	77,401	563,764	610,215
Sales tax revenue	997,673	738,151	-	-	997,673	738,151
License and permits	215,203	151,344	-	-	215,203	151,344
Fines and forfeitures	36,874	27,903	-	-	36,874	27,903
Use of money & property	325	202,770	49	1,166	374	203,936
Intergovernmental revenue	83,548	52,339	14,000	-	97,548	52,339
Miscellaneous	140,756	346,030	(44,176)	2,635	96,580	348,665
Total revenues	<u>2,336,487</u>	<u>2,464,111</u>	<u>981,635</u>	<u>881,839</u>	<u>3,318,122</u>	<u>3,345,950</u>
Functions/Program expenses:						
Governmental activities:						
General Government	816,293	1,046,038	-	-	816,293	1,046,038
Public Safety	1,389,299	1,334,021	-	-	1,389,299	1,334,021
Health & Sanitation	316,528	223,354	-	-	316,528	223,354
Parks & Recreation	9,951	23,486	-	-	9,951	23,486
Highway & Streets	35,639	103,131	-	-	35,639	103,131
Interest Expense	15,812	21,405	-	-	15,812	21,405
Business-type activities:						
Utility enterprise	-	-	1,375,966	1,203,655	1,375,966	1,203,655
Total Functions/Program expenses	<u>2,583,522</u>	<u>2,751,435</u>	<u>1,375,966</u>	<u>1,203,655</u>	<u>3,959,488</u>	<u>3,955,090</u>
Increase (decrease) in net position before transfers	(247,035)	(287,324)	(394,331)	(321,816)	(641,366)	(609,140)
Transfers	(585,575)	24,821	585,575	(24,821)	-	-
Increase (decrease) in net position	<u>(832,610)</u>	<u>(262,503)</u>	<u>191,244</u>	<u>(346,637)</u>	<u>(641,366)</u>	<u>(609,140)</u>
Net position – beginning	2,793,613	2,938,503	307,876	610,116	3,101,489	3,548,619
Prior period adjustment	-	117,614	50,000	44,396	50,000	162,010
Net position- ending	<u>\$ 1,961,003</u>	<u>\$ 2,793,614</u>	<u>\$ 549,120</u>	<u>\$ 307,875</u>	<u>\$ 2,510,123</u>	<u>\$ 3,101,489</u>

**City of Grambling**  
**Management's Discussion and Analysis (MD&A)**  
**For Year Ended December 31, 2012**

***Governmental Activities***

The cost of all governmental activities this year was \$2,583,522. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through City taxes and other revenue was \$2,216,593 because some of the cost was paid by those who directly benefited from the programs \$366,929.

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**

	<u>Total Cost of Services</u>				<u>Net Cost of Services</u>			
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	2012	2011	2012	2011	2012	2011	2012	2011
General Government	\$ 816,293	\$1,046,038	\$ -	\$ -	\$ (816,293)	\$ (1,046,038)	\$ -	\$ -
Public Safety	1,389,299	1,334,021	-	-	(1,184,158)	(1,150,343)	-	-
Health & Sanitation	316,528	223,354	-	-	(154,740)	5,728	-	-
Parks and Recreation	9,951	23,486	-	-	(9,951)	(23,486)	-	-
Highway & Streets	35,639	103,131	-	-	(35,639)	(103,131)	-	-
Interest Expense	15,812	21,405	-	-	(15,812)	(21,405)	-	-
Business-type activities:								
Utility enterprise	-	-	1,375,966	1,203,655	-	-	(432,789)	(403,018)
Total Functions/Program Expenses	<u>\$2,583,522</u>	<u>\$2,751,435</u>	<u>\$1,375,966</u>	<u>\$1,203,655</u>	<u>\$ (2,216,593)</u>	<u>\$ (2,338,675)</u>	<u>\$ (432,789)</u>	<u>\$ (403,018)</u>

***Business-type Activities***

Revenues and expenses of the City's business-type activities (see Table 2) remained relatively stable for 2012 compared with 2011.

**THE CITY'S FUNDS**

As the City completed the year, its governmental funds reported a combined fund balance of \$421,253 which is a decrease of \$156,725 in fund balance from last year. See the financial highlights section for more details.

**City of Grambling**  
**Management's Discussion and Analysis (MD&A)**  
**For Year Ended December 31, 2012**

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Original total budgeted expenditures in the General Fund were \$1,847,380. Amendments increased total budgeted expenditures by \$549,201. These amendments were the result of an analysis of variances from estimates at the time the original budget was prepared. Significant individual accounts amended were:

- Salaries - \$155,000
- Supplemental wages – (\$20,000)
- Workers' Compensation insurance - \$30,000
- Employee group insurance - \$58,000
- Office supplies - \$28,000
- Vehicle maintenance and repairs - \$21,000
- Professional fees - \$64,000
- Contracted services - \$33,000
- Attorney fees - \$39,000
- Capital outlay - \$205,000
- Payroll tax expenses – (\$31,000)

Audit adjustments including one for \$290,000 related to a capital asset transaction, increased the beginning fund deficit by over \$300,000 causing actual amounts available for appropriations to fall \$327,057 below budgeted amounts. Charges to appropriations exceeded budgeted amounts by \$76,245 or 3%.

The City has improved upon former budgeting and operating policies and procedures and continues to work on policies and procedures to improve the use of budgets as a tool. Expenditure control was particularly challenging during 2012 as the City worked on catching up overdue bills and on maintenance and repair of equipment that management believed was necessary to maintain an appropriate level of service to the citizens.

**CAPITAL ASSETS**

*Capital Assets* At December 31, 2012 & 2011, the City had invested in the following capital assets:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 217,902	\$ 42,902	\$ 49,182	\$ 16,526	\$ 267,084	\$ 59,428
Construction in Progress	16,500	573,193	-	-	16,500	573,193
Buildings	1,869,005	2,680,759	239,004	30,000	2,108,009	2,710,759
Vehicles	-	-	37,066	32,530	37,066	32,530
Equipment	1,308,045	1,478,122	-	-	1,308,045	1,478,122
Sewage Plant	-	-	3,701,163	3,102,736	3,701,163	3,102,736
Water System	-	-	1,901,587	1,749,680	1,901,587	1,749,680
Water/Sewer Equipment	-	-	1,194,997	1,094,125	1,194,997	1,094,125
Subtotal	3,411,452	4,774,976	7,122,999	6,025,597	10,534,451	10,800,573
Less Accumulated Depreciation	1,518,075	2,083,694	4,973,017	4,429,469	6,491,092	6,513,163
Total	<u>\$ 1,893,377</u>	<u>\$ 2,691,282</u>	<u>\$ 2,149,982</u>	<u>\$ 1,596,128</u>	<u>\$ 4,043,359</u>	<u>\$ 4,287,410</u>

---

**City of Grambling**  
**Management's Discussion and Analysis (MD&A)**  
**For Year Ended December 31, 2012**

---

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

**DEBT ADMINISTRATION** At December 31, 2012, the City's Maintenance Enterprise fund had \$1,210,935 in bonds payable outstanding and a capital lease in the amount of \$57,132 outstanding and the Governmental funds had debt consisting \$302,768 in certificate of indebtedness. For further details see Note 10 of the Notes to the Basic Financial Statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS** Our elected and appointed officials and citizens consider many factors when setting the City's budget and tax rates. One of the most important factors affecting the budget is our ad valorem tax and sales tax collections. Ad valorem taxes and sales taxes make up more than 40% of 2012 revenues. The 2013 budget includes very little change in ad valorem tax and sales tax revenues. Major plans for 2013 include developing an area of the City to include a hotel and restaurants. Management will strive to improve the City's financial condition by restricting expenditures to needs and by searching for ways to raise revenue, such as with the hotel and restaurant development. Management expects future needs to be more and more manageable as routine obligations and repair and maintenance needs are brought up to date.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT** Our financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact Ed Jones, Mayor, at the City of Grambling, P. O. Box 108, Grambling, Louisiana 71245, telephone number (318) 247-6120.

