

**City of Grambling
Grambling, Louisiana**

**Basic Financial Statements
And Independent Auditors' Report
As of and for the Year Ended December 31, 2008**

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

Release Date 12/16/09

**City of Grambling
Table of Contents**

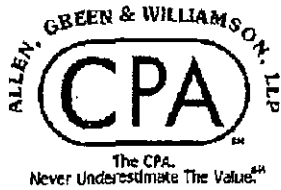
	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1-2
 Basic Financial Statements	 3
	<u>Statement</u>
Government-wide Financial Statements (GWFS)	
Statement of Net Assets	A 5
Statement of Activities	B 6-7
 Fund Financial Statements (FFS)	 8
Governmental Funds:	
Balance Sheet	C 9
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	D 10
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances	E 11
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	F 12
Budgetary Comparison Schedule:	
General Fund	G-1 13
Health & Sanitation	G-2 14
 Proprietary Fund – Maintenance Enterprise Fund:	
Statement of Net Assets	H 15
Statement of Revenues, Expenses, and Changes in Fund Net Assets	I 16
Statement of Cash Flows	J 17
 Notes to the Basic Financial Statements	
Index	18
Notes	19-33

(Continued)

City of Grambling
Table of Contents

	<u>Page</u>
SUPPLEMENTAL INFORMATION REQUIRED BY U. S. DEPARTMENT OF AGRICULTURE	34
Proprietary Fund – Maintenance Enterprise Fund:	
Comparative Statement of Net Assets	Schedule 1 35
Proposed Budget 2009	Schedule 2 36
Schedule of Compensation Paid Council Members	Schedule 3 37
Schedule of Insurance Coverage	Schedule 4 38
Schedule of Breakdown of Utility Customers	Schedule 5 39
Schedule of Water & Sewer Rates	Schedule 6 40
SINGLE AUDIT INFORMATION	41
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>	42-43
Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With <u>OMB Circular A-133</u>	44-45
Schedule of Expenditures of Federal Awards	46
Notes to the Schedule of Expenditures of Federal Awards	47
Schedule of Findings and Questioned Costs	48-59
OTHER INFORMATION:	60
Summary Schedule of Prior Year Audit Findings	61-65
Corrective Action Plan for Current-Year Findings and Questioned Costs	66-75
Status of Prior Management Letter Items	76
Mayor’s Corrective Action Plan	77-94
City Council’s Corrective Action Plan	95-99

(Concluded)



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
Diane Ferschoff, CPA
Joshua Legg, CPA
Quint Martin, CPA
Brian McBride, CPA
Cindy Thomason, CPA
Angie Williamson, CPA

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

INDEPENDENT AUDITORS' REPORT

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

Basic Financial Statements We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the City of Grambling, Louisiana, as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management.

We were unable to obtain sufficient documentation to complete testing of accounts receivable, revenue, accounts payable, and expenditures of the financial statements.

Because of the scope limitation described above we are unable to express, and do not express, an opinion on the City's financial statements as listed in the table of contents.

The City of Grambling has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, basic financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated October 29, 2009, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Supplemental Information The accompanying supplemental information identified in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statement. We did not audit the information and we express no opinion on it.

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

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

Monroe, Louisiana
October 29, 2009

City of Grambling

BASIC FINANCIAL STATEMENTS:

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

This page intentionally left blank.

CITY OF GRAMBLING
STATEMENT OF NET ASSETS
December 31, 2008

Statement A

	GOVERNMENTAL	BUSINESS-TYPE	TOTAL
	ACTIVITIES	ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	\$ 532,407	\$ 377,739	\$ 910,146
Investments	504,378	0	504,378
Receivables, net of allowance of \$6,617	378,480	64,876	443,356
Internal balances	518,836	(518,836)	0
Restricted assets	0	288,178	288,178
Prepaid expenses	6,636	1,484	8,120
Bond issuance costs, net of amortization	23,450	0	23,450
Capital assets, net	2,981,570	1,499,709	4,481,279
TOTAL ASSETS	4,945,757	1,713,150	6,658,907
LIABILITIES			
Accounts payable	126,977	48,643	175,620
Accrued and other liabilities	234,327	1,312	235,639
Interest payable from restricted assets	21,863	62,415	84,278
Customer deposits payable from restricted assets	0	117,000	117,000
Long term liabilities			
Due within one year	173,322	117,691	291,013
Due in more than one year	691,373	1,498,941	2,190,314
TOTAL LIABILITIES	1,247,862	1,846,002	3,093,864
NET ASSETS			
Invested in capital assets, net of related debt	2,138,251	(113,752)	2,024,499
Restricted for Debt Retirement	115,073	108,763	223,836
Restricted for Health & Sanitation	617,075	0	617,075
Restricted for Capital Projects	185,415	0	185,415
Unrestricted	642,081	(127,863)	514,218
TOTAL NET ASSETS	\$ 3,697,895	\$ (132,852)	\$ 3,565,043

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, 2008

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Governmental Activities:				
General government	\$ 1,111,911	\$ 0	\$ 233,277	\$ 0
Public safety	973,576	121,860	0	0
Health and sanitation	124,301	124,111	0	620,993
Highways and streets	128,986	0	0	0
Interest expense	39,189	0	0	0
Total Governmental Activities	<u>2,378,053</u>	<u>245,971</u>	<u>233,277</u>	<u>620,993</u>
Business-Type Activities:				
Utility Enterprise	704,031	534,950	0	0
Total Business-Type Activities	<u>704,031</u>	<u>534,950</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 3,082,084</u>	<u>\$ 780,921</u>	<u>\$ 233,277</u>	<u>\$ 620,993</u>

General revenues:

- Taxes:
 - Ad valorem taxes
 - Sales tax revenue
 - Licenses and permits
 - Fines and forfeitures
 - Use of money and property
 - Intergovernmental revenue
 - Miscellaneous
- Transfers

Total general revenues
and transfers

Changes in net assets

Net assets - beginning

Net assets - ending

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

Statement B

<u>PRIMARY GOVERNMENT</u>		
<u>NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS</u>		
<u>Governmental</u>	<u>Business-Type</u>	
<u>Activities</u>	<u>Activities</u>	<u>TOTAL</u>
\$ (878,634)	\$ 0	\$ (878,634)
(851,716)		(851,716)
620,713		620,713
(128,986)		(128,986)
(39,189)		(39,189)
<u>(1,277,812)</u>	<u>0</u>	<u>(1,277,812)</u>
	<u>(169,081)</u>	<u>(169,081)</u>
	<u>(169,081)</u>	<u>(169,081)</u>
<u>(1,277,812)</u>	<u>(169,081)</u>	<u>(1,446,893)</u>
478,559	56,449	535,008
877,516	18,523	896,039
172,405	0	172,405
12,643	0	12,643
18,089	11,670	29,759
52,773	19,874	72,647
255,635	11,095	266,730
<u>(4,000)</u>	<u>4,000</u>	<u>0</u>
<u>1,863,620</u>	<u>121,611</u>	<u>1,985,231</u>
585,808	(47,470)	538,338
<u>3,112,087</u>	<u>(85,382)</u>	<u>3,026,705</u>
<u>\$ 3,697,895</u>	<u>\$ (132,852)</u>	<u>\$ 3,565,043</u>

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

CITY OF GRAMBLING
GOVERNMENTAL FUNDS
 Balance Sheet
 December 31, 2008

Statement C

	<u>GENERAL</u>	<u>HEALTH & SANITATION</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECT</u>	<u>TOTAL</u>
ASSETS					
Cash and cash equivalents	\$ 425,190	\$ 61,382	\$ 45,577	\$ 258	\$ 532,407
Investments	248,030	239,100	12,286	4,962	504,378
Receivables	242,220	79,050	57,210	0	378,480
Interfund receivables	396,511	253,826	0	246,860	897,197
Prepaid expenses	6,636	0	0	0	6,636
TOTAL ASSETS	<u>1,318,587</u>	<u>633,358</u>	<u>115,073</u>	<u>252,080</u>	<u>2,319,098</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	114,891	12,086	0	0	126,977
Accrued and other liabilities	230,130	4,197	0	0	234,327
Interfund payables	311,696	0	0	66,665	378,361
TOTAL LIABILITIES	<u>656,717</u>	<u>16,283</u>	<u>0</u>	<u>66,665</u>	<u>739,665</u>
FUND BALANCES:					
Reserved for debt service	0	0	115,073	0	115,073
Unreserved, reported in:					
General Fund	661,870	0	0	0	661,870
Special Revenue Fund	0	617,075	0	0	617,075
Capital Projects Fund	0	0	0	185,415	185,415
TOTAL FUND BALANCES	<u>661,870</u>	<u>617,075</u>	<u>115,073</u>	<u>185,415</u>	<u>1,579,433</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,318,587</u>	<u>\$ 633,358</u>	<u>\$ 115,073</u>	<u>\$ 252,080</u>	<u>\$ 2,319,098</u>

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

CITY OF GRAMBLING

**Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Assets
December 31, 2008**

Statement D

Total fund balances - governmental funds \$ 1,579,433

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

Costs of capital assets	4,621,632	
Depreciation expense to date	<u>(1,640,062)</u>	
		2,981,570

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

Balances at December 31, 2008 are:

Bond payable	(632,860)	
Bond amortization	23,450	
Compensated absences	(21,377)	
Leases payable	(210,458)	
Interest payable	<u>(21,863)</u>	
		<u>(863,108)</u>

Net Assets \$ 3,697,895

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, 2008

Statement E

	GENERAL	HEALTH & SANITATION	DEBT SERVICE	CAPITAL PROJECT	TOTAL
REVENUES					
Local sources:					
Taxes	\$ 986,806	\$ 300,872	\$ 68,597	\$ 0	\$ 1,356,075
Licenses and permits	172,405	0	0	0	172,405
Intergovernmental revenues	286,050	0	0	620,993	907,043
Fines and forfeitures	134,503	0	0	0	134,503
Use of money and property	9,308	7,713	887	181	18,089
Miscellaneous revenues	234,203	145,543	0	0	379,746
Total revenues	1,823,275	453,928	69,484	621,174	2,967,861
EXPENDITURES					
Current:					
General government	1,019,143	0	0	22,813	1,041,956
Public Safety	918,804	0	0	0	918,804
Health and sanitation	0	120,083	0	0	120,083
Highways and streets	4,507	0	0	0	4,507
Debt service:					
Principal retirement	13,757	32,156	76,954	0	122,867
Interest and bank charges	2,554	0	32,754	0	35,308
Capital outlay	22,512	144,396	0	527,778	694,686
Total expenditures	1,981,277	296,635	109,708	550,591	2,938,211
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	(158,002)	157,293	(40,224)	70,583	29,650
OTHER FINANCING SOURCES (USES)					
Transfers in	17,368	0	13,406	1,000	31,774
Transfers out	(5,774)	(30,000)	0	0	(35,774)
Proceeds of capital lease	0	144,396	0	0	144,396
TOTAL OTHER FINANCING SOURCES (USES)	11,594	114,396	13,406	1,000	140,396
NET CHANGE IN FUND BALANCES	(146,408)	271,689	(26,818)	71,583	170,046
FUND BALANCES - BEGINNING	808,278	345,366	141,891	113,832	1,409,367
FUND BALANCES - ENDING	\$ 661,870	\$ 617,075	\$ 115,073	\$ 185,415	\$ 1,578,433

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

CITY OF GRAMBLING

**Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities
For the Year Ended December 31, 2008**

Statement F

Total net change in fund balances - governmental funds \$ 170,048

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	694,686	
Depreciation	<u>(251,007)</u>	443,679

Repayment of bonds and capital leases is an expenditure in the governmental funds, but reduces long-term liabilities in the Statement of Net Assets. 122,867

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

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

Proceeds of capital lease are reported in the Fund Financial Statements and are reported as long term liabilities in the Government Wide statements (144,396)

Compensated absences are recognized in the Statement of Net Assets as an increase to liabilities, but not in the Fund Financial Statements. (2,507)

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. (531)

Change in net assets of governmental activities. \$ 585,808

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, 2008**

Statement G-1

	<u>ORIGINAL</u>	<u>FINAL</u>		<u>VARIANCE</u>
	<u>BUDGET</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>FAVORABLE</u>
				<u>(UNFAVORABLE)</u>
BUDGETARY FUND BALANCES, Beginning	\$ 822,467	\$ 808,278	\$ 808,278	\$ 0
Resources (inflows)				
Local sources:				
Taxes	990,108	667,265	986,806	319,541
Licenses and permits	176,950	163,928	172,405	8,477
Intergovernmental revenues	223,250	237,060	286,050	48,990
Fines and forfeitures	192,500	132,921	134,503	1,582
Miscellaneous revenues	70,055	204,422	243,511	39,089
Transfers from other funds	1,000,000	283,911	17,368	(266,543)
	<u>3,475,330</u>	<u>2,497,785</u>	<u>2,648,921</u>	<u>151,136</u>
Amounts available for appropriations				
Charges to appropriations (outflows)				
Current:				
General government	709,560	1,201,869	1,019,143	182,726
Public Safety	708,995	809,381	918,804	(109,423)
Highways and streets	200	1,105	4,507	(3,402)
Parks and recreation	0	0	0	0
Debt service:				
Principal retirement	0	0	13,757	(13,757)
Interest and bank charges	700	0	2,554	(2,554)
Capital outlay	49,381	7,866	22,512	(14,646)
Transfers	1,183,000	19,802	5,774	14,028
	<u>2,651,836</u>	<u>2,040,023</u>	<u>1,987,051</u>	<u>52,972</u>
Total charges to appropriations				
BUDGETARY FUND BALANCES, ENDING	\$ 823,494	\$ 457,762	\$ 661,870	\$ 204,108

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, 2008

Statement G-2

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
BUDGETARY FUND BALANCES, Beginning	\$ 341,465	\$ 345,386	\$ 345,386	0
Resources (inflows)				
Local sources:				
Taxes	257,639	576,913	300,672	(276,241)
Use of money and property	17,811	6,595	7,713	1,118
Fines and forfeitures	0	0	0	0
Miscellaneous revenues	133,031	118,746	145,543	26,797
Transfers from other funds	<u>35,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Amounts available for appropriations	<u>784,946</u>	<u>1,047,640</u>	<u>799,314</u>	<u>(248,326)</u>
Charges to appropriations (outflows)				
Current:				
Health and sanitation	234,840	74,750	120,083	(45,333)
Debt service:				
Principal retirement	0	0	32,156	(32,156)
Interest and bank charges	764	31,380	0	31,380
Capital outlay	5,898	3,804	0	3,804
Transfers	<u>201,600</u>	<u>141,435</u>	<u>30,000</u>	<u>(111,435)</u>
Total charges to appropriations	<u>443,102</u>	<u>251,369</u>	<u>182,239</u>	<u>69,130</u>
BUDGETARY FUND BALANCES, ENDING	<u>\$ 341,844</u>	<u>\$ 796,271</u>	<u>\$ 617,075</u>	<u>(179,196)</u>

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

CITY OF GRAMBLING
 PROPRIETARY FUND - MAINTENANCE ENTERPRISE FUND
 Statement of Net Assets
 December 31, 2008

Statement H

ASSETS	
Cash and cash equivalents	\$ 377,739
Receivables, net of allowance of \$6,617	64,876
Interfund receivable	0
Prepaid expenses	1,484
Restricted assets	
Cash	161,597
Investments	<u>126,581</u>
 Total current assets	 732,277
 Capital assets, net	 <u>1,499,709</u>
 TOTAL ASSETS	 <u>2,231,986</u>
 LIABILITIES	
Account payable	48,643
Accrued and other liabilities	1,312
Interfund payable	518,836
Interest payable from restricted assets	62,415
Customer deposits payable from restricted assets	117,000
Current portion of long term debt	<u>117,691</u>
 Total current liabilities	 <u>865,897</u>
 Long term liabilities:	
Capital lease	2,988
Revenue bonds payable	<u>1,495,953</u>
 Total long term liabilities	 <u>1,498,941</u>
 TOTAL LIABILITIES	 <u>2,364,838</u>
 NET ASSETS	
Invested in capital assets, net of related debt	(113,752)
Restricted - Expendable	108,763
Unrestricted	<u>(127,863)</u>
 TOTAL NET ASSETS	 <u>\$ (132,852)</u>

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

CITY OF GRAMBLING

PROPRIETARY FUND - MAINTENANCE ENTERPRISE FUND
 Statement of Revenues, Expenses,
 and Changes in Fund Net Assets
 For the Year Ended December 31, 2008

Statement I

OPERATING REVENUES	
Water sales	\$ 232,977
Water connection charges	10,725
Sewer fees	<u>291,248</u>
Total operating revenues	<u>534,950</u>
OPERATING EXPENSES	
Water department	424,802
Sewer department	<u>214,782</u>
Total operating expenses	<u>639,584</u>
OPERATING INCOME (LOSS)	<u>(104,634)</u>
NONOPERATING REVENUES (EXPENSES)	
Miscellaneous	11,095
Interest income	11,670
Ad valorem tax revenues	56,449
Intergovernmental revenue	19,874
Sales tax revenues	18,523
Interest expense	<u>(64,447)</u>
Total nonoperating revenues (expenses)	<u>53,164</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(51,470)</u>
TRANSFERS IN/OUT	
Transfers in	5,000
Transfers out	<u>(1,000)</u>
Total transfers in/out	<u>4,000</u>
CHANGE IN NET ASSETS	(47,470)
NET ASSETS - BEGINNING	<u>(85,382)</u>
NET ASSETS - ENDING	<u>\$ (132,852)</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, 2008

Statement J

CASH FLOW FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 502,901
Payments to employees	(78,057)
Payments to others	<u>(167,150)</u>
Net cash provided (used) for operating activities	<u>257,694</u>
CASH FLOW (USES) FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfers in	5,000
Sales tax receipts	18,523
Ad valorem tax receipts	54,842
Other miscellaneous receipts	6,930
Transfers out	(1,000)
Grants	<u>19,874</u>
Net cash provided (used) for noncapital financing activities	<u>104,169</u>
CASH FLOW (USES) FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Principal payments on notes and bonds	(106,858)
Interest paid on bonds	<u>(83,058)</u>
Net cash provided (used) for capital and related financing activities	<u>(189,916)</u>
CASH FLOW FROM INVESTING ACTIVITIES	
Earnings on investments	<u>11,670</u>
Net increase (decrease) in cash and cash equivalents	203,617
CASH AND CASH EQUIVALENTS - BEGINNING	<u>335,719</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>539,336</u>
RECONCILIATION TO FINANCIAL STATEMENTS	
Cash and cash equivalents	377,739
Restricted cash	<u>161,597</u>
	<u>539,336</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating Income (loss)	(104,634)
Adjustments to reconcile operating income to net cash provided (used) for operating activities:	
Depreciation	213,272
(Increase) decrease in accounts receivable	(32,049)
(Increase) decrease in prepaid expenses	(122)
Increase (decrease) in accounts payable	(39,378)
Increase (decrease) in interfund payables	212,119
Increase (decrease) in customer deposits	<u>8,486</u>
Net cash provided (used) by operating activities	<u>\$ 257,694</u>
Non Cash Transaction - purchase of tractor with capital lease	<u>\$ 11,952</u>

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

City of Grambling
Notes to the Basic Financial Statements
December 31, 2008

INDEX

	<u>Page</u>
NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	19
A. REPORTING ENTITY	19
B. FUND ACCOUNTING	19
Governmental Funds	20
Proprietary Fund	20
C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING	20
Government-Wide Financial Statements (GWFS).....	20
Fund Financial Statements (FFS)	20
Proprietary Funds	21
D. BUDGET PRACTICES.....	21
E. CASH AND CASH EQUIVALENTS	22
F. INVESTMENTS.....	22
G. CAPITAL ASSETS	23
H. LONG-TERM DEBT.....	24
I. COMPENSATED ABSENCES.....	24
J. RESTRICTED ASSETS	24
K. RISK MANAGEMENT.....	24
L. RESTRICTED NET ASSETS	24
M. FUND BALANCES OF FUND FINANCIAL STATEMENTS	24
N. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES	24
O. USE OF ESTIMATES.....	25
P. ELIMINATION AND RECLASSIFICATIONS	25
Q. SALES TAX	25
NOTE 2- BUDGET TO GAAP RECONCILIATION.....	25
NOTE 3- DEPOSITS AND INVESTMENTS.....	26
NOTE 4 - LEVIED TAXES	26
NOTE 5 - RECEIVABLES	27
NOTE 6 - INTERFUND ASSETS/LIABILITIES (FFS LEVEL ONLY)	27
NOTE 7 - ACCRUED AND OTHER LIABILITIES	28
NOTE 8 - CAPITAL ASSETS	28
NOTE 9 - PENSION AND RETIREMENT PLAN	29
NOTE 10 - CHANGES IN LONG-TERM OBLIGATIONS.....	29
NOTE 11 - LITIGATION AND CLAIMS	31
NOTE 12 - CONTINGENT LIABILITIES	33
NOTE 13 - SUBSEQUENT EVENTS	33

City of Grambling
Notes to the Basic Financial Statements
December 31, 2008

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, 2008.

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, 2008

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

Governmental Funds

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

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

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

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

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

Fund Financial Statements (FFS)

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

City of Grambling
Notes to the Basic Financial Statements
December 31, 2008

pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on long-term debt which is recognized when due. Compensated absences and claims and judgments are reported in a governmental fund only if the claims are due and payable.

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

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

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

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

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

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

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

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

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

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

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

City of Grambling
Notes to the Basic Financial Statements
December 31, 2008

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

Definitions:

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

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

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

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.

GASB Statement No. 40 Deposit and Investment Risk Disclosure; requires disclosure of credit risk, custodial credit risk, concentration of credit risk, interest rate risk and foreign currency risk for all public entity investments.

City of Grambling
Notes to the Basic Financial Statements
December 31, 2008

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: 2a7-like investment pools are excluded from this disclosure requirement, per paragraph 15 of the GASB 40 statement.
- Foreign currency risk: Not applicable to 2a7-like pools.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. 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 value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors.

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

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

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

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

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

City of Grambling
Notes to the Basic Financial Statements
December 31, 2008

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, 2008.