**BASIC FINANCIAL STATEMENTS:**

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

CITY OF GRAMBLING

STATEMENT OF NET POSITION  
December 31, 2012

Statement A

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>ASSETS</b>			
Cash and cash equivalents	\$ 110,469	\$ 84,271	\$ 194,740
Investments	6,508	0	6,508
Receivables, net of allowance	324,445	135,848	460,293
Internal balances	321,435	(321,435)	0
Restricted assets	0	77,217	77,217
Prepaid expenses	0	1,484	1,484
Capital assets, net	1,893,377	2,149,982	4,043,359
<b>TOTAL ASSETS</b>	<b>2,656,234</b>	<b>2,127,367</b>	<b>4,783,601</b>
<b>LIABILITIES</b>			
Accounts payable	98,478	117,706	216,184
Accrued and other liabilities	163,104	39,590	202,694
Unearned revenue	80,022	0	80,022
Interest payable	7,434	46,017	53,451
Customer deposits payable from restricted assets	0	99,375	99,375
Long term liabilities			
Due within one year	125,910	145,140	271,050
Due in more than one year	220,283	1,130,419	1,350,702
<b>TOTAL LIABILITIES</b>	<b>695,231</b>	<b>1,578,247</b>	<b>2,273,478</b>
<b>NET POSITION</b>			
Net investment in capital assets	1,590,609	881,914	2,472,523
Restricted for Debt Retirement	1,130	0	1,130
Restricted for Health & Sanitation	1,055,106	0	1,055,106
Unrestricted	(685,842)	(332,794)	(1,018,636)
<b>TOTAL NET POSITION</b>	<b>\$ 1,961,003</b>	<b>\$ 549,120</b>	<b>\$ 2,510,123</b>

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

CITY OF GRAMBLING

STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2012

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Governmental Activities:				
General government	\$ 816,293	\$ 0	\$ 0	\$ 0
Public safety	1,389,299	205,141	0	0
Health and sanitation	316,528	161,788	0	0
Parks and recreation	9,951	0	0	0
Highways and streets	35,639	0	0	0
Interest expense	15,812	0	0	0
Total Governmental Activities	<u>2,583,522</u>	<u>366,929</u>	<u>0</u>	<u>0</u>
Business-Type Activities:				
Utility Enterprise	<u>1,375,966</u>	<u>823,392</u>	<u>119,785</u>	<u>0</u>
Total Business-Type Activities	<u>1,375,966</u>	<u>823,392</u>	<u>119,785</u>	<u>0</u>
Total	<u>\$ 3,959,488</u>	<u>\$ 1,190,321</u>	<u>\$ 119,785</u>	<u>\$ 0</u>

General revenues:

Taxes:

  Ad valorem taxes

  Sales tax revenue

Licenses and permits

Fines and forfeitures

Use of money and property

Intergovernmental revenue

Miscellaneous

Transfers

Total general revenues  
and transfers

Changes in net position

Net position - beginning,  
as originally stated

Prior period adjustment

Net position - beginning,  
as restated

Net position - ending

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



**Statement B**

<b>PRIMARY GOVERNMENT</b>		
<b>NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>TOTAL</b>
\$ (816,293)	\$ 0	\$ (816,293)
(1,184,158)		(1,184,158)
(154,740)		(154,740)
(9,951)		(9,951)
(35,639)		(35,639)
(15,812)		(15,812)
<u>(2,216,593)</u>	<u>0</u>	<u>(2,216,593)</u>
	(432,789)	(432,789)
	(432,789)	(432,789)
<u>(2,216,593)</u>	<u>(432,789)</u>	<u>(2,649,382)</u>
495,179	68,585	563,764
997,673	0	997,673
215,203	0	215,203
36,874	0	36,874
325	49	374
83,548	14,000	97,548
140,756	(44,176)	96,580
<u>(585,575)</u>	<u>585,575</u>	<u>0</u>
<u>1,383,983</u>	<u>624,033</u>	<u>2,008,016</u>
<u>(832,610)</u>	<u>191,244</u>	<u>(641,366)</u>
2,793,613	307,876	3,101,489
<u>0</u>	<u>50,000</u>	<u>50,000</u>
<u>2,793,613</u>	<u>357,876</u>	<u>3,151,489</u>
<u>\$ 1,961,003</u>	<u>\$ 549,120</u>	<u>\$ 2,510,123</u>

**City of Grambling**  
**Notes to the Basic Financial Statements**  
**December 31, 2012**

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

**CITY OF GRAMBLING**

**GOVERNMENTAL FUNDS**

**Balance Sheet**

**December 31, 2012**

**Statement C**

	<b>GENERAL</b>	<b>HEALTH &amp; SANITATION</b>	<b>DEBT SERVICE</b>	<b>CAPITAL PROJECT</b>	<b>TOTAL</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 104,002	\$ 5,337	\$ 1,130	\$ 0	\$ 110,469
Investments	2,616	3,892	0	0	6,508
Receivables, net	271,435	47,760	0	5,250	324,445
Interfund receivables	208,211	1,016,089	0	0	1,224,300
<b>TOTAL ASSETS</b>	<b>586,264</b>	<b>1,073,078</b>	<b>1,130</b>	<b>5,250</b>	<b>1,665,722</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	77,301	15,927	0	5,250	98,478
Accrued and other liabilities	161,059	2,045	0	0	163,104
Deferred revenue	80,022	0	0	0	80,022
Interfund payables	902,865	0	0	0	902,865
<b>TOTAL LIABILITIES</b>	<b>1,221,247</b>	<b>17,972</b>	<b>0</b>	<b>5,250</b>	<b>1,244,469</b>
<b>FUND BALANCES:</b>					
Restricted	0	1,055,106	1,130	0	1,056,236
Unassigned	(634,983)	0	0	0	(634,983)
<b>TOTAL FUND BALANCES</b>	<b>(634,983)</b>	<b>1,055,106</b>	<b>1,130</b>	<b>0</b>	<b>421,253</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 586,264</b>	<b>\$ 1,073,078</b>	<b>\$ 1,130</b>	<b>\$ 5,250</b>	<b>\$ 1,665,722</b>

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 Position  
December 31, 2012**

**Statement D**

Total fund balances - governmental funds		\$ 421,253
--	--	------------

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 Position 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	\$ 3,411,452	
Depreciation expense to date	<u>(1,518,075)</u>	
		1,893,377

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 Position.

Balances at December 31, 2012 are:

Compensated absences	(43,425)	
Bond payable	(302,768)	
Interest payable	<u>(7,434)</u>	
		<u>(353,627)</u>

Net position of governmental activities		<u>\$ 1,961,003</u>
---	--	---------------------

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

**CITY OF GRAMBLING**

**GOVERNMENTAL FUNDS**

**Combined Statement of Revenues, Expenditures,  
and Changes in Fund Balances**

**For the Year Ended December 31, 2012**

**Statement E**

	<u>GENERAL</u>	<u>HEALTH &amp; SANITATION</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECT</u>	<u>TOTAL</u>
<b>REVENUES</b>					
Local sources:					
Taxes	\$ 1,085,713	\$ 407,139	\$ 0	\$ 0	\$ 1,492,852
Licenses and permits	215,203	0	0	0	215,203
Intergovernmental revenues	44,128	4,020	0	35,400	83,548
Fines and forfeitures	242,015	0	0	0	242,015
Use of money and property	130	192	3	0	325
Miscellaneous revenues	221,793	161,850	0	0	383,643
<b>Total revenues</b>	<b>1,808,982</b>	<b>573,201</b>	<b>3</b>	<b>35,400</b>	<b>2,417,586</b>
<b>EXPENDITURES</b>					
Current:					
General government	740,967	12,555	16	18,900	772,438
Public Safety	1,369,255	0	0	0	1,369,255
Health and sanitation	0	271,772	0	0	271,772
Parks and recreation	9,951	0	0	0	9,951
Highways and streets	15,595	0	0	0	15,595
Capital outlay	225,008	84,314	0	16,500	325,822
Debt service:					
Principal retirement	0	30,079	92,624	0	122,703
Interest and bank charges	0	1,301	17,084	0	18,385
<b>Total expenditures</b>	<b>2,360,776</b>	<b>400,021</b>	<b>109,724</b>	<b>35,400</b>	<b>2,905,921</b>
<b>EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES</b>	<b>(551,794)</b>	<b>173,180</b>	<b>(109,721)</b>	<b>0</b>	<b>(488,335)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	50,309	0	110,000	0	160,309
Transfers out	(112,050)	0	(50,309)	0	(162,359)
Sales of capital assets	333,660	0	0	0	333,660
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>271,919</b>	<b>0</b>	<b>59,691</b>	<b>0</b>	<b>331,610</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(279,875)</b>	<b>173,180</b>	<b>(50,030)</b>	<b>0</b>	<b>(156,725)</b>
<b>FUND BALANCES - BEGINNING</b>	<b>(355,108)</b>	<b>881,926</b>	<b>51,160</b>	<b>0</b>	<b>577,978</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ (634,983)</b>	<b>\$ 1,055,106</b>	<b>\$ 1,130</b>	<b>\$ 0</b>	<b>\$ 421,253</b>

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

**CITY OF GRAMBLING**

**Reconciliation of the Governmental Funds  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
to the Statement of Activities  
For the Year Ended December 31,2012**

		<b>Statement F</b>
Total net change in fund balances - governmental funds		\$ (156,725)
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	\$ 336,283	
Depreciation	<u>(125,444)</u>	210,839
Capital asset transfer was recorded as a credit to capital contribution in the governmental funds, but is treated as a transfer in the Statement of Net Position		
Construction in Progress	(573,193)	
Net Value of Buildings, Furniture, & Equipment	<u>(20,792)</u>	(593,985)
Sale of a building is treated as income in the governmental funds, but as a reduction of assets in the Statement of Net Position.		
		(414,759)
Repayment of bonds and capital leases is an expenditure in the governmental funds, but reduces long-term liabilities in the Statement of Net Position.		
		122,703
Compensated absences are recognized in the Statement of Net Position as an increase to liabilities, but not in the Fund Financial Statements.		
		(3,256)
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.		
		<u>2,573</u>
Change in net position of governmental activities.		<u><u>\$ (832,610)</u></u>

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, 2012**

Statement G-1

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
BUDGETARY FUND BALANCES, Beginning	\$ (327,000)	\$ (38,000)	\$ (355,108)	\$ (317,108)
Resources (inflows)				
Local sources:				
Taxes	920,800	1,085,900	1,085,713	(187)
Licenses and permits	155,000	226,000	215,203	(10,797)
Intergovernmental revenues	36,000	44,000	44,128	128
Fines and forfeitures	240,000	242,000	242,015	15
Miscellaneous revenues	366,000	221,000	221,793	793
Use of money and property	1,000	0	130	130
Transfers from other funds	0	50,000	50,309	309
Sales of capital assets	150,000	334,000	333,660	(340)
	<u>1,541,800</u>	<u>2,164,900</u>	<u>1,837,843</u>	<u>(327,057)</u>
Amounts available for appropriations				
Charges to appropriations (outflows)				
Current:				
General government	463,800	717,538	740,967	(23,429)
Public Safety	1,241,580	1,410,606	1,369,255	41,351
Parks and recreation	17,000	18,793	9,951	8,842
Highways and streets	16,000	15,785	15,595	190
Capital outlay	0	121,859	225,008	(103,149)
Transfers	109,000	112,000	112,050	(50)
	<u>1,847,380</u>	<u>2,396,581</u>	<u>2,472,826</u>	<u>(76,245)</u>
Total charges to appropriations				
BUDGETARY FUND BALANCES, ENDING	<u>\$ (305,580)</u>	<u>\$ (231,681)</u>	<u>\$ (634,983)</u>	<u>\$ (403,302)</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, 2012**

**Statement G-2**

	<b>ORIGINAL BUDGET</b>	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE FAVORABLE (UNFAVORABLE)</b>
BUDGETARY FUND BALANCES, Beginning	\$ 1,159,246	\$ 880,080	\$ 881,926	\$ 1,846
Resources (inflows)				
Local sources:				
Taxes	198,000	407,000	407,139	139
Intergovernmental revenues	5,000	4,000	4,020	20
Use of money and property	0	0	192	192
Miscellaneous revenues	185,000	162,000	161,850	(150)
Amounts available for appropriations	<u>1,547,246</u>	<u>1,453,080</u>	<u>1,455,127</u>	<u>2,047</u>
Charges to appropriations (outflows)				
Current:				
General government	7,000	13,000	12,555	445
Health and sanitation	130,000	272,000	271,772	228
Debt service:				
Principal retirement	0	30,000	30,079	(79)
Interest and bank charges	0	1,000	1,301	(301)
Capital outlay	0	84,000	84,314	(314)
Total charges to appropriations	<u>137,000</u>	<u>400,000</u>	<u>400,021</u>	<u>(21)</u>
BUDGETARY FUND BALANCES, ENDING	<u>\$ 1,410,246</u>	<u>\$ 1,053,080</u>	<u>\$ 1,055,106</u>	<u>\$ 2,026</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 Position

December 31, 2012

	Statement H
ASSETS	
Cash and cash equivalents	\$ 84,271
Receivables, net	135,848
Prepaid expenses	1,484
Restricted assets	
Cash	76,687
Investments	<u>530</u>
Total current assets	298,820
Capital assets, net	<u>2,149,982</u>
TOTAL ASSETS	<u>2,448,802</u>
LIABILITIES	
Accounts payable	117,706
Accrued and other liabilities	39,590
Interfund payable	321,435
Interest payable from restricted assets	46,017
Customer deposits payable from restricted assets	99,375
Current portion of long term debt	<u>145,140</u>
Total current liabilities	<u>769,263</u>
Long term liabilities:	
Compensated absences	604
Revenue bonds payable	<u>1,129,815</u>
Total long term liabilities	<u>1,130,419</u>
TOTAL LIABILITIES	<u>1,899,682</u>
NET POSITION	
Net investment in capital assets	881,914
Unrestricted	<u>(332,794)</u>
TOTAL NET POSITION	<u>\$ 549,120</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 Position  
For the Year Ended December 31, 2012

	Statement I
OPERATING REVENUES	
Water sales	\$ 270,966
Water connection charges	37,418
Sewer fees	<u>515,008</u>
Total operating revenues	<u>823,392</u>
OPERATING EXPENSES	
Salaries and benefits	379,013
Materials and supplies	24,404
Operating costs	417,617
Professional services	140,478
Depreciation	304,194
Other	<u>49,751</u>
Total operating expenses	<u>1,315,457</u>
OPERATING INCOME (LOSS)	<u>(492,065)</u>
NONOPERATING REVENUES (EXPENSES)	
Miscellaneous	9,386
Interest income	49
Ad valorem tax revenues	68,585
Intergovernmental revenue	133,785
Sale of assets	(68,550)
Interest expense	<u>(60,509)</u>
Total nonoperating revenues (expenses)	<u>82,746</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>(409,319)</u>
Capital contributions	598,513
Transfers in	<u>2,050</u>
CHANGE IN NET POSITION	<u>191,244</u>
NET POSITION - BEGINNING, AS ORIGINALLY STATED	307,876
Prior period adjustment	<u>50,000</u>
NET POSITION - BEGINNING, AS RESTATED	<u>357,876</u>
NET POSITION - ENDING	<u><u>\$ 549,120</u></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, 2012

	Statement J
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 843,801
Receipts from others	320,774
Payments to employees	(297,756)
Payments to vendors	(642,196)
Net cash provided (used) for operating activities	<u>224,623</u>
<b>CASH FLOW (USES) FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Ad valorem tax receipts	68,585
Grants	133,785
Transfers	2,050
Other miscellaneous receipts	9,386
Net cash provided (used) for noncapital financing activities	<u>213,806</u>
<b>CASH FLOW (USES) FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Principal payments on capital leases and bonds	(122,114)
Interest paid on capital leases and bonds	(60,509)
Purchase of capital assets	(198,442)
Proceeds from sale of capital assets	7,505
Net cash provided (used) for capital and related financing activities	<u>(373,560)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	
Sale of investments	3,999
Earnings on investments	49
Net cash provided (used) for investing activities	<u>4,048</u>
Net increase (decrease) in cash and cash equivalents	68,917
CASH AND CASH EQUIVALENTS - BEGINNING	92,041
CASH AND CASH EQUIVALENTS - ENDING	<u>160,958</u>
<b>RECONCILIATION TO FINANCIAL STATEMENTS</b>	
Cash and cash equivalents	84,271
Restricted cash	76,687
	<u>160,958</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	(492,065)
Adjustments to reconcile operating income to net cash provided (used) for operating activities:	
Depreciation	304,194
(Increase) decrease in accounts receivables	11,434
(Increase) decrease in interfund receivable	34,005
Increase (decrease) in accounts payable	36,305
Increase (decrease) in accrued and other liabilities	34,078
Increase (decrease) in interfund payables	286,769
Increase (decrease) in compensated absences	928
Increase (decrease) in customer deposits	8,975
Net cash provided (used) by operating activities	<u>\$ 224,623</u>
<b>Noncash Transaction:</b>	
Capital Contributions	\$ 598,513
Capital Lease	87,416