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

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

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

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

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

City of Grambling
Notes to the Basic Financial Statements
December 31, 2008

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

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

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

NOTE 2 - BUDGET TO GAAP RECONCILIATION

Sources/inflows of resources:

	<u>General</u>	<u>Health & Sanitation</u>
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule-Statement G	\$2,648,921	\$799,314
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	(808,278)	(345,386)
Transfers in from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(17,368)</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances – governmental funds-Statement E	<u>1,823,275</u>	<u>453,928</u>

Charges to appropriations/outflows

Actual amounts (budgetary basis) "charges to appropriations" from the budgetary comparison schedule-Statement G	1,987,051	182,239
Purchase of capital asset by capital lease not expenditure for budget purposes		144,396
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(5,774)</u>	<u>(30,000)</u>
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds- Statement E	<u>\$1,981,277</u>	<u>\$296,635</u>

City of Grambling
Notes to the Basic Financial Statements
December 31, 2008

NOTE 3 - DEPOSITS & INVESTMENTS At December 31, 2008, the City had the following investments:

<u>Type of investment</u>	<u>Carrying Amount</u> <u>Fair Value</u>	<u>Concentration of</u> <u>Credit risk</u>
Investments not subject to categorization:	\$421,691	66%
External investment pool (LAMP)		
Total investments		

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

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

Custodial Credit-Deposits: At year end, The City's carrying amount of deposits was \$1,407,592 (Statement A-Cash and cash equivalents of \$910,146, restricted assets of \$288,178 and certificates of Deposit classified as investments of \$209,268). 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, 2008, the City's bank balance was \$1,327,540 of which \$720,738 was covered by federal depository insurance or by collateral held by the City's agent in the City's name (GASB Category 1). The remaining \$606,802 of the bank balance was exposed to custodial credit risk because it was uninsured and collateralized with security held by the pledging financial institutions trust department or agent but not in the City's name. Even though the pledge securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the City that the fiscal agent has failed to pay deposited funds upon request.

Custodial Credit Risk-Investments: For an investment, this is the risk that, in the event of the failure of the counter party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At December 31, 2008, the City had 100% of its investments with an outside party. The City's policy does not address custodial credit risk.

NOTE 4 - LEVIED TAXES The City levies property taxes on real and business property located within the City's boundaries. Property taxes are levied by the City on property values assessed by the Lincoln Parish Tax Assessor and approved by the state of Louisiana Tax Commission. The Lincoln Parish Tax Assessor prepares tax statements for the City.

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

	<u>Authorized</u> <u>Millage</u>	<u>Levied</u> <u>Millage</u>	<u>Expiration</u> <u>Date</u>
Public improvement bond	7.08	6.00	2009
Public streets	6.50	5.51	2019
Water system	5.00	4.24	2016
Police department	5.50	4.66	2019
Fire department	27.00	27.12	2019

City of Grambling
Notes to the Basic Financial Statements
December 31, 2008

Property Tax Calendar

Lien Date	No set date
Levy Date	October 31, 2008
Due Date	December 31, 2008
Collection Dates	November 1 through June 30

NOTE 5 - RECEIVABLES The following is a summary of receivables at December 31, 2008:

<u>Class of Receivable</u>	<u>General Fund</u>	<u>Health & Sanitation Fund</u>	<u>Debt Service Fund</u>	<u>Maintenance Fund</u>	<u>Total</u>
Taxes:					
Property taxes	\$109,584	\$ -	\$ 56,943	\$ 21,696	\$ 188,223
Sales and use	67,107	65,523	-	-	132,630
Intergovernmental revenue					
User fees	-	13,527	-	42,785	56,312
Franchise Fees	7,590	-	-	-	7,590
Bingo Fee	44,396	-	-	-	44,396
Other	13,543	-	267	395	14,205
Total	<u>\$242,220</u>	<u>\$ 79,050</u>	<u>\$ 57,210</u>	<u>\$ 64,876</u>	<u>\$ 443,356</u>

These receivables are net of an allowance for doubtful accounts of \$6,617.

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

Individual balances due from/to other funds at December 31, 2008 are as follows:

<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
General	\$ 329,846	Maintenance	\$ 329,846
	66,665	Capital Projects	66,665
Capital Projects	166,257	General Fund	166,257
	80,603	Maintenance	80,603
Health & Sanitation	145,439	General Fund	145,439
	108,387	Maintenance	108,387
Total	<u>\$ 897,197</u>	Total	<u>\$ 897,197</u>

The general fund receivables are for payroll which is paid by the general fund and reimbursed by other funds and also for payment of expenses in the Maintenance Fund to be reimbursed. The capital projects receivable is for construction projects costs and also capital projects for the Enterprise Fund such as painting water tanks and repairs to the water tanks.

City of Grambling
Notes to the Basic Financial Statements
December 31, 2008

Transfers during the year ended December 31, 2008 were as follows:

	Transfer From Other Funds	Transfer to Other Funds
General Fund	\$ 5,774	\$ 17,368
Health & Sanitation Fund	30,000	-
Debt Service Fund	-	13,406
Capital Projects Fund	-	1,000
Maintenance Fund	1,000	5,000
Total	\$ 36,774	\$ 36,774

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

NOTE 7 - ACCRUED AND OTHER LIABILITIES The payables at December 31, 2008 are as follows:

Payable category	General Fund	Health & Sanitation	Maintenance Enterprise	Total
Vendors	\$ 5,458	\$ -	\$ -	\$ 5,458
Wages	220,955	4,197	1,312	226,464
Other	3,717	-	-	3,717
Total	\$ 230,130	\$ 4,197	\$ 1,312	\$ 235,639

NOTE 8 - CAPITAL ASSETS The following presents the changes in capital assets for the year ended December 31, 2008:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Nondepreciable assets:				
Land	\$ 42,902	\$ -	\$ -	\$ 42,902
Construction in progress	-	527,778	-	527,778
Total nondepreciable assets	42,902	527,778	-	570,680
Depreciable Assets:				
Buildings and improvements	2,635,359	-	-	2,635,359
Furniture and equipment	1,248,685	166,908	-	1,415,593
Total depreciable assets	3,884,044	166,908	-	4,050,952
Less: accumulated depreciation	(1,389,055)	(251,007)	-	(1,640,062)
Net depreciable capital assets	2,494,989	(84,099)	-	2,410,890
Governmental activities capital assets, net	\$ 2,537,891	\$ 443,679	\$ -	\$ 2,981,570

Depreciation expense for 2008 was charged to governmental activities as follows:

General government	\$ 68,413
Public safety	54,772
Health and sanitation	3,343
Highways and streets	124,479
Total	\$251,007

City of Grambling
Notes to the Basic Financial Statements
December 31, 2008

A summary of plant and equipment changes in the Maintenance Enterprise Fund for 2008 are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 16,526	\$ -	\$ -	\$ 16,526
Construction in progress	-	-	-	-
Total	16,526	-	-	16,526
Depreciable Assets:				
Buildings and improvements	30,000	-	-	30,000
Sewage plant	2,483,313	-	8,355	2,474,958
Water system	1,566,193	-	26,157	1,540,036
Water/Sewer equipment	1,059,612	34,513	-	1,094,125
Vehicles	17,998	11,952	-	29,950
Total depreciable assets:	5,157,116	46,465	34,512	5,169,069
Less: accumulated depreciation	(3,472,614)	(213,272)	-	(3,685,886)
Net capital assets, depreciable	1,684,502	(166,807)	34,512	1,483,183
Enterprise fund capital assets, net	<u>\$ 1,701,028</u>	<u>\$ (166,807)</u>	<u>\$ 34,512</u>	<u>\$ 1,499,709</u>

NOTE 9 - PENSION AND RETIREMENT PLAN The City established a Simple IRA plan to be effective October 4, 2002. All city employees are eligible to participate in the plan. The plan is a defined contribution plan administered by Morgan Keegan & Co., Inc. Under the plan, the City matches each employee's salary reduction for contributions to the plan up to 3% for that calendar year. The funds are immediately vested when paid into the plan. The plan is based on the IRS Code and must comply with all IRS Code requirements. The City of Grambling's contributions to the system for the year ending December 31, 2008 were \$4,747 and employees contributed \$4,747.

NOTE 10 - CHANGES IN LONG-TERM OBLIGATIONS The following is a summary of long-term obligation transactions for the year ended December 31, 2008:

	Governmental Funds				Maintenance - Enterprise Fund			
	Compensated Absences	Capital Leases	Certificate of Indebtedness	Total	Compensated Absences	Capital Leases	Bonds Payable	Total
Balance, beginning	\$ 18,869	\$ 111,975	\$ 709,815	\$ 840,659	\$ 4,078	\$ -	\$ 1,708,367	\$ 1,712,445
Additions	11,771	144,397	-	156,168	1,418	11,952	-	13,370
Retirements	9,264	45,913	76,955	132,132	2,325	2,988	103,870	109,183
Balance, ending	21,376	210,459	632,860	864,695	3,171	8,964	1,604,497	1,616,632
Due within one year	<u>\$ 21,376</u>	<u>\$ 73,843</u>	<u>\$ 78,103</u>	<u>\$ 173,322</u>	<u>\$ 3,171</u>	<u>\$ 5,976</u>	<u>\$ 108,544</u>	<u>\$ 117,691</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, 2008

Bonded debt payable at December 31, 2008 is comprised of the following individual issues:

\$850,000 – Certificate of Indebtedness, Series 2005 – the principal is due in annual installments of \$109,708 beginning June 30, 2005 and due each year through 2015, with an interest rate of 4.974%. Debt retirement payments are made from the Debt Service Fund.	\$ 632,860
\$1,250,000 – Utilities Revenue Bonds, Series 1995 – the remaining principal is due in annual installments of \$15,000 to \$72,000 through 2035, with the balance of \$12,305 being paid in 2036, with an interest rate of 5.125. Debt retirement payments are made from the Maintenance Enterprise Fund.	1,084,712
\$380,000 -1970 Water Sewer Bonds Junior Lien Revenue Bonds – the remaining principal is due in annual installments of \$21,000 to \$25,000 through 2009, with the balance of \$11,000 being paid in 2010, with an interest rate of 5.375%. Debt retirement payments are made from the Maintenance Enterprise Fund.	36,000
\$1,170,000 - 1993 Utilities Revenue Bond, Series 1993 – the remaining principal is due in annual installments of \$55,000 to \$75,000 through March, 2015, with an interest rate of 2.95%. Debt retirement payments are made from the Maintenance Enterprise Fund.	<u>483,785</u>
Total	<u>\$2,237,357</u>

As shown on Statement C, \$115,073 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, 2008 are as follows:

Debt Service fund:

Year	Principal	Interest	Total
2009	\$ 78,103	\$ 31,605	\$ 109,708
2010	81,988	27,720	109,708
2011	86,066	23,642	109,708
2012	90,347	19,361	109,708
2013	94,840	14,868	109,708
2014-2015	201,516	17,902	219,418
Total	<u>\$632,860</u>	<u>\$ 135,098</u>	<u>\$767,958</u>

City of Grambling
Notes to the Basic Financial Statements
December 31, 2008

Of the restricted cash and investments on Statement H, \$126,581 is restricted for debt service on the bonded debt. The annual requirements to amortize all outstanding bonded debt at December 31, 2008 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 102,568	\$ 74,334	\$ 176,902
2010	92,547	73,530	166,077
2011	90,581	69,476	160,057
2012	91,681	68,376	160,057
2013	92,840	67,217	160,057
2014-2018	277,663	271,291	548,954
2019-2023	173,707	198,938	372,645
2024-2028	225,383	147,262	372,645
2029-2033	292,433	80,212	372,645
2034-2036	165,094	11,895	176,989
Total	<u>\$ 1,604,497</u>	<u>\$ 1,062,531</u>	<u>\$ 2,667,028</u>

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

At December 31, 2008, the City had the following assets under capital lease:

<u>Asset</u>	<u>Cost</u>
Fire Truck	\$ 145,967
Kubota Tractor (Enterprise Fund)	11,952
Garbage Truck #1	206,790
Garbage Truck #2	144,397
Total	<u>\$ 509,106</u>

The following is a schedule of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments, as of December 31, 2008:

<u>General Fund:</u>	<u>Amount</u>	<u>Enterprise Fund</u>
<u>Fiscal year:</u>		
2009	\$ 84,333	\$ 5,976
2010	84,335	2,988
2011	31,380	-
2012	31,381	-
Total lease payments	231,429	8,964
Less amounts representing interest	20,970	-
Present value of net minimum lease payments	<u>\$ 210,459</u>	<u>\$ 8,964</u>

NOTE 11-LITIGATION AND CLAIMS At December 31, 2008 the Mayor and the City Council were involved in one legal suit which will require the City to be liable for legal fees in 2009. Also in early 2009 more suits were filed

City of Grambling
Notes to the Basic Financial Statements
December 31, 2008

relating to events that occurred in 2008 which will make the City liable for additional extensive legal fees in 2009. These are summarized as:

City of Grambling versus Martha Andrus, Mayor City of Grambling Docket No. 52,871 filed May 2008.

This suit concerned the Mayor removing the City Clerk from her duties in February, 2008 without the City Council's consent as required by the Lawrason Act; executing contracts without Council approval; failing to reimburse council members valid expenses; permitting her daughter to volunteer/work at City Hall; removing City property from City Hall; and transferring funds between bank accounts without disclosing same to the Council. A Contempt Rule hearing was held November 8, 2008 concerning the Mayor not allowing the City Clerk to perform her duties after the court had declared she was to be allowed to return to work and a judgment was rendered February 27, 2009. The Mayor was held in contempt and fined \$500.00. Legal fees that the City Clerk incurred are due her by the City.

City Council of Grambling versus Martha Andrus, Mayor of Grambling Docket No. 53,352 of January 8, 2009. This suit was due to the Mayor terminating the City Accountant/Business Manager on December 30, 2008, failing to pay City Debts of the City Clerk and the Mayor Pro-Tem, denying the City Clerk and City Accountant/Business Manager access to city financial software and other areas of City Hall, and allowing volunteers to work and have access to these financial records in violation of the nepotism laws. This suit is still pending.

In July, 2009 another suit was filed by the City Council and the City Clerk in an effort to combine all of the claims into one suit. This suit seeks to have the Mayor either removed from office or held in contempt of court and sentenced to jail for her continued refusal to abide by the court's orders. In the alternative, it seeks a writ of mandamus against the Mayor requiring her to sign checks for valid expenses, requiring her to sign all necessary checks for City business, and requiring her to return all City property. Lastly, it seeks reimbursement for checks written to the Assistant City Clerk without authorization.

On February 19, 2009 the City Clerk filed a separate suit (in conjunction with the City Accountant/Business Manager) due to the Mayor still not allowing her to perform the functions of her job. A Consent Judgment was entered on a temporary restraining order March 3, 2009. On March 5 and April 2, rules for contempt were filed against the Mayor. On April 7, 2009, the court granted the City Clerk's Preliminary Injunction and specified in detail all of the things the Mayor had to allow the City Clerk to perform. On April 14, 2009 the court held the Mayor in Contempt and sentenced the Mayor to 60 days in jail, but deferred the sentence to permit her the opportunity to purge herself of contempt. The Mayor has filed an appeal of both of these rulings which is still pending.

On February 19, 2009, the City Accountant/Business Manager filed a separate suit (in conjunction with the City Clerk) due to his unlawful termination. On March 3, a consent Judgment was entered on the temporary restraining order sought and he returned to City Hall. On March 5 and April 2, 2009, rules for contempt were filed against the Mayor. On April, 7, 2009, the court granted his Preliminary Injunction finding that the City Accountant/Business Manager had been terminated in violation of the Louisiana Whistleblower's Statute. On April 14, 2009, the court held the Mayor in contempt and sentenced the Mayor to 60 days in jail, but deferred the sentence to permit her to purge herself of contempt. The Mayor has filed an appeal to both of these rulings which is still pending.

The attorney fees incurred by the City Council, the City Accountant/Business Manager, and the City Clerk continue to mount. The City is permitted to reimburse employees and officers for legal expenses incurred as a result of their employment. The City Clerk, City Accountant/Business Manager and Mayor Pro-Tem have filed for reimbursement of their expenses. As of June 4, 2009 these reimbursement requests amount to \$26,117.35 and continue to accumulate.

City of Grambling
Notes to the Basic Financial Statements
December 31, 2008

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.

Construction Commitments The City had a sewer construction project during 2008 which was paid for with federal and state funds. This project was completed in 2009.

NOTE 12 - CONTINGENT LIABILITIES The City has an outstanding liability at December 31, 2008 in the amount of \$78,495 to Louisiana Municipal Risk Management Agency for prior years worker compensation and liability policy premium covering the policy periods of 2006, 2007 and 2008. This liability will be paid off in 2009.

NOTE 13 - SUBSEQUENT EVENTS The Mayor of the City was arrested on July 7, 2009 by the Louisiana State Police and charged with malfeasance in office and two counts of unauthorized use of a moveable. The Mayor posted bond and was released. The two counts of unauthorized use of a moveable relate to the Mayor reimbursing the Assistant City Clerk and an employee of the Water Department for bails they paid when arrested by the Grambling City Police in 2008. The State Attorney General's office is handling the case against the Mayor and it has not gone to court yet.

Also, the State Police have an arrest warrant out for the former Assistant City Clerk for theft of City funds. The following checks were written to or for the former Assistant City Clerk in 2009. The Mayor claims that her signatures were forged on some of these checks and states that she has signed the appropriate paper work at the bank stating that they were forged. None of the checks were for authorized City business. These checks in contention are as follows:

Check # 32338 to Assistant City Clerk for \$2,492.50 dated 1/31/09
Check # 32387 to Assistant City Clerk for \$2,223.06 dated 1/12/09
Check # 32596 to Assistant City Clerk for \$861.00 dated 2/25/09
Check # 32614 to Assistant City Clerk for \$32,623.54 dated 3/3/09
Check # 32587 to Northern La Medical Clinic (pd 3 accounts of as well as police dept. expenses) for \$147.24 dated 2/25/09
Check # 32617 to Fidelity Investments account for \$9,234.00 dated 3/3/09
Check # 32039 to Assistant City Clerk for \$2,368.15 dated 1/22/09
Check # 32611 to Body Central for \$566.16 for business travel attire dated 3/3/09.

On March 9, 2009 Mayor Andrus sent a letter to the Louisiana State Police informing them of two cashiers' checks drawn January 22, 2009, on Regions Bank, totaling \$13,388.85. These two checks were drawn by the Mayor Pro-Tem and the City Clerk without the Mayor's knowledge or consent, to pay the City Accountant/Business Manager wages they deemed due and to reimburse the Mayor Pro-Tem for use of personal funds on City business. The Mayor feels that this was a violation of the Louisiana Lawrason Act.

City of Grambling

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

CITY OF GRAMBLING
PROPRIETARY FUND TYPE - MAINTENANCE ENTERPRISE FUND
Comparative Statement of Net Assets
December 31, 2008 and 2007

Schedule 1

	<u>2008</u>	<u>2007</u>
	<u>MAINTENANCE</u>	<u>MAINTENANCE</u>
	<u>FUND</u>	<u>FUND</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 377,739	\$ 164,017
Receivables, net of allowance of \$13,638 and \$805	64,876	31,220
Interfund receivable	0	0
Prepaid expenses	1,484	1,362
Capital assets, net	1,499,709	1,701,029
Restricted Assets:		
Cash	161,597	171,702
Investments	<u>126,581</u>	<u>122,417</u>
TOTAL ASSETS	<u>2,231,986</u>	<u>2,191,747</u>
LIABILITIES		
Accounts payable	48,643	84,002
Accrued and other liabilities	1,312	4,424
Interfund payable	518,836	306,717
Interest payable from restricted assets	62,415	61,026
Customer deposits payable from restricted assets	117,000	108,514
Current portion of bonds payable	117,691	106,681
Notes payable	2,988	25,000
Revenue bonds payable	<u>1,495,953</u>	<u>1,580,765</u>
TOTAL LIABILITIES	<u>2,364,838</u>	<u>2,277,129</u>
NET ASSETS		
Invested in capital assets, net of related debt	(113,752)	(7,339)
Restricted for Debt Retirement	108,763	294,119
Unrestricted	<u>(127,863)</u>	<u>(372,162)</u>
Total Net Assets	<u>\$ (132,852)</u>	<u>\$ (85,382)</u>

CITY OF GRAMBLING
PROPRIETARY FUND - MAINTENANCE ENTERPRISE FUND
Proposed Budget - 2009
For the Year Ended December 31, 2008

Schedule 2

OPERATING REVENUES	
Water sales	\$ 210,000
Water connection charges	3,500
Sewer fees	<u>306,850</u>
Total operating revenues	<u>520,350</u>
OPERATING EXPENSES	
Water department	660,910
Sewer department	<u>330,422</u>
Total operating expenses	<u>991,332</u>
OPERATING INCOME (LOSS)	<u>(470,982)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	8,650
Ad valorem tax revenues	44,471
Sales tax revenues	16,000
Other income	9,500
Interest expense	<u>(73,050)</u>
Total nonoperating revenues (expenses)	<u>5,571</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(465,411)</u>
TRANSFERS IN	
Transfers in	0
Transfers out	<u>(118,039)</u>
Total transfers in	<u>(118,039)</u>
CHANGE IN NET ASSETS	(583,450)
NET ASSETS - BEGINNING	<u>(84,594)</u>
NET ASSETS - ENDING	<u>\$ (668,044)</u>

City of Grambling
Schedule of Compensation Paid Council Members
For the Year Ended December 31, 2008

Schedule 3

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

<u>Board Member</u>	<u>Term Expiration</u>	<u>Compensation Paid</u>
Alvin Bradley, Sr.	12/31/10	\$ 5,250
Clarence Kennedy	Resigned 6/30/08	3,325
Edward Jones, Mayor Pro Tem	12/31/10	5,250
Roosevelt Bryant, Jr.	12/31/10	5,600
Toby Bryan	12/31/10	5,600
Roy Jackson – Appointed 7/14/08	12/31/10	<u>1,225</u>
Total		<u>\$26,250</u>

City of Grambling
Schedule of Insurance Coverage
As of December 31, 2008

					Schedule 4
Type of Coverage	Name of Insurer	Policy Number	Amount of Coverage	Deductible	Expiration Date
Commercial property	Underwriters at Lloyd of London	APPUC101805	Building: \$2,198,000	\$ 2,500	7/30/2009
			Personal Property-540,000	2,500	7/30/2009
Automobile	Agency Management Corporation	SCA8938	Based on individual Vehicle	500	3/12/2009
Fidelity Bond	Traveler's Casualty	103093269	15,000	NONE	7/20/2009
		104436852	5,000	500	2/11/2010
		103093272	10,000	NONE	7/20/2009

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

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

City of Grambling
Schedule of Breakdown of Utility Customers
For the Year Ended December 31, 2008

Schedule 5

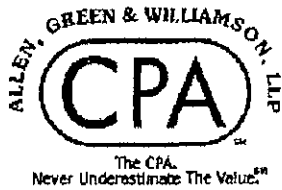
Commercial	52
Residential	<u>1,112</u>
Total Customers	<u>1,164</u>

City of Grambling
Schedule of Water & Sewer Rates
As of and For the Year Ended December 31, 2008

Schedule 6

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

SINGLE AUDIT INFORMATION



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
Diane Ferschoff, CPA
Joshua Legg, CPA
Quint Martin, CPA
Brian McBride, CPA
Cindy Thomason, CPA
Angie Williamson, 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

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

We were engaged to audit 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, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 29, 2009. We did not express an opinion on the financial statements because we were unable to obtain sufficient documentation to complete testing of accounts receivable, revenue, account payable, and expenditures of the financial statements.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 08-F1 through 08-F16 to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 08-F1, 08-F5, 08-F6, 08-F7, 08-F8, 08-F9, 08-F12, 08-F13, and 08-F14 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 08-F2, 08-F3, 08-F4, and 08-F10.