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

**City of Grambling**  
**Notes to the Basic Financial Statements**  
**December 31, 2012**

**INDEX**

	<u>Page</u>
NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....	33
A. REPORTING ENTITY .....	33
B. FUND ACCOUNTING.....	33
Governmental Funds.....	34
Proprietary Fund.....	34
C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING .....	34
Government-Wide Financial Statements (GWFS) .....	34
Fund Financial Statements (FFS) .....	34
Proprietary Funds.....	35
D. BUDGET PRACTICES .....	35
E. CASH AND CASH EQUIVALENTS .....	36
F. INVESTMENTS .....	36
G. CAPITAL ASSETS.....	37
H. LONG-TERM DEBT .....	38
I. COMPENSATED ABSENCES .....	38
J. RESTRICTED ASSETS .....	38
K. RISK MANAGEMENT .....	38
L. RESTRICTED NET POSITION .....	38
M. FUND BALANCES OF FUND FINANCIAL STATEMENTS.....	38
N. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES .....	39
O. USE OF ESTIMATES .....	39
P. ELIMINATION AND RECLASSIFICATIONS .....	39
Q. SALES TAX.....	39
NOTE 2- BUDGET TO GAAP RECONCILIATION .....	40
NOTE 3- DEPOSITS AND INVESTMENTS .....	40
NOTE 4 - LEVIED TAXES .....	40
NOTE 5 - RECEIVABLES .....	41
NOTE 6 - INTERFUND ASSETS/LIABILITIES (FFS LEVEL ONLY) .....	42
NOTE 7 - ACCRUED AND OTHER LIABILITIES .....	42
NOTE 8 - CAPITAL ASSETS .....	43
NOTE 9 - PENSION AND RETIREMENT PLAN .....	44
NOTE 10 - CHANGES IN LONG-TERM OBLIGATIONS .....	44
NOTE 11 - LITIGATION AND CLAIMS.....	46
NOTE 12 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY .....	47
NOTE 13 - SUBSEQUENT EVENTS .....	47
NOTE 14 - PRIOR PERIOD ADJUSTMENTS.....	47
NOTE 15 - GOING CONCERN .....	47
NOTE 16 - NEW GASB STANDARDS.....	47
NOTE 17 - ON BEHALF SUPPLEMENTAL PAY .....	48
NOTE 18 - RISK MANAGEMENT .....	48

**City of Grambling**  
**Notes to the Basic Financial Statements**  
**December 31, 2012**

**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, 2014.

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.

**City of Grambling**  
**Notes to the Basic Financial Statements**  
**December 31, 2012**

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

**Governmental Funds**

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

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

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

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

**Proprietary Fund**

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

**C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

**Government-Wide Financial Statements (GWFS)** The Statement of Net Position and the Statement of Activities displays information about the reporting government as a whole. The Statement of Net Position 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, liabilities and deferred inflows/outflows of resources 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 for governmental activities and is included in Utility Enterprise for business-type 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

**City of Grambling**  
**Notes to the Basic Financial Statements**  
**December 31, 2012**

modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured 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 is currently in compliance with GASB Statement No. 62.

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

**D. BUDGET PRACTICES** A preliminary budget for the ensuing year is prepared in November. The proposed budget is reviewed by the mayor and the City Council and made available to the public. During the December meeting of the City Council, the City holds a public hearing on the proposed budget in order to receive comments from citizens. Changes are made to the proposed budget based on the public hearing and the desires of the City



**City of Grambling**  
**Notes to the Basic Financial Statements**  
**December 31, 2012**

Council as a whole. The budgets are then adopted during the December meeting, and notice published in the official journal. During the year, the City Council receives monthly budget comparison statements which are used as a tool to control the operations of the City. Necessary budget amendments are presented to the Council when actual operations are differing materially from those anticipated in the original budget. The Council in regular session reviews the proposed amendments, makes necessary changes, and formally adopts the amendments. The adoption of amendments is included in the City's minutes published in the official journal. The budget is established and controlled by the mayor and council members at the fund level of expenditure. Unexpended appropriations lapse at year-end and must be reappropriated for the following year to be expended. All changes in the budget must be approved by the mayor and the council members. The City does not use encumbrance accounting in its accounting system.

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

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

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

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

Definitions:

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

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

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

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



**City of Grambling**  
**Notes to the Basic Financial Statements**  
**December 31, 2012**

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

- Credit risk: LAMP is rated AAAm by Standard & Poor's.
- Custodial credit risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.
- Concentration of credit risk: Pooled investments are excluded from the 5 percent disclosure requirement.
- Interest rate risk: LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 60 days, and consists of no securities with a maturity in excess of 397 days. The WAM for LAMP's total investments is 51 as of December 31, 2012.
- Foreign currency risk: Not applicable to 2a7-like pools.

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

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

LAMP issues financial reports. These financial reports can be obtained by writing: LAMP, Inc., 228 St. Charles Avenue, Suite 1123, New Orleans, LA 70130.

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

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

The capital assets used in the proprietary fund-type operations are included on the statement of net position 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.

**City of Grambling**  
**Notes to the Basic Financial Statements**  
**December 31, 2012**

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

**I. COMPENSATED ABSENCES** Full time employees are allowed five days of annual leave in the first two years of employment. After the first two years, employees are eligible for ten annual leave days which can accumulate to 20 days. Employees earn ten days of sick leave each year which is not paid upon retirement or termination. The City of Grambling's recognition and measurement criteria for compensated absences follow:

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

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

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

**J. RESTRICTED ASSETS** Certain grants received by the City contained restrictions on spending for specific purposes. In the Maintenance Enterprise Fund, cash and investments are restricted for debt service payments, maintenance on the sewer system, and customer deposits payable.

**K. RISK MANAGEMENT** The City is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. To handle such risk of loss, the City maintains commercial insurance policies covering its automobiles, professional liability, general liability, and surety bond coverage. There were no significant reductions in insurance coverage during the year ended December 31, 2012.

**L. RESTRICTED NET POSITION** For the government-wide statement of net position, net position is reported as restricted when constraints placed on net position 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 position 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**

GASB 54 requires the fund balance amounts to be reported within the fund balance categories as follows:

**City of Grambling**  
**Notes to the Basic Financial Statements**  
**December 31, 2012**

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

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

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

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

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

The City reduces committed amounts, followed by assigned amounts and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used. The City considers restricted amounts to have been spent when an expenditure has incurred for purposes for which both restricted and unrestricted fund balance is available.

**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 position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

**Q. SALES TAX** Sales taxes are collected by the Lincoln Parish Sales and Use Tax Commission and by the Lincoln Parish Police Jury. The City's sales tax percentage is two percent. The revenue from the Lincoln Parish Sales and Use Tax Commission is for general operating expenses of the City. The Police Jury Tax Revenue is dedicated to Health and Sanitation.

**City of Grambling**  
**Notes to the Basic Financial Statements**  
**December 31, 2012**

**NOTE 2 - BUDGET TO GAAP RECONCILIATION**

<u>Sources/inflows of resources:</u>	<u>General</u>	<u>Health &amp; Sanitation</u>
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule-Statement G	\$ 1,837,843	\$ 1,455,127
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	355,108	(881,926)
Transfers in from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(50,309)	-
Sales of capital assets are inflows for budgetary resource but are not revenues for financial reporting purposes.	<u>(333,660)</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances – governmental funds-Statement E	<u>1,808,982</u>	<u>573,201</u>
 <u>Charges to appropriations/outflows</u>		
Actual amounts (budgetary basis) "charges to appropriations" from the budgetary comparison schedule-Statement G	2,472,826	400,021
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(112,050)</u>	<u>-</u>
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds- Statement E	<u>\$ 2,360,776</u>	<u>\$ 400,021</u>

**NOTE 3 - DEPOSITS & INVESTMENTS** At December 31, 2012, the City had the following investments:

<u>Type of investment</u>	<u>Carrying Amount Fair Value</u>
Investments not subject to categorization:	
External investment pool (LAMP)	<u>\$7,038</u>
Total investments	<u>\$7,038</u>

Total investments are \$7,038 in which \$6,508 is reported on Statement C and \$530 is included in restricted assets on Statement H.

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

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

Custodial Credit-Deposits: At year end, The City's carrying amount of deposits was \$271,427 (Statement C-Cash and cash equivalents of \$110,469, Statement H – cash and cash equivalents of \$84,271 and restricted assets cash of \$76,687 on Statement H). 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, 2012, the City's bank balance was \$400,932 which was covered by federal depository insurance.

**NOTE 4 - LEVIED TAXES** The City levies property taxes on real and business property located within the City's boundaries. Property taxes are levied by the City on property values assessed by the Lincoln Parish Tax

**City of Grambling**  
**Notes to the Basic Financial Statements**  
**December 31, 2012**

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 streets	6.50	5.51	2019
Water system	5.00	4.24	2016
Police department	5.50	4.66	2019
Public improvement (35%) and Fire department (65%)	32.00	27.12	2019
General Alimony Constitutional	7.00	6.00	Statutory

**Property Tax Calendar**

Lien Date	12/31/12
Levy Date	10/31/12
Due Date	12/31/12
Collection Dates	November 1 through June 30

**NOTE 5 - RECEIVABLES** The following is a summary of receivables at December 31, 2012:

<u>Class of Receivable</u>	<u>General Fund</u>	<u>Health &amp; Sanitation Fund</u>	<u>Capital Projects</u>	<u>Maintenance Fund</u>	<u>Total</u>
Taxes:					
Property taxes	\$ 195,847	\$ -	\$ -	\$ 20,481	\$ 216,328
Sales and use	38,691	29,155	-	-	67,846
Intergovernmental revenue:					
Grants	-	-	5,250	-	5,250
User fees	-	22,001	-	143,075	165,076
Franchise Fees	18,041	-	-	-	18,041
Bingo Fee	18,856	-	-	-	18,856
Gross Receivables	<u>271,435</u>	<u>51,156</u>	<u>5,250</u>	<u>163,556</u>	<u>491,397</u>
Less allowance for uncollectibles	-	3,396	-	27,708	31,104
	<u>\$ 271,435</u>	<u>\$ 47,760</u>	<u>\$ 5,250</u>	<u>\$ 135,848</u>	<u>\$ 460,293</u>

**City of Grambling**  
**Notes to the Basic Financial Statements**  
**December 31, 2012**

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

Individual balances due from/to other funds at December 31, 2012 are as follows:

<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
General	\$ 208,211	Maintenance	\$ 208,211
Health & Sanitation	902,865	General Fund	902,865
Health & Sanitation	113,224	Maintenance	113,224
Total	<u>\$ 1,224,300</u>	Total	<u>\$ 1,224,300</u>

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

Transfers during the year ended December 31, 2012 were as follows:

	<u>Transfer From Other Funds</u>	<u>Transfer to Other Funds</u>
General Fund	\$ 50,309	\$ 112,050
Maintenance Fund	2,050	-
Debt Service Fund	110,000	50,309
Total	<u>\$ 162,359</u>	<u>\$ 162,359</u>

The transfer to debt service from the general fund was to make a debt service payment because the balance in the debt service fund had been transferred to the general fund.

**NOTE 7 - ACCRUED AND OTHER LIABILITIES** The payables at December 31, 2012 are as follows:

<u>Payable category</u>	<u>General Fund</u>	<u>Health &amp; Sanitation</u>	<u>Maintenance Enterprise</u>	<u>Total</u>
Wages payable	\$ 35,087	\$ 2,045	\$ 5,749	\$ 42,881
Other payables	225	-	-	225
Accrued insurance	125,747	-	33,841	159,588
Total	<u>\$ 161,059</u>	<u>\$ 2,045</u>	<u>\$ 39,590</u>	<u>\$ 202,694</u>

**City of Grambling**  
**Notes to the Basic Financial Statements**  
**December 31, 2012**

**NOTE 8 - CAPITAL ASSETS** The following presents the changes in capital assets for the year ended December 31, 2012:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Nondepreciable assets:				
Land	\$ 42,902	\$ 175,000	\$ -	\$ 217,902
Construction in progress	573,193	16,500	573,193	16,500
Total nondepreciable assets	<u>616,095</u>	<u>191,500</u>	<u>573,193</u>	<u>234,402</u>
Depreciable Assets:				
Buildings and improvements	2,471,755	17,450	620,200	1,869,005
Furniture and equipment	1,396,002	127,333	215,290	1,308,045
Total depreciable assets	<u>3,867,757</u>	<u>144,783</u>	<u>835,490</u>	<u>3,177,050</u>
Less: accumulated depreciation				
Buildings and improvements	526,860	51,683	205,441	373,102
Furniture and equipment	1,286,502	73,761	215,290	1,144,973
Total accumulated depreciation	<u>1,813,362</u>	<u>125,444</u>	<u>420,731</u>	<u>1,518,075</u>
Net depreciable capital assets	<u>2,054,395</u>	<u>19,339</u>	<u>414,759</u>	<u>1,658,975</u>
Governmental activities capital assets, net	<u>\$ 2,670,490</u>	<u>\$ 210,839</u>	<u>\$ 987,952</u>	<u>\$ 1,893,377</u>

Assets with a net value of \$20,792 were moved from the governmental activities to the business type activities as follows: Buildings with a cost of \$209,004 and accumulated depreciation of \$188,792 were transferred to the maintenance enterprise fund. Furniture and equipment with a cost of \$82,120 and accumulated depreciation of \$81,540 were transferred to the maintenance enterprise fund and therefore beginning balances were restated.

Depreciation expense for 2012 was charged to governmental activities as follows:

General government	\$ 45,517
Public safety	20,044
Health and sanitation	39,839
Highways and streets	20,044
Total	<u>\$ 125,444</u>



**City of Grambling**  
**Notes to the Basic Financial Statements**  
**December 31, 2012**

A summary of plant and equipment changes in the maintenance enterprise fund for 2012 are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type activities:				
Nondepreciable assets:				
Land	\$ 16,526	\$ 32,656	\$ -	\$ 49,182
Depreciable Assets:				
Buildings and improvements	239,004	-	-	239,004
Sewage plant	3,102,735	691,079	92,652	3,701,162
Water system	1,749,680	151,907	-	1,901,587
Water/Sewer equipment	1,188,197	6,800	-	1,194,997
Vehicles	21,578	30,867	15,379	37,066
Total depreciable assets:	<u>6,301,194</u>	<u>880,653</u>	<u>108,031</u>	<u>7,073,816</u>
Less: accumulated depreciation				
Buildings and improvements	214,292	5,629	-	219,921
Sewage plant	2,150,477	187,913	16,601	2,321,789
Water system	1,146,610	94,570	-	1,241,180
Water/Sewer equipment	1,169,908	11,121	-	1,181,029
Vehicles	19,515	4,961	15,379	9,097
Total accumulated depreciation	<u>4,700,802</u>	<u>304,194</u>	<u>31,980</u>	<u>4,973,016</u>
Net depreciable capital assets	<u>1,600,392</u>	<u>576,459</u>	<u>76,051</u>	<u>2,100,800</u>
Business-type activities capital assets, net	<u>\$ 1,616,918</u>	<u>\$ 609,115</u>	<u>\$ 76,051</u>	<u>\$ 2,149,982</u>

Assets with a net book value of \$20,792 were moved from the governmental activities to the business type activities.

**NOTE 9 - PENSION AND RETIREMENT PLAN** The City established a Simple IRA plan to be effective October 4, 2002. All city employees are eligible to participate in the plan. The plan is a defined contribution plan administered by Morgan Keegan & Co., Inc. Under the plan, the City matches each employee's salary reduction for contributions to the plan up to 5% for that calendar year. The funds are immediately vested when paid into the plan. The plan is based on the IRS Code and must comply with all IRS Code requirements. The City of Grambling's contributions to the system for the year ending December 31, 2012 were \$11,198 and employees contributed \$11,198.

**NOTE 10 - CHANGES IN LONG-TERM OBLIGATIONS** The following is a summary of long-term obligation transactions for the year ended December 31, 2012:

	Governmental Activities				Business-type Activities			
	Compensated Absences	Capital Leases	Certificate of Indebtedness	Total	Compensated Absences	Capital Leases	Bonds Payable	Total
Balance, beginning	\$ 40,169	\$ 30,079	\$ 395,392	\$ 465,640	\$ 6,563	\$ -	\$ 1,303,035	\$ 1,309,598
Additions	34,325	-	-	34,325	7,816	87,146	-	94,962
Retirements	31,069	30,079	92,624	153,772	6,887	30,014	92,100	129,001
Balance, ending	43,425	-	302,768	346,193	7,492	57,132	1,210,935	1,275,559
Due within one year	<u>\$ 31,069</u>	<u>\$ -</u>	<u>\$ 94,841</u>	<u>\$ 125,910</u>	<u>\$ 6,887</u>	<u>\$ 45,413</u>	<u>\$ 92,840</u>	<u>\$ 145,140</u>

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



**City of Grambling**  
**Notes to the Basic Financial Statements**  
**December 31, 2012**

Bonded debt payable at December 31, 2012 is comprised of the following individual issues:

\$850,000 - Certificate of Indebtedness, Series 2005 – the principal is due in annual installments beginning June 30, 2005 and due each year through 2015, with an interest rate of 4.25%. The funds were used for a new fire station and recreation center renovations. Debt retirement payments are made from the Debt Service Fund.	\$ 302,768
\$1,250,000 - Utilities Revenue Bonds, Series 1995 – the remaining principal is due in annual installments through 2036 with an interest rate of 5.125%. The funds were used for the water system. Debt retirement payments are made from the Maintenance Enterprise Fund.	997,568
\$1,170,000 - 1993 Utilities Revenue Bond, Series 1993 – the remaining principal is due in annual installments through March, 2015, with an interest rate of 2.95%. The funds were used for the sewer system. Debt retirement payments are made from the Maintenance Enterprise Fund.	<u>213,367</u>
<b>Total</b>	<u><u>\$ 1,513,703</u></u>

As shown on Statement C, \$1,130 is available in the Debt Service Fund to service the bonded debt on the Certificate of Indebtedness, Series 2005. The annual requirements to amortize all outstanding bonded debt at December 31, 2012 are as follows:

Debt Service fund:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 94,841	\$ 14,867	\$ 109,708
2014	99,558	12,427	111,985
2015	108,369	12,745	121,114
<b>Total</b>	<u><u>\$ 302,768</u></u>	<u><u>\$ 40,039</u></u>	<u><u>\$ 342,807</u></u>

Of the restricted cash and investments on Statement H, \$77,287 is restricted for debt service on the bonded debt. The annual requirements to amortize all outstanding bonded debt at December 31, 2012 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 92,840	\$ 56,059	\$ 148,899
2014	99,062	53,061	152,123
2015	93,715	50,208	143,923
2016	26,703	47,826	74,529
2017	28,131	46,398	74,529
2018-2022	164,890	207,755	372,645
2023-2027	213,943	158,701	372,644
2028-2032	277,590	95,054	372,644
2033-2036	214,061	18,303	232,364
<b>Total</b>	<u><u>\$ 1,210,935</u></u>	<u><u>\$ 733,365</u></u>	<u><u>\$ 1,944,300</u></u>

**City of Grambling**  
**Notes to the Basic Financial Statements**  
**December 31, 2012**

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

Sinking Fund-A monthly payment equal to 1/12 of the current year principal and interest installment must be made from the Water Revenue Account into the Sinking Fund Account. This requirement was not met as of December 31, 2012.