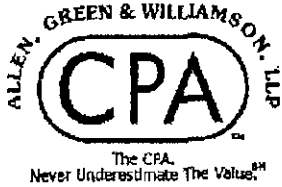
The City's responses to the findings identified in our audit are described in the accompanying corrective action plan for current year findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on it.

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

Allen, Green + Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
October 29, 2009



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
Diane Ferschoff, CPA
Joshua Legg, CPA
Quint Martin, CPA
Brian McBride, CPA
Cindy Thomason, CPA
Angie Williamson, CPA

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

Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

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

Compliance

We have audited the compliance of the City of Grambling with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2008. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 08-F17.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 08-F17 to be significant deficiencies.

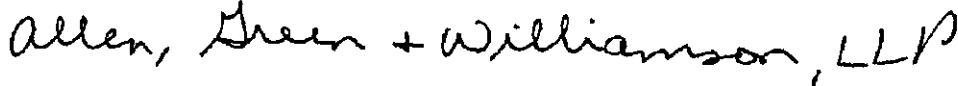
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

Schedule of Expenditures of Federal Awards

We were engaged to audit the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2008, and have issued our report thereon dated October 29, 2009. We did not express an opinion on the financial statements because we were unable to obtain sufficient documentation to complete testing of accounts receivable, revenue, accounts payable, and expenditures of the financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. We express no opinion on the schedule of expenditures of federal awards.

The City's response to the findings identified in our audit are described in the accompanying Corrective Action Plan. We did not audit the City's response and, accordingly, we express no opinion on it.

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


ALLEN, GREEN & WILLIAMSON, LLP
Monroe, Louisiana
October 29, 2009

City of Grambling
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2008

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM NAME	CFDA <u>Number</u>	Pass-Through <u>Grantor No.</u>	<u>Expenditures</u>
CASH FEDERAL AWARDS			
United States Department of Housing and Urban Development Passed Through Louisiana Division of Administration Community Development Block Grant	14.228	PF-1996-252	\$ 358,501
United States Department of Health and Human Services Direct Program: Rural Health Care Service Outreach Program	93.912	N/A	123,249
United States Department of Agriculture Direct Program: Housing Preservation Grant	10.433	N/A	110,028
TOTAL FEDERAL AWARDS			<u>\$ 591,778</u>

City of Grambling
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2008

NOTE 1 - GENERAL The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the City of Grambling. The City's reporting entity is defined in Note 1 to the City's financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included in the schedule.

NOTE 2 - BASIS OF ACCOUNTING The accompanying schedule of expenditures of federal awards is prepared on the modified accrual basis of accounting.

NOTE 3 - RELATIONSHIP TO BASIC FINANCIAL STATEMENTS Federal awards revenues are reported in the City's financial statements as follows:

Intergovernmental Revenues	\$591,778
----------------------------	-----------

NOTE 4 - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for changes made to reflect amounts in accordance with accounting principles generally accepted in the United States of America.

NOTE 5 - FEDERAL AWARDS For those funds that have matching revenues and state funding, federal expenditures were determined by deducting matching revenues from total expenditures.

City of Grambling
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2008

PART I - Summary of the Auditors' Results

Financial Statement Audit

- i. The type of audit report issued was a disclaimer.
- ii. There were sixteen significant deficiencies required to be disclosed by Government Auditing Standards, issued by the Comptroller General of the United States of America.

Nine significant deficiencies were considered to be material weaknesses.

- iii. There were four instances of noncompliance considered material, as defined by the Government Auditing Standards, to the financial statement.

Audit of Federal Awards

- iv. There was one significant deficiency required to be disclosed by OMB Circular A-133. The significant deficiency was not considered to be a material weakness.
- v. The type of report the auditor issued on compliance for major programs was unqualified.
- vi. The audit disclosed one audit finding which the auditor is required to report under OMB Circular A-133, Section .510(a).
- vii. The major federal programs are:

CFDA #14.228 Community Development Block Grant
- viii. The dollar threshold used to distinguish between Type A and Type B programs as described in OMB Circular A-133, Section .520(b) was \$300,000.
- ix. The auditee does not qualify as a low-risk auditee under OMB Circular A-133, Section .530.

City of Grambling
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2008

Part II Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards generally accepted in the United States of America:

Reference # and title: 08-F1 Material Journal Entries Not Recorded

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

Criteria or specific requirement: The agency should record journal entries to accrue all material accounts receivable and accounts payable at year-end. Transactions should be recorded in the proper fund.

Condition found: There were no journal entries made to record accounts payable at year-end, and not all accounts receivable were recorded. Some payables and receivables from the prior year were not reversed. Numerous transactions were recorded in the wrong fund.

Possible asserted effect (cause and effect):

Cause: The State Police removed the computers containing the financial records and also took most of the financial records.

Effect: Auditors were required to make journal entries to record material accounts payable and all material accounts receivable except ad valorem taxes for the year ended December 31, 2008.

Recommendation to prevent future occurrences: The City should record all material journal entries in the accounting records for accruals at year-end.

Reference # and title: 08-F2 Louisiana Local Government Budget Act

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

Criteria or specific requirement: LSA-R.S.39:1301-1314 states in part, that when there has been a change in operations upon which the original adopted budget was developed, the governing authority shall adopt an amended budget in an open meeting to reflect such changes. State law also requires that the official notice of the original proposed budget and public hearing date for a City is to be published in the local paper not less than 10 days before the public hearing date.

Condition found: The amended budget for the year ended December 31, 2008 was not adopted until August of 2009. The notice of the public hearing for the original 2008 budget was published nine days before the hearing date, not 10 as required. The actual revenues for the Health and Sanitation Fund were less than the budget by 24% which exceeds the 5% required by State law.

Possible asserted effect (cause and effect):

Cause: The City did not prepare adequate financials to monitor their revenues and expenses in order to prepare amended budgets as required.

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

City of Grambling
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2008

Part II Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards generally accepted in the United States of America:

Recommendation to prevent future occurrences: The City should monitor revenues and expenses and adopt amended budgets in a timely manner as required by law.

Reference # and title: **08-F3** **Late Submission of the Audit Report to the USDA**

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

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

Condition found: The City did not file the audit by the end of the 150 days required.

Possible asserted effect (cause and effect):

Cause: The audit for the City was not completed in time to meet the required deadline due to the City's lack of adequate financial records for the auditors to test. This was due to conflicts between the Mayor and City Council.

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

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

Reference # and title: **08-F4** **Late Submission of Audit Report to Legislative Auditor**

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

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

Condition found: The City requested an extension of time by the Legislative Auditor's Office and an extension was approved to September 30, 2008.

Possible asserted effect (cause and effect):

Cause: Seizure of financial records and computers by the State Police and the City's inability to restore QuickBooks software on new computers along with key finance personnel not being allowed to perform their duties.

Effect: The City's audit was not filed by the deadline.

City of Grambling
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2008

Part II Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards generally accepted in the United States of America:

Recommendation to prevent future occurrences: The City should strive to have all accounting software issues and personnel issues resolved in a timely manner for the submission of their audit report each year in order to comply with requirements with the Legislative Auditor's Office and other agencies.

Reference # and title: **08-F5** **Bank Reconciliations**

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

Criteria or specific requirement: Good internal control mandates that bank reconciliations for all bank accounts be completed each month and any differences be investigated in a timely manner. Completed bank reconciliations should be printed each month and become a part of the permanent accounting records of the City. Outstanding checks should be investigated and the reason determined as to the status of each check. All checks whether system generated or manually written should be recorded in the financial records of the City as well as all deposits made by the City.

Condition found: None of the bank accounts were reconciled as of 12/31/08 until August and September of 2009. Some of the bank accounts had not been reconciled for several months until being done in August and September of 2009. Not all manual checks written in November and December of 2008 were recorded in the general ledger system, nor had all deposits been recorded. In the Maintenance Fund there was over \$40,000 in deposits that had not been recorded. In the General Fund, a deposit of \$49,073 was posted twice and checks of \$80,265 had not been recorded. The bank reconciliation for Health and Sanitation Fund revealed \$36,421 in checks not recorded and \$11,445 in deposits not recorded. Support for cash deposits to Regions Bank in December 2008 was missing from the City's files. Revenue of \$239,787 was recorded as "unknown" in the general ledger due to lack of proper support for deposits. Checks were sometimes not issued in sequence.

Possible asserted effect (cause and effect):

Cause: The State Police removed the computers containing the financial records and also took most of the financial records.

Effect: The City cannot have an adequate set of financial records for decision making without timely and accurate bank reconciliations.

Recommendation to prevent future occurrences: Good internal control should be implemented by the City to ensure bank balances per bank reconciliations agree with general ledger amounts. All bank accounts held by the City should be reconciled timely. All variances which are posted between bank reconciliations and the amounts recorded by general ledger history should be examined further. Support for all deposits should be a permanent part of the City's records. Deposits should be recorded in the general ledger to the proper revenue account.

Reference # and title: **08-F6** **Cash Deposits of Water and Garbage Receipts**

Entity-Wide or program /department specific: This finding is for the Maintenance and Health and Sanitation Funds.

City of Grambling
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2008

Part II Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards generally accepted in the United States of America:

Criteria or specific requirement: Deposits should be traceable from the point of receipt to posting in the general ledger. Good cash management requires that cash receipts be deposited in a timely manner. For purposes of the test, deposits within three banking days were considered timely.

Condition found: While testing 70 cash receipts for the Maintenance Fund and Health and Sanitation Fund, it was noted that 14 deposits could not be found as being made for both water and garbage, there were 6 instances where a split deposit was made in one account but never made in the other account, and 32 exceptions where deposits were not made timely. In some instances it was several weeks before the deposit was made. In addition there were 8 exceptions where the deposits did not match the summary reports printed off the system. The total of receipts per the summaries that could not be traced to a deposit was in excess of \$60,000.

Possible asserted effect (cause and effect):

Cause: It appears that there was no separation of the collection, recording and depositing of receipts for an extended time period during the year.

Effect: Cash deposits for the water and garbage were not made in a timely manner by the City, nor could all revenue received by the City be accounted for in the bank accounts or general ledger.

Recommendation to prevent future occurrences: The City should ensure that all cash receipts are deposited in a timely manner (within three banking days). There should be a greater internal control over cash receipts. There should be a reconciliation of receipts to the actual deposits of all payments performed by an employee independent of the collection, posting, or bank deposit functions. Deposits should be recorded timely in the general ledger.

Reference # and title: **08-F7** **Cash Deposits of Police Fines**

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

Criteria or specific requirement: Deposits should be traceable from the point of receipt to posting in the general ledger. Good cash management requires that cash receipts be deposited in a timely manner. AG&W consider deposits within three banking days as being timely. A reconciliation of the amount of collections per the police software monthly report to the revenue accounts in the general ledger should be prepared.