Reserve Fund-The Reserve Fund is required by the Authorizing Resolution to be funded to an amount equal to the scheduled maximum principal and interest requirements in any succeeding bond year. This amount is \$74,370 as of December 31, 2012. This requirement was not met as of December 31, 2012.

Replacement Fund-A replacement fund balance of \$75,000 is required to be maintained to care for extensions, additions, renewals and replacements necessary to properly operate the wastewater treatment plant. This requirement was not met as of December 31, 2012.

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 the maintenance fund.

At December 31, 2012, the City had the following assets under capital lease:

Asset	Contract Date	Least Term	Interest Rate	Cost	Accumulated Depreciation	Net Book Value
Aerators	4/1/2012	24 months	5%	\$ 89,496	\$ 3,730	\$ 85,766

The capital lease for the aerators totals \$87,146. In addition, the City paid initial costs of \$850 for startup/warranty certification and \$1,500 for freight, which was added to the lease amount resulting in a capitalized cost of \$89,496.

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, 2012:

Fiscal year:	Maintenance
2013	\$ 48,043
2014	12,011
Total lease payments	60,054
Less amounts representing interest	2,922
Present value of net minimum lease payments	<u>\$ 57,132</u>

**NOTE 11 - LITIGATION AND CLAIMS** At December 31, 2012 there are several lawsuits outstanding. It is the opinion of legal counsel that the ultimate resolution of these lawsuits would not materially affect the financial statements, except for the one settled in March 2013 with an engineering firm. In 2006, a contract related to the Mt. Olive Community Sewer Project was executed. The City decided not to proceed due to the funding obligations. In September 2012, the engineering firm made a demand for payment. In March 2013, a settlement was reached with the firm to pay them \$96,180 over 24 months. An accrual was recorded in the Enterprise Fund as of December 31, 2012 to reflect the \$96,180 liability that the City incurred as a result of this settlement.

**City of Grambling**  
**Notes to the Basic Financial Statements**  
**December 31, 2012**

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

**NOTE 12 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Excess of Expenditures Over Appropriations in Individual Funds** The following individual funds had actual expenditures over budgeted expenditures for the year ended December 31, 2012:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	\$ 2,396,581	\$ 2,472,826	\$ (76,245)
Health & Sanitation	400,000	400,021	(21)

**NOTE 13 - SUBSEQUENT EVENTS** The City issued \$1,345,000 in Utility Revenue Refunding Bonds after year end. The bonds were issued to refund Utilities Revenue Bonds, Series 1993, and Utilities Revenue Bonds, Series 1995.

**NOTE 14 - PRIOR PERIOD ADJUSTMENTS** There was one prior period adjustment for the enterprise fund made for the year. The maintenance fund beginning net position was increased \$50,000. Disbursements that should have been capitalized were expensed in the 2011 fiscal year.

**NOTE 15 - GOING CONCERN** The City has suffered recurring losses from operations and has a fund balance deficiency in the general fund that raises substantial doubt about its ability to continue as a going concern. The General Fund has a deficit fund balance at the end of the fiscal year of \$634,983. The City is reviewing salaries expense and staffing in all departments of the City and plans to reduce salaries by at least 10% across the board. They are also looking at all expenditure lines in the financials to evaluate ways to decrease expenditures for the remainder of the 2013 calendar year. Capital outlay for the 2013 fiscal year will be greatly reduced. The City is exploring the possibility of moving the fees for garbage collection to the general fund and their attorney will research the legality of this. In the long term, the City is also working to finalize an agreement with a major hotel chain to build a hotel in Grambling in the near future which will bring in significant new revenue. There is a new 34 housing unit being built in the city which could increase property and sales tax as well as sewer and water revenue. All of these activities are expected to increase the revenue base for the City.

Additionally, the City reviewed their water and sewer rates and made increases to these rates effective in November of 2012.

**NOTE 16 - NEW GASB STANDARDS** In fiscal year 2012, the City implemented the following GASB Statements:

Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position." This Statement establishes standards for reporting of deferred outflows of resources, deferred inflows of resources, and net position.

Statement No. 65, "Items Previously Reported as Assets and Liabilities." This Statement amends or supersedes the accounting and financial guidance for certain items previously required as assets or liabilities as well as establishes accounting and financial reporting standards for the financial statement of state and local governments.

**City of Grambling**  
**Notes to the Basic Financial Statements**  
**December 31, 2012**

Although these Statements had no current effect on the financial statements as a result of implementation, the Statements did change the presentation of the City's financials, which consisted of the net assets being classified as net position.

**NOTE 17 - ON-BEHALF SUPPLEMENTAL PAY** Certain employees meeting statutory qualifications in the fire and police departments receive supplemental pay directly from the State of Louisiana. This supplemental pay in the amount of \$88,481 is recognized as intergovernmental revenue and public safety expenditures.

**NOTE 18 - RISK MANAGEMENT** The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and automobile liability for which the City carries commercial insurance. The City currently has a \$5,000 deductible for its commercial property insurance coverage, \$500 for automobile insurance, \$500 for fidelity bond, and no deductible for the other policies. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**SUPPLEMENTARY 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, 2012 and 2011

Schedule 1

	2012 MAINTENANCE FUND	2011 MAINTENANCE FUND
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 84,271	\$ 9,782
Receivables, net of allowance of \$27,708 and \$26,460	135,848	147,282
Interfund receivable	0	34,005
Prepaid expenses	1,484	1,484
Capital assets, net	2,149,982	1,596,128
Restricted Assets:		
Cash	76,687	82,259
Investments	530	4,529
<b>TOTAL ASSETS</b>	<b>2,448,802</b>	<b>1,875,469</b>
<b>LIABILITIES</b>		
Accounts payable	117,706	81,401
Accrued and other liabilities	39,590	5,512
Deferred revenue	0	0
Interfund payable	321,435	34,666
Interest payable from restricted assets	46,017	46,017
Customer deposits payable from restricted assets	99,375	90,400
Current portion of bonds payable	145,140	94,740
Compensated absences	604	3,504
Revenue bonds payable	1,129,815	1,211,354
<b>TOTAL LIABILITIES</b>	<b>1,899,682</b>	<b>1,567,594</b>
<b>NET POSITION</b>		
Net investment in capital assets	881,914	293,093
Restricted for Debt Retirement	0	0
Unrestricted	(332,794)	14,782
<b>Total Net Position</b>	<b>\$ 549,120</b>	<b>\$ 307,875</b>

**CITY OF GRAMBLING**

**PROPRIETARY FUND - MAINTENANCE ENTERPRISE FUND**

**Proposed Budget - 2013**

**For the Year Ended December 31, 2012**

**Schedule 2**

OPERATING REVENUES		
Water sales	\$	420,000
Water connection charges		39,000
Sewer fees		<u>600,000</u>
Total operating revenues		<u>1,059,000</u>
OPERATING EXPENSES		
Water department		784,460
Sewer department		<u>472,540</u>
Total operating expenses		<u>1,257,000</u>
OPERATING INCOME (LOSS)		<u>(198,000)</u>
NONOPERATING REVENUES (EXPENSES)		
Ad valorem tax revenues		50,000
Other income		103,000
Interest expense		<u>(2,500)</u>
Total nonoperating revenues (expenses)		<u>150,500</u>
CHANGE IN NET POSITION		(47,500)
NET POSITION - BEGINNING		<u>549,120</u>
NET POSITION - ENDING	\$	<u><u>501,620</u></u>