Condition found: Out of 35 tickets issued tested, 16 were paid to the City. None of these sixteen could be traced to a validated deposit slip or to the general ledger. The amounts shown on the monthly police summaries as collected do not agree to the monthly totals in the general ledger. No one is reconciling these amounts. In reviewing the bank statements to the general ledger deposit records, many deposits of police fines were held for several days or weeks before being deposited. In addition a deposit was recorded in QuickBooks on May 19, 2008 as a receipt of cash in the amount of \$1,743.50 for police fines and court costs which was not actually deposited in the bank until May 30, 2008. The deposit slip dated 5/19 originally showed the total "cash" amount deposited of \$1,743.50 but had been changed(lined out) to show a cash amount of \$257.94 with checks totaling \$1,485.56. The checks which were behind the deposit as support were not for police fines, but were utility payments to the Maintenance Fund. Of these checks, twenty were written after May 19th with check dates of May 20th-May 30th which was up to eleven days after the deposit slip had been prepared.

City of Grambling
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2008

Part II Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards generally accepted in the United States of America:

Possible asserted effect (cause and effect):

Cause: It appears there was no separation of the collection, recording and depositing of receipts for an extended period of time.

Effect: Cash deposits of police fines were not made in a timely manner nor could all fines received by the City be accounted for in either the bank statements or the general ledger. The utility payment receipts substituted as police revenue were not recorded at all.

Recommendation to prevent future occurrences: The City should ensure that all cash receipts are deposited in a timely manner (within three banking days). There should be greater internal control over cash receipts. There should be a reconciliation of receipts to the actual deposits of all payments performed by an employee independent of the collection, posting, or bank deposit functions. Deposits should be recorded timely in the general ledger.

Reference # and title: **08-F8** **Internal Control Over Vendor Payments**

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

Criteria or specific requirement: Effective internal control should include vendor disbursements having original documentation (invoices, etc.), proper approval, and should be paid timely. Checks written as support for wire transfers to Fuelman should be voided.

Condition found: The following were noted from a test of 71 vendor disbursements:

- Two exceptions where no purchase order was used.
- Fourteen exceptions where the support (invoices, etc.) was missing. (Does not include HERSA checks which the State Police have)
- Eleven exceptions where the expenditure was not correctly recorded in the general ledger.
- Two exceptions where the check number could not be found as ever having being written or cleared the bank.
- Two exceptions where the invoice was not paid in a timely manner.
- Two live Fuelman checks were found in the records and had not been voided even though the funds had been wired from the bank.

Possible asserted effect (cause and effect):

Cause: Lack of control over blank checks and financial records.

Effect: Internal control over vendor disbursements is not adequate.

Recommendation to prevent future occurrences: All vendor payments in the future should include original documentation (invoices, etc.) and should be paid timely. Records supporting disbursements should be properly maintained.

City of Grambling
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2008

Part II Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards generally accepted in the United States of America:

Reference # and title: **08-F9** **Payroll Expenses**

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

Criteria or specific requirement: Payroll documentation should include proof of existence, approved hourly/salary rate, supported with appropriate approval, be recorded in the correct general ledger account in the correct amount, calculation of hourly pay should be reviewed for correctness, time sheets and time cards should be signed by supervisor, employee and initialed by the Mayor. Personnel files should be safeguarded with limited access. Payroll deductions for IRA savings should adhere to the City policy.

Condition found: The following exceptions were found from a test of 51 payroll disbursements.

- Eleven of the checks for the Assistant City Clerk had overpayments of salary, both regular time and overtime. Recalculations of her time reflect an over payment of \$3,760. There were 18 exceptions where the hours on the Assistant City Clerk's time cards did not match the hours paid. There were two exceptions where the Assistant City Clerk's time card was missing. There were 12 exceptions where the original salary distribution on the pay stubs for the Assistant City Clerk did not match what was in the QuickBooks payroll software. (The QuickBooks payroll data had been altered after the original pay checks were run). There was one exception for no support for "extra pay" on the Assistant City Clerks check. There were three exceptions where the Assistant City Clerk changed the amount of her IRA payroll deduction from \$20.00 a pay period to \$60.00 a pay period which was in excess of the 3% limit per policy. These deductions were matched by the City at the full \$60.00 figure.
- There were 6 missing I9's after all employee personnel files were recreated. (all of the original personnel files were missing and were recreated in 2009)
- There was one other exception other than the Assistant City Clerk's where the hourly salary was not correctly calculated.
- There were 40 other exceptions where the employee did not sign the time card and 44 other exceptions where the supervisor did not sign the time card.
- There were 7 other exceptions where the hours on the time cards did not match the hours paid.
- There were 4 other exceptions where there were no time cards available.

Possible asserted effect (cause and effect):

Cause: One contributing factor is that there was no segregation of payroll duties. The Assistant City Clerk handled all payroll functions except signing the checks. There was also insufficient review of the payroll functions.

Effect: Internal control over payroll is not adequate.

Recommendation to prevent future occurrences: In the future, payroll documentation should include proof of existence, approved salary/hourly rate, supported with appropriate approval, be recorded in the correct general ledger account in the correct amount, calculation of hourly pay should be reviewed for correctness, time sheets and time cards should be signed by supervisor and by the employee. The Mayor should initial all time cards and initial and date all payroll summaries. There should be adequate segregation of duties within the payroll function and access to

City of Grambling
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2008

Part II Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards generally accepted in the United States of America:

the payroll records strictly limited. Personnel files should be locked up and safe guarded to prevent misuse of confidential employee records. All payroll files should be kept locked up for permanent retention.

Reference # and title: 08-F10 Capital Asset Management

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

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

Condition found: The City does not have a comprehensive procedure where an employee maintains a complete listing of the City's capital assets and additions and deletions to the same. There was no annual physical inventory taken and not all capital assets are safeguarded from theft. Two laptops and one desk top computer purchased with federal funds could not be located. One of the two laptops noted above was confiscated by the State Police from the Mayor's home and has not been returned.

Possible asserted effect (cause and effect):

Cause: There was a low priority placed on the capital assets listing.

Effect: The City was in violation of state law and has inadequate internal control over safeguarding of capital assets.

Recommendation to prevent future occurrences: Management of the City should consider appointing an employee as property manager who will maintain a comprehensive listing of capital assets as additions and deletions are added during the year. Department heads should be given addition and deletion forms and required to complete the forms as purchases or deletions of capital assets are made and then give to the property manager. The property manager should perform an annual physical inventory of all capital assets and any missing assets identified and the reason determined.

Reference # and title: 08-F11 Information System Controls

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

Criteria or specific requirement: Good controls over information systems should include a written policy, segregation of duties and user controls.

Condition found: The City uses a general ledger program and a program for utility billing. The City currently has no written policy for information systems or established procedures for limiting access or backing up information.

City of Grambling
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2008

Part II Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards generally accepted in the United States of America:

Possible asserted effect (cause and effect):

Cause: There was a low priority placed on information systems back up and controls.

Effect: Information systems were not consistently backed up and stored offsite. Access was not consistently restricted.

Recommendation to prevent future occurrences: The City should adopt a formal written policy regarding information systems and establish procedures to ensure that access is limited and back ups are consistently done and stored offsite or in a fire proof safe.

Reference # and title: **08-F12 Manual Journal Entries**

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

Criteria or specific requirement: Good controls over financial records require that a printed copy of all manual journal entries and the supporting documentation be kept as a permanent part of the City's financial records. Also, all journal entries should include the preparer's name, the period posted to, and approval by Management.

Condition found: The only information available for manual journal entries made during the year was a printout from the QuickBooks software which showed the entries made, the accounts affected and the amounts. There was no record of who made the journal entries (with the exception of those made by the third party CPA firm), no support for any of the journal entries made by City personnel and no approval of these entries by anyone in management. It was not possible to test the necessity of or reasonableness of these manual journal entries.

Possible asserted effect (cause and effect):

Cause: There was a low priority placed on manual journal entries and their control.

Effect: There was no support for significant financial adjustments made to the City's financial records.

Recommendation to prevent future occurrences: The City should adopt a formal written policy regarding manual journal entries and establish procedures for the preparation, approval, posting and retention of these financial adjusting entries.

Reference # and title: **08-F13 Federal Withholding Taxes**

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

Criteria or specific requirement: Federal payroll taxes withheld from each employee's check should be remitted to the IRS on a timely basis as required by law.

City of Grambling
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2008

Part II Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards generally accepted in the United States of America:

Condition found: Federal payroll taxes for the second through fourth quarters of 2008 were not remitted to the IRS as required even though the liability was recorded on the books. These taxes were not paid until 2009.

Possible asserted effect (cause and effect):

Cause: The letters from the IRS of past due taxes were ignored by the City and there were no internal controls in place to ensure that the taxes were paid as required.

Effect: The City had to pay the taxes in 2009 and penalties and interest on past due taxes of \$63,338 to the IRS.

Recommendation to prevent future occurrences: The City should adopt good internal controls and procedures to ensure that all payroll liabilities are paid timely.

Reference # and title: 08-F14 Subsidiary ledger of Ad Valorem Taxes Paid Not Updated

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

Criteria or specific requirement: The subsidiary ledger for ad valorem taxes should be updated as taxes are paid by the citizens and proof of their payments maintained as part of the City's financial records.

Condition found: The proof of ad valorem tax payments by the City property owners was not kept by the City in all cases. The binder containing the certified bank deposits and support for November and December of 2008 was missing from the City's finance office. No effort to update the subsidiary ledger for tax payments was made until June of 2009.

Possible asserted effect (cause and effect):

Cause: The City's tax receipts records were not properly safeguarded.

Effect: There was no way to identify the amount of uncollected ad valorem taxes as of December 31, 2008 nor for the auditors to test and ensure that all collected taxes were deposited and recorded correctly in the general ledger.

Recommendation to prevent future occurrences: The City should develop good internal controls to ensure that a concise record is kept of all ad valorem tax payments and the subsidiary ledger is updated timely as payments are made. A year-end report of unpaid ad valorem taxes should be printed and tied to the Accounts Receivable -Property Taxes accounts in the general ledger. Certified bank deposits and the supporting documentation should be kept and safeguarded as part of the City's official financial records.

Reference # and title: 08-F15 Police Department Tickets

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

City of Grambling
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2008

Part II Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards generally accepted in the United States of America:

Criteria or specific requirement: An adequate record of all ticket books and tickets should be kept.

Condition found: Officers are issued 4 part pre-numbered ticket books. The clerk of court maintains a ticket book log that records the date issued, officer's name, and beginning and ending ticket numbers. Ticket books are not turned back in to the dispatcher after all the tickets in that book are issued nor is there any type reconciliation to ensure that all tickets within each ticket book are accounted for.

Possible asserted effect (cause and effect):

Cause: There was a low priority placed on accounting for police tickets and fines.

Effect: There is insufficient control of ticket books issued to officers and insufficient accounting of tickets issued.

Recommendation to prevent future occurrences: The police department should require that empty ticket books be turned in to the dispatcher when all tickets are written. A reconciliation of ticket numbers issued to actual tickets written should be prepared by the police department.

Reference # and title: **08-F16** **Adjustments to Utility Bills**

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

Criteria or specific requirement: An adequate record of all utility bill adjustments and approval is not kept.

Condition found: The supervisor of public works gives verbal approval of utility bill adjustments rather than written approval. There is no way to determine if an adjustment made to a customer's account was for the correct amount or that it was actually an approved adjustment.

Possible asserted effect (cause and effect):

Cause: Poor internal control over utility bill adjustments.

Effect: There is insufficient control of utility bill adjustments made by the water department.

Recommendation to prevent future occurrences: A written policy should be adopted by the water department for utility bill adjustments, a form should be developed to record the amount of the adjustment and the supervisor should approve the form before the adjustment is made. A periodic internal audit of utility bill adjustments should be performed by an employee independent of the utility department.

City of Grambling
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2008

Part III Findings and questioned costs for federal awards which are required to be reported under OMB Circular A-133 Section .510(a):

Reference # and title: 08-F17 Internal Control Over Vendor Disbursements

Federal program and specific federal award identification: This finding relates to Community Development Block Grant, CFDA # 14.228, from federal agency, Department of Housing and Urban Development, passed through the State of Louisiana for Federal Award year 1997.

Criteria or specific requirement: The most recent Grantee Handbook, FY 2008, states that “checks drawn on the required separate non-interest bearing account must be signed by two authorized persons”. Additionally, all disbursements should be properly recorded and paid out of the applicable fund.

Condition found: In a sample of nine disbursements the following were noted.

- Nine exceptions where only the Mayor signed the checks.
- Two exceptions where the disbursements were recorded in the incorrect fund.
- Nine exceptions where the disbursements were not charged to the correct GL account.

Possible asserted effect (cause and effect):

Cause: City personnel did not understand that all expenditures should be charged to one fund, nor the proper general ledger classification for these expenditures.

Effect: Journal entries had to be recorded to move the expenses to the correct funds and general ledger accounts.

Recommendations to prevent future occurrences: The City should train their accounting staff in the correct procedures for accounting for grant transactions.

City of Grambling

Other Information

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

City of Grambling
Summary Schedule of Prior Year Audit Findings
For the Year Ended December 31, 2008

Reference # and title: **07-F1** **Material Journal Entries Not Recorded**

Year Finding Originated: December 31, 2006.

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

Corrective action planned: See management's response to 08-F1 attached.

Reference # and title **07-F2** **Louisiana Local Government Budget Act**

Year Finding Originated: December 31, 2005.

Condition found: The General Fund actual revenues were less than budgeted revenues by 12.6 % for the year.

Corrective action planned: See management's response to 08-F2 attached.

Reference # and title: **07-F3** **Late Submission of the Audit Report to the USDA**

Year Finding Originated: December 31, 2005.

Condition found: The City did not file the audit by the end of the 150 days as required. The audit for the year ended December 31, 2007 was filed in September, 2008.

Corrective action planned: See management's response to 08-F3 attached.

Reference # and title: **07-F4** **Late Submission of Audit Report to Legislative Auditor**

Year Finding Originated: December 31, 2007.

Condition: The City requested an extension of time by the Legislative Auditor's Office and an extension was approved to August 1, 2008. The report was filed after the approved extension date.

Corrective action planned: See management's response to 08-F4 attached.

Reference # and title: **07-F5** **Bank Reconciliations**

Year Finding Originated: December 31, 2007.

Condition: While examining the City's bank reconciliations, the following items were noted:

- 1) The July, 2007 and September, 2007 bank reconciliations for the General Fund could not be located.

City of Grambling
Summary Schedule of Prior Year Audit Findings
For the Year Ended December 31, 2008

- 2) On the May, 2007 bank reconciliation for the General Fund there was a note written by the fee accountant stating that there were gaps in the list of deposits and checks which needed to be entered before the reconciliation could be completed.
- 3) Bank reconciliations for the Housing Preservation Grant were not completed monthly. The fee accountant prepared the bank reconciliations for the entire year in February of 2008.
- 4) Upon examination of bank reconciliations for the numerous Maintenance Fund bank accounts many items were noted. Outstanding deposits on the April, 2007 bank reconciliation for \$18,130.56 and \$757.08 were deleted on the bank reconciliation by a journal entry in May, 2007 with no reason noted for the entry. For another bank account, the January, 2007 bank reconciliation had a journal entry in the amount of \$32,124 to record a deposit and the credit side of the entry was posted to fund balance. For another bank account, the fee accountant did not receive the October, 2007 bank statement in order to complete the reconciliation. In December, 2007, there were 4 deposits deleted from the system from two different bank reconciliations. The amounts of the 4 deleted deposits were \$300.00, \$1,900.00, \$3,148.63, and \$9,066.10. The May, 2007 bank reconciliation contained a note by the fee accountant that a journal entry was made in June, 2007 which affected the May, 2007 bank reconciliation and it had to be redone.

Corrective action planned: See management's response to 08-F5 attached.

Reference # and title: **07-F6** **Lack of Separation of Duties in Water & Sewer Department**

Year Finding Originated: December 31, 2006.

Condition found: Although the physical location for collection of water & sewer fees was moved from the utility department to the Clerk's office, the employee for the water & sewer department who prepares the billing lists and enters payments into the computer system maintained for the water & sewer department has the authority to collect payments for utilities in the new location of the Clerk's office.

Corrective action taken: Duties were realigned in order to have better internal control over water and sewer collections.

Reference # and title: **07-F7** **Cash Deposits of Water & Sewer Receipts**

Year Finding Originated: December 31, 2006.

Condition found: While testing 30 cash receipts for the Water and Sewer Enterprise funds, it was noted that 10 of the 30 tested of the water deposits and 11 of the sewer deposits could not be traced to a validated deposit slip and 3 could not be traced to the general ledger. Of the deposits traced to a validated deposit slip, 17 were considered not being deposited in a timely manner.

Corrective action planned: See management's response to 08-F6 attached.

City of Grambling
Summary Schedule of Prior Year Audit Findings
For the Year Ended December 31, 2008

Reference # and title: **07-F8** **Delinquent Customer Accounts in Water & Sewer Department**

Year Finding Originated: December 31, 2006.

Condition found: Upon examining the year-end billing report for water and sewer, it was found that there were numerous customers with balances in arrears. The total of customer billings in arrears at year-end was \$13,638.

Corrective action taken: The City increased efforts to collect accounts that were delinquent.

Reference # and title: **07-F9** **Internal Control over Vendor Expenses**

Year Finding Originated: December 31, 2007.

Condition found: The following was noted from a test of 40 vendor disbursements:

- Four exceptions were found where the canceled check could not be examined.
- One exception was found in which there were not the appropriate number of signatures on check.
- Seven exceptions were found where the invoice payment was not properly approved by appropriate personnel.
- Eleven exceptions were noted where the charge was not supported by proper documentation (original invoice, etc).
- Six exceptions were found where the invoice date was not current when compared to date of check.

Corrective action planned: See management's response to 08-F8 attached.

Reference # and title: **07-F10** **Internal Control over Travel Expenses-HRSA Grant**

Year Finding Originated: December 31, 2007.

Condition found: There were 10 travel reimbursements examined from the HRSA Grant funds in which the documentation was found to be inadequate. The following exceptions were found:

- Two exceptions where the reimbursements were not approved properly.
- Five exceptions where there was no documentation for expenses.
- Four exceptions in which there was no documentation of the business purpose such as an agenda, etc.

Corrective action planned: Records were not available for this grant.

Reference # and title: **07-F11** **Internal Control over Petty Cash-HRSA Grant**

Year Finding Originated: December 31, 2007.

Condition found: There were 13 petty cash reimbursements examined from the HRSA Grant funds in which the documentation was found to be inadequate. The following exceptions were found:

City of Grambling
Summary Schedule of Prior Year Audit Findings
For the Year Ended December 31, 2008

- Ten exceptions were noted where there was no purchase order or the purchase order date was after the actual purchase.
- Six exceptions in which there was no documentation or the documentation was insufficient.
- Three exceptions in which cost was questionable such as food purchases, medical expense for an employee for \$5.65, and \$25 given to the Wal-Mart Coalition Meeting.

Corrective action planned: Records were not available for this grant.

Reference # and title: **07-F12** **Payroll Expenses**

Year Finding Originated: December 31, 2007.

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

- Two cancelled checks could not be tested for several attributes because the cancelled check could not be located.
- Four exceptions were found where the personnel file did not contain proof of existence.
- Seven exceptions in which salary/hourly rate agrees with personnel documentation or no documentation was able to be examined.
- One exception was found where the expenditure was not supported by a time card, time sheet, leave slip or other acceptable documentation which had been approved by a supervisor.
- Four exceptions were found for time records not signed by the employee.
- One exception was found where the extra pay was not supported by salary schedule, sign-in card, time sheet, or other acceptable documentation.
- One exception was found where the documentation of extra pay was not approved by appropriate personnel.
- Two exceptions were found where the computation of salaries was not correct based on hours worked and/or salary approved by council.
- One exception was found where the accounting distribution/classification was not consistent and correctly posted.
- One exception was found where the canceled check did not agree with the amount posted in the general ledger.

Corrective action planned: See management's response to 08-F9 attached.

Reference # and title: **07-F13** **Asset Management Law**

Year Finding Originated: December 31, 2007.

Condition found: The City does not have a comprehensive procedure where an employee maintains a complete listing of the City's additions and deletions to the capital assets during the year.

Corrective action planned: See management's response to 08-F10 attached.

Reference # and title: **07-F14** **Transfers Made To Other Funds from Dedicated Tax Funds**

Year Finding Originated: December 31, 2007.

City of Grambling
Summary Schedule of Prior Year Audit Findings
For the Year Ended December 31, 2008

Condition found: During the year, transfers of \$100,000 were made from the Debt Service Fund of which \$50,000 was transferred to the General Fund and \$50,000 was transferred to Fire (included in General Fund) which was then transferred to capital projects to assist with cost of capital projects.

Corrective action taken: Dedicated funds were not used for other purposes.

Reference # and title: **07-F15** **Information System Controls**

Year Finding Originated: December 31, 2007.

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

Condition found: Good controls over information systems should include a written policy, segregation of duties, and user controls. The City uses a general ledger program and a program for utility billing. The City presently has no written policy for information systems or established procedures for limiting access or backing up information

Corrective action planned: See management's response to 08-F11 attached.

City of Grambling
Corrective Action Plan for Current-year Findings and Questioned Costs
For the Year Ended December 31, 2008

Reference # and title: **08-F1** **Material Journal Entries Not Recorded**

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

Condition found: The agency should record journal entries to accrue all material accounts receivable and accounts payable at year-end. Transactions should be recorded in the proper fund.

There were no journal entries made to record accounts payable at year-end, and not all accounts receivable were recorded. Some payables and receivables from the prior year were not reversed. Numerous transactions were recorded in the wrong fund.

Corrective action planned: See corrective action plan attached.

Person responsible for the above corrective actions:

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

Anticipated completion date: See corrective action plan attached.

Reference # and title: **08-F2** **Louisiana Local Government Budget Act**

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

Condition found: LSA-R.S.39:1301-1314 states in part, that when there has been a change in operations upon which the original adopted budget was developed, the governing authority shall adopt an amended budget in an open meeting to reflect such changes. State law also requires that the official notice of the original proposed budget and public hearing date for a City is to be published in the local paper not less than 10 days before the public hearing date.

The amended budget for the year ended December 31, 2008 was not adopted until August of 2009. The notice of the public hearing for the original 2008 budget was published nine days before the hearing date, not 10 as required. The actual revenues for the Health and Sanitation Fund were less than the budget by 24% which exceeds the 5% required by State law.

Corrective action planned: See corrective action plan attached.