**City of Grambling**  
**Schedule of Compensation Paid Council Members**  
**For the Year Ended December 31, 2012**

**Schedule 3**

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

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



**City of Grambling  
Schedule of Insurance Coverage  
As of December 31, 2012**

**Schedule 4**

<u>Type of Coverage</u>	<u>Name of Insurer</u>	<u>Policy Number</u>	<u>Amount of Coverage</u>	<u>Deductible</u>	<u>Expiration Date</u>
Commercial property	Underwriters at Lloyd of London	APPUC101805	Building: \$2,198,000	\$ 2,500	7/30/2012
			Personal Property: \$540,000	2,500	7/30/2012
Automobile	Agency Management Corporation	5CA8938	Based on individual Vehicle	500	3/13/2012
Fidelity Bond	Traveler's Casualty	103093269	\$15,000	NONE	2/11/2013
		104436852	5,000	500	
		103093272	10,000	NONE	

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

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

**City of Grambling**  
**Schedule of Breakdown of Utility Customers**  
**For the Year Ended December 31, 2012**

**Schedule 5**

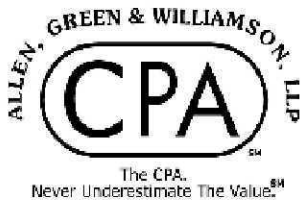
Commercial	64
Residential	<u>1,357</u>
Total Customers	<u>1,421</u>

**City of Grambling**  
**Schedule of Water & Sewer Rates**  
**As of and For the Year Ended December 31, 2012**

**Schedule 6**

<u>Gallon</u>	<u>Water rates - Residential</u>	<u>Sewer rates - Residential</u>
1,000	\$15.00	\$15.00
2,000	15.00	15.00
3,000	17.50	17.50
4,000	20.00	20.00
5,000	22.50	22.50
6,000	25.00	25.00
7,000	27.50	27.50
8,000	30.00	30.00
9,000	32.50	32.50
10,000	35.00	35.00

<u>Gallon</u>	<u>Water rates - Commercial</u>	<u>Sewer rates - Commercial</u>
1,000	\$24.00	\$24.00
2,000	24.00	24.00
3,000	26.00	26.00
4,000	28.00	28.00
5,000	30.00	30.00
6,000	32.00	32.00
7,000	34.00	34.00
8,000	36.00	36.00
9,000	38.00	38.00
10,000	40.00	40.00



# ALLEN, GREEN & WILLIAMSON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

P. O. Box 6075

Monroe, LA 71211-6075

2441 Tower Drive  
Monroe, LA 71201

Telephone: (318) 388-4422

Fax: (318) 388-4664

Toll-free: (888) 741-0205

www.allengreencpa.com

Tim Green, CPA  
Margie Williamson, CPA  
Amy Tynes, CPA  
Aimee Buchanan, CPA

Rachel Davis, CPA  
Jaime Esswein, CPA, CFE  
Shonda McCoy, CPA  
Jaunicia Mercer, CPA, CFE  
Roomi Shakir, CPA  
Cindy Thomason, CPA

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*

### Independent Auditor's Report

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

We have audited, in accordance with the 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, 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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 11, 2013.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

*A deficiency in internal control* 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 and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 12-F1 and 12-F4 that we consider to be significant deficiencies.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 12-F2, 12-F3, 12-F5 and 12-F6.

## **The City's Response to Findings**

The City's responses to the findings identified in our audit are described in the accompanying Corrective Action Plan for Current Year Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. 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  
July 11, 2013

**City of Grambling**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended December 31, 2012**

**Reference # and title:**            **12-F1**            **Control Procedures**

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

**Criteria or specific requirement:** Transfers of capital assets from a governmental activity to a business type activity should not be recorded in the fund financial statements.

Daily Z tape reconciliation differences should be resolved promptly.

Purchase order procedures should be followed to ensure compliance with the budget.

**Condition found:** The City performed an extensive review of its depreciation schedule and in that process it was noted that some items were not in the correct classification (governmental vs. business type activity). Each asset was evaluated and moved to the proper classification accordingly. Capital assets were moved from governmental funds to the maintenance enterprise fund by recording a prior period adjustment in both the general fund and the maintenance fund. When a capital asset is moved from a governmental to a proprietary fund only the proprietary fund should report the movement at the fund level. An audit adjustment was made to reverse the prior period adjustment in the general fund.

Police fine collections were tested by pulling a sample of 53 to test for various attributes including comparing the daily audit log to the Z tape. In 4 cases there were differences ranging from \$13.05 to \$36.39.

A sample of 51 vendor checks and phone payments was selected to test for various attributes including use of a purchase order. In 8 instances, the purchase order was dated after the invoice.

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

**Cause:** In the opinion of the City's outside accountants, the adjustment was a correction of errors made in previous periods and not transfers of assets in the normal course of business. Therefore, the adjustment was recorded as a prior period adjustment. The cause for the difference in the daily audit log and the Z tape is unknown. Approval for purchase orders is sometimes given verbally.

**Effect:** Fund equity was overstated for the general fund by the amount of the prior period adjustment. Controls over the receipts are weakened when reconciliation differences are not resolved. Controls over the purchase order process are weakened when procedures are not followed.

**Recommendation to prevent future occurrences:** Movements of capital assets from a governmental to a business type activity should not be recorded in the governmental fund financial statements. Daily audit log to Z tape reconciliation differences should be resolved so any problems in the process can be addressed. The purchase order procedures should be followed.

**City of Grambling**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended December 31, 2012**

**Reference # and title:**            **12-F2**            **Louisiana Budget Law**

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

**Criteria or specific requirement:** Louisiana Revised Statutes LSA R.S. 39:1310 and 39:1311 require that the City have proposed expenditures less than or equal to the total of estimated funds available for the ensuing year composed of the beginning fund balance plus estimated revenues/receipts for the year (a deficit fund balance is not allowed.)

**Condition found:** Total fund balance for the General Fund was budgeted as a deficit in the original and final budgets.

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

**Cause:** The general fund has a beginning deficit and a deficit for the year and adopting a balanced budget was not possible.

**Effect:** The City did not comply with the requirement to adopt a balanced budget.

**Recommendation to prevent future occurrences:** The City should develop a plan to reduce the deficit in the general fund.

**Reference # and title:**            **12-F3**            **Bond Debt Covenants**

**Entity-Wide or program /department specific:** This finding is specific to the maintenance enterprise fund.

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

1. Monthly deposits are to be made in the Sinking Fund account equal to 1/12 of the next year's required principal and interest payment.
2. A reserve fund was to be established and funded for the amount of the highest years combined required principal and interest payment. As of December 31, 2012 this amount is \$74,370. This fund was a reserve in case the necessary payments to the Sinking Fund did not get made in any year due to financial conditions of the City.
3. A replacement fund was to be established and funded until a balance of \$75,000 was obtained. This fund was to care for extensions, additions, improvements and replacements necessary to operate the sewer system.

**Condition found:** Monthly payments from water revenue to the sinking fund are not being made. As of December 31, 2012, the sinking fund was approximately \$73,000 under funded. The City does not have the required reserve fund nor the required replacement fund.

**City of Grambling**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended December 31, 2012**

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

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

**Effect:** The City is not in compliance with the required 1993 Bond Debt Covenants. The City issued refunding bonds in 2013 that paid off the 1993 bonds thus eliminating the requirement in the future.

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

**Reference # and title:**                **12-F4**                **Internal Controls Over Adjustments to Utility Bills**

**Entity-Wide or program /department specific:** This finding is specific to the maintenance enterprise fund.

**Criteria or specific requirement:** Procedures for adjusting water bills include completion of an adjustment form which must be approved by the Mayor.

**Condition found:** A sample of 15 adjustments was selected to test that the form was completed, approved by the Mayor, and posted to the customer's account. There were two exceptions noted where the Mayor did not sign the form and for 13 of the adjustments the adjustment was entered in the system before the form was signed by the Mayor.

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

**Cause:** The Mayor is giving verbal approval for the adjustments.

**Effect:** The approval process is weakened when the procedures are not followed.

**Recommendation to prevent future occurrences:** The City should establish procedures to ensure that all adjustments are properly approved by the Mayor before the adjustments are entered in the system or revise their policy to identify specific types of adjustments which must be approved by the Mayor.

**Reference # and title:**                **12-F5**                **Water Meter Deposits**

**Entity-Wide or program /department specific:** This finding is specific to the maintenance enterprise fund.

**Criteria or specific requirement:** The City should maintain adequate restricted cash on hand to cover the water meter deposits liability that it has to its customers.

**Condition found:** At December 31, 2012, the City had a water meter deposits liability of \$96,050. However, it only had \$76,657 restricted cash on hand to cover this liability.



**City of Grambling**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended December 31, 2012**

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

**Cause:** Some of the restricted cash in the LAMP account had been used for general operating expenses.

**Effect:** The City was short \$19,393 of the amount of restricted cash required to cover its customer meter deposits.

**Recommendation to prevent future occurrences:** The City should ensure that it always has the required amount of restricted cash on hand to cover its water meter deposits liability.