Person responsible for the above corrective actions:

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

Anticipated completion date: See corrective action plan attached.

City of Grambling
Corrective Action Plan for Current-year Findings and Questioned Costs
For the Year Ended December 31, 2008

Reference # and title: **08-F3** **Late Submission of the Audit Report to the USDA**

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

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

The City did not file the audit by the end of the 150 days required.

Corrective action planned: See corrective action plan attached.

Person responsible for the above corrective actions:

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

Anticipated completion date: See corrective action plan attached.

Reference # and title: **08-F4** **Late Submission of Audit Report to Legislative Auditor**

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

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

The City requested an extension of time by the Legislative Auditor's Office and an extension was approved to September 30, 2008.

Corrective action planned: See corrective action plan attached.

Person responsible for the above corrective actions:

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

Anticipated completion date: See corrective action plan attached.

Reference # and title: **08-F5** **Bank Reconciliations**

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

Condition found: Good internal control mandates that bank reconciliations for all bank accounts be completed each month and any differences be investigated in a timely manner. Completed bank reconciliations should be printed

City of Grambling
Corrective Action Plan for Current-year Findings and Questioned Costs
For the Year Ended December 31, 2008

each month and become a part of the permanent accounting records of the City. Outstanding checks should be investigated and the reason determined as to the status of each check. All checks whether system generated or manually written should be recorded in the financial records of the City as well as all deposits made by the City.

None of the bank accounts were reconciled as of 12/31/08 until August and September of 2009.

Some of the bank accounts had not been reconciled for several months until being done in August and September of 2009. Not all manual checks written in November and December of 2008 were recorded in the general ledger system, nor had all deposits been recorded. In the Maintenance Fund there was over \$40,000 in deposits that had not been recorded. In the General Fund, a deposit of \$49,073 was posted twice and checks of \$80,265 had not been recorded. The bank reconciliation for Health and Sanitation Fund revealed \$36,421 in checks not recorded and \$11,445 in deposits not recorded. Support for cash deposits to Regions Bank in December 2008 was missing from the City's files. Revenue of \$239,787 was recorded as "unknown" in the general ledger due to lack of proper support for deposits. Checks were sometimes not issued in sequence.

Corrective action planned: See corrective action plan attached.

Person responsible for the above corrective actions:

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

Anticipated completion date: See corrective action plan attached.

Reference # and title: **08-F6** **Cash Deposits of Water and Garbage Receipts**

Entity-Wide or program /department specific: This finding is for the Maintenance and Health and Sanitation Funds.

Condition found: Deposits should be traceable from the point of receipt to posting in the general ledger. Good cash management requires that cash receipts be deposited in a timely manner. For purposes of the test, deposits within three banking days were considered timely.

While testing 70 cash receipts for the Maintenance Fund and Health and Sanitation Fund, it was noted that 14 deposits could not be found as being made for both water and garbage, there were 6 instances where a split deposit was made in one account but never made in the other account, and 32 exceptions where deposits were not made timely. In some instances it was several weeks before the deposit was made. In addition there were 8 exceptions where the deposits did not match the summary reports printed off the system. The total of receipts per the summaries that could not be traced to a deposit was in excess of \$60,000.

Corrective action planned: See corrective action plan attached.

City of Grambling
Corrective Action Plan for Current-year Findings and Questioned Costs
For the Year Ended December 31, 2008

Person responsible for the above corrective actions:

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

Anticipated completion date: See corrective action plan attached.

Reference # and title: **08-F7** **Cash Deposits of Police Fines**

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

Condition found: Deposits should be traceable from the point of receipt to posting in the general ledger. Good cash management requires that cash receipts be deposited in a timely manner. AG&W consider deposits within three banking days as being timely. A reconciliation of the amount of collections per the police software monthly report to the revenue accounts in the general ledger should be prepared.

Out of 35 tickets issued tested, 16 were paid to the City. None of these sixteen could be traced to a validated deposit slip or to the general ledger. The amounts shown on the monthly police summaries as collected do not agree to the monthly totals in the general ledger. No one is reconciling these amounts. In reviewing the bank statements to the general ledger deposit records, many deposits of police fines were held for several days or weeks before being deposited. In addition a deposit was recorded in QuickBooks on May 19, 2008 as a receipt of cash in the amount of \$1,743.50 for police fines and court costs which was not actually deposited in the bank until May 30, 2008. The deposit slip dated 5/19 originally showed the total "cash" amount deposited of \$1,743.50 but had been changed (lined out) to show a cash amount of \$257.94 with checks totaling \$1,485.56. The checks which were behind the deposit as support were not for police fines, but were utility payments to the Maintenance Fund. Of these checks, twenty were written after May 19th with check dates of May 20th-May 30th which was up to eleven days after the deposit slip had been prepared.

Corrective action planned: See corrective action plan attached. .

Person responsible for the above corrective actions:

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

Anticipated completion date: See corrective action plan attached.

Reference # and title: **08-F8** **Internal Control Over Vendor Payments**

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

Condition found: Effective internal control should include vendor disbursements having original documentation (invoices, etc.), proper approval, and should be paid timely. Checks written as support for wire transfers to Fuelman should be voided.

City of Grambling
Corrective Action Plan for Current-year Findings and Questioned Costs
For the Year Ended December 31, 2008

The following were noted from a test of 71 vendor disbursements:

- Two exceptions where no purchase order was used.
- Fourteen exceptions where the support (invoices, etc.) was missing. (Does not include HERSA checks which the State Police have)
- Eleven exceptions where the expenditure was not correctly recorded in the general ledger.
- Two exceptions where the check number could not be found as ever having being written or cleared the bank.
- Two exceptions where the invoice was not paid in a timely manner.
- Two live Fuelman checks were found in the records and had not been voided even though the funds had been wired from the bank.

Corrective action planned: See corrective action plan attached.

Person responsible for the above corrective actions:

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

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

Anticipated completion date: See corrective action plan attached.

Reference # and title: **08-F9** **Payroll Expenses**

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

Condition found: Payroll documentation should include proof of existence, approved hourly/salary rate, supported with appropriate approval, be recorded in the correct general ledger account in the correct amount, calculation of hourly pay should be reviewed for correctness, time sheets and time cards should be signed by supervisor, employee and initialed by the Mayor. Personnel files should be safeguarded with limited access. Payroll deductions for IRA savings should adhere to the City policy.

- Eleven of the checks for the Assistant City Clerk had overpayments of salary, both regular time and overtime. Recalculations of her time reflect an over payment of \$3,760. There were 18 exceptions where the hours on the Assistant City Clerk's time cards did not match the hours paid. There were two exceptions where the Assistant City Clerk's time card was missing. There were 12 exceptions where the original salary distribution on the pay stubs for the Assistant City Clerk did not match what was in the QuickBooks payroll software. (The QuickBooks payroll data had been altered after the original pay checks were run). There was one exception for no support for "extra pay" on the Assistant City Clerks check. There were three exceptions where the Assistant City Clerk changed the amount of her IRA payroll deduction from \$20.00 a pay period to \$60.00 a pay period which was in excess of the 3% limit per policy. These deductions were matched by the City at the full \$60.00 figure.
- There were 6 missing I9's after all employee personnel files were recreated. (all of the original personnel files were missing and were recreated in 2009)
- There was one other exception other than the Assistant City Clerk's where the hourly salary was not correctly calculated.
- There were 40 other exceptions where the employee did not sign the time card and 44 other exceptions where the supervisor did not sign the time card.
- There were 7 other exceptions where the hours on the time cards did not match the hours paid.

City of Grambling
Corrective Action Plan for Current-year Findings and Questioned Costs
For the Year Ended December 31, 2008

- There were 4 other exceptions where there were no time cards available.

Corrective action planned: See corrective action plan attached.

Person responsible for the above corrective actions:

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

Anticipated completion date: See corrective action plan attached.

Reference # and title: **08-F10** **Capital Asset Management**

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

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

The City does not have a comprehensive procedure where an employee maintains a complete listing of the City's capital assets and additions and deletions to the same. There was no annual physical inventory taken and not all capital assets are safeguarded from theft. Two laptops and one desk top computer purchased with federal funds could not be located. One of the two laptops noted above was confiscated by the State Police from the Mayor's home and has not been returned.

Corrective action planned: See corrective action plan attached.

Person responsible for the above corrective actions:

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

Anticipated completion date: See corrective action plan attached.

Reference # and title: **08-F11** **Information System Controls**

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

Condition found: Good controls over information systems should include a written policy, segregation of duties and user controls.

The City uses a general ledger program and a program for utility billing. The City currently has no written policy for information systems or established procedures for limiting access or backing up information.

Corrective action planned: See corrective action plan attached.

City of Grambling
Corrective Action Plan for Current-year Findings and Questioned Costs
For the Year Ended December 31, 2008

Person responsible for the above corrective actions:

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

Anticipated completion date: See corrective action plan attached.

Reference # and title: **08-F12** **Manual Journal Entries**

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

Condition found: Good controls over financial records require that a printed copy of all manual journal entries and the supporting documentation be kept as a permanent part of the City's financial records. Also, all journal entries should include the preparer's name, the period posted to, and approval by Management.

The only information available for manual journal entries made during the year was a printout from the QuickBooks software which showed the entries made, the accounts affected and the amounts. There was no record of who made the journal entries (with the exception of those made by the third party CPA firm), no support for any of the journal entries made by City personnel and no approval of these entries by anyone in management. It was not possible to test the necessity of or reasonableness of these manual journal entries.

Corrective action planned: See corrective action plan attached.

Person responsible for the above corrective actions:

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

Anticipated completion date: See corrective action plan attached.

Reference # and title: **08-F13** **Federal Withholding Taxes**

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

Condition found: Federal payroll taxes withheld from each employee's check should be remitted to the IRS on a timely basis as required by law.

Federal payroll taxes for the second through fourth quarters of 2008 were not remitted to the IRS as required even though the liability was recorded on the books. These taxes were not paid until 2009.

Corrective action planned: See corrective action plan attached.

City of Grambling
Corrective Action Plan for Current-year Findings and Questioned Costs
For the Year Ended December 31, 2008

Person responsible for the above corrective actions:

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

Anticipated completion date: See corrective action plan attached.

Reference # and title: **08-F14** **Subsidiary ledger of Ad Valorem Taxes Paid Not Updated**

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

Condition found: The subsidiary ledger for ad valorem taxes should be updated as taxes are paid by the citizens and proof of their payments maintained as part of the City's financial records.

The proof of ad valorem tax payments by the City property owners was not kept by the City in all cases. The binder containing the certified bank deposits and support for November and December of 2008 was missing from the City's finance office. No effort to update the subsidiary ledger for tax payments was made until June of 2009.

Corrective action planned: See corrective action plan attached.

Person responsible for the above corrective actions:

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

Anticipated completion date: See corrective action plan attached.

Reference # and title: **08-F15** **Police Department Tickets**

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

Condition found: An adequate record of all ticket books and tickets should be kept.

Officers are issued 4 part pre-numbered ticket books. The clerk of court maintains a ticket book log that records the date issued, officer's name, and beginning and ending ticket numbers. Ticket books are not turned back in to the dispatcher after all the tickets in that book are issued nor is there any type reconciliation to ensure that all tickets within each ticket book are accounted for.

Corrective action planned: See corrective action plan attached.

City of Grambling
Corrective Action Plan for Current-year Findings and Questioned Costs
For the Year Ended December 31, 2008

Person responsible for the above corrective actions