**Reference # and title:**     **12-F6**     **Improper Use of Restricted Funds**

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

**Criteria or specific requirement:** The sales tax proposition passed by the voters in Lincoln Parish on November 5, 1974 relating to the collection of a ½ of one percent sales tax was restricted first to the acquiring, operating and maintaining parish-wide solid waste disposal and necessary equipment in connection therewith, with the remainder of the said avails to be allocated and divided between the Police Jury and the incorporated municipalities in the parish. These municipalities were restricted to using their respective allocations of the said tax for the purpose of providing funds for acquiring, operating and maintaining solid waste collection facilities, including equipment, furnishings and other property in connection therewith.

**Condition found:** The City had transferred funds from the Health and Sanitation Fund to the General Fund which was used for general operating expenses of the City in violation of the sales tax restrictions.

**Cause:** The City does not have sufficient funds available in the General Fund to cover its operating expense.

**Effect:** The City violated the restrictions placed upon their sales tax allocation from the Police Jury.

**Recommendation to prevent future occurrences:** The City should not use the restricted funds of the Health and Sanitation Fund for general operating expenses of the City.

## **Other Information**

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

**City of Grambling**  
**Summary Status of Prior Audit Findings**  
**For the Year Ended December 31, 2012**

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

**Origination Date:** This finding originated December 31, 2007.

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

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

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

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

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

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

**Origination Date:** This finding originated December 31, 2011.

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

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

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

**Corrective action taken:** The City performed the reconciliations timely and the Mayor approved them.

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

**Origination Date:** This finding originated December 31, 2011.

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

**City of Grambling**  
**Summary Status of Prior Audit Findings**  
**For the Year Ended December 31, 2012**

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

1. Monthly deposits are to be made in the Sinking Fund account equal to 1/12 of the next year's required principal and interest payment.
2. A reserve fund was to be established and funded for the amount of the highest years combined required principal and interest payment. As of December 31, 2012 this amount is \$77,594. This fund was a reserve in case the necessary payments to the Sinking Fund did not get made in any year due to financial conditions of the City.
3. A replacement fund was to be established and funded until a balance of \$75,000 was obtained. This fund was to care for extensions, additions, improvements and replacements necessary to operate the sewer system.

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

**Corrective action planned:** See corrective action plan for 12-F3.

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

**Origination Date:** This finding originated December 31, 2005.

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

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

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

**Corrective action taken:** We made a concerted effort to ensure that the actual expenditures were in line with budgeted expenditures. The year ended December 31, 2011 was especially challenging due to the new administration's discovery of outstanding bills for many items including property and liability insurance. Additionally, much of the City's vehicles and equipment was in need of maintenance and repair. These conditions caused many unexpected expenditures. Additionally, in an effort to improve the General Fund's condition, we studied expenditures and allocated costs to other funds when possible. Some of these allocations were made after the final amended budget was adopted. Finally, the audit adjustments for various errors and differences of opinion changed expenditures.

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

**City of Grambling**  
**Corrective Action Plan for Current Year Findings and Questioned Costs**  
**For the Year Ended December 31, 2012**

**Reference # and title:**            **12-F1**            **Control Procedures**

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

**Condition:** Transfers of capital assets from a governmental activity to a business type activity should not be recorded in the fund financial statements.

Daily Z tape reconciliation differences should be resolved promptly.

Purchase order procedures should be followed to ensure compliance with the budget.

The City performed extensive review of its depreciation schedule and in that process it was noted that some items were not in the correct classification (governmental vs. business type activity). Each asset was evaluated and moved to the proper classification accordingly. Capital assets were moved from governmental funds to the maintenance enterprise fund by recording a prior period adjustment in both the general fund and the maintenance fund. When a capital asset is moved from a governmental to a proprietary fund only the proprietary fund should report the movement at the fund level. An audit adjustment was made to reverse the prior period adjustment in the general fund.

Police fine collections were tested by pulling a sample of 53 to test for various attributes including comparing the daily audit log to the Z tape. In 4 cases there were differences ranging from \$13.05 to \$36.39.

A sample of 51 vendor checks and phone payments was selected to test for various attributes including use of a purchase order. In 8 instances, the purchase order was dated after the invoice.

**Corrective action planned:** The Clerk of Court and the City Cashier will collaborate on a daily basis to ensure that the amount of daily audit log and the z-tape concur. Administration and the Purchasing Department have established a process to sign approved purchase orders before actual purchase is made.

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

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

**Anticipated completion date:** December 31, 2013.

**Reference # and title:**            **12-F2**            **Louisiana Budget Law**

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

**Condition:** Louisiana Revised Statutes LSA R.S. 39:1310 and 39:1311 require that the City have proposed expenditures less than or equal to the total of estimated funds available for the ensuing year composed of the beginning fund balance plus estimated revenues/receipts for the year (a deficit fund balance is not allowed.)

Total fund balance for the General Fund was budgeted as a deficit in the original and final budgets.

**Corrective action planned:** To reduce the deficit in the City's General Fund, the City Council has approved the introduction on an ordinance to decrease the employee payroll by implementing an across the board pay cut for all city employees

**City of Grambling**  
**Corrective Action Plan for Current Year Findings and Questioned Costs**  
**For the Year Ended December 31, 2012**

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

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

**Anticipated completion date:** December 31, 2013.

**Reference # and title:**            **12-F3**            **Bond Debt Covenants**

**Entity-Wide or program /department specific:** This finding is specific to the maintenance enterprise fund.

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

1. Monthly deposits are to be made in the Sinking Fund account equal to 1/12 of the next year's required principal and interest payment.
2. A reserve fund was to be established and funded for the amount of the highest years combined required principal and interest payment. As of December 31, 2012 this amount is \$74,370. This fund was a reserve in case the necessary payments to the Sinking Fund did not get made in any year due to financial conditions of the City.
3. A replacement fund was to be established and funded until a balance of \$75,000 was obtained. This fund was to care for extensions, additions, improvements and replacements necessary to operate the sewer system.

Monthly payments from water revenue to the sinking fund are not being made. As of December 31, 2012, the sinking fund was approximately \$73,000 under funded. The City does not have the required reserve fund nor the required replacement fund.

**Corrective action planned:** This finding has been corrected and will be deleted in the 2013 audit report.

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

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

**Anticipated completion date:** December 31, 2013.

**Reference # and title:**            **12-F4**            **Internal Controls Over Adjustments to Utility Bills**

**Entity-Wide or program /department specific:** This finding is specific to the maintenance enterprise fund.

**Condition:** Procedures for adjusting water bills include completion of an adjustment form which must be approved by the Mayor.

A sample of 15 adjustments was selected to test that the form was completed, approved by the Mayor, and posted to the customer's account. There were two exceptions noted where the Mayor did not sign the form and for 13 of the adjustments the adjustment was entered in the system before the form was signed by the Mayor.

**City of Grambling**  
**Corrective Action Plan for Current Year Findings and Questioned Costs**  
**For the Year Ended December 31, 2012**

**Corrective action planned:** The Mayor will ensure that all water bill adjustments are signed before entering the system.

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

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

**Anticipated completion date:** December 31, 2013.

**Reference # and title:**                **12-F5**                **Water Meter Deposits**

**Entity-Wide or program /department specific:** This finding is specific to the maintenance enterprise fund.

**Condition** The City should maintain adequate restricted cash on hand to cover the water meter deposits liability that it has to its customers.

At December 31, 2012, the City had a water meter deposits liability of \$96,050. However, it only had \$76,657 restricted cash on hand to cover this liability.

**Corrective action planned:** The City will correct the discrepancy in the water meter account for a liability of \$19,393.00

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

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

**Anticipated completion date:** December 31, 2013.

**Reference # and title:**                **12-F6**                **Improper Use of Restricted Funds**

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

**Condition:** The sales tax proposition passed by the voters in Lincoln Parish on November 5, 1974 relating to the collection of a ½ of one percent sales tax was restricted first to the acquiring, operating and maintaining parish-wide solid waste disposal and necessary equipment in connection therewith, with the remainder of the said avails to be allocated and divided between the Police Jury and the incorporated municipalities in the parish. These municipalities were restricted to using their respective allocations of the said tax for the purpose of providing funds for acquiring, operating and maintaining solid waste collection facilities, including equipment, furnishings and other property in connection therewith.

The City had transferred funds from the Health and Sanitation Fund to the General Fund which was used for general operating expenses of the City in violation of the sales tax restrictions.

**City of Grambling**  
**Corrective Action Plan for Current Year Findings and Questioned Costs**  
**For the Year Ended December 31, 2012**

**Corrective action planned:** By reducing the employee payroll in the General Fund Account and by reducing costs in other areas of the General Fund, the City will cease to use these restricted funds.

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

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

**Anticipated completion date:** December 31, 2013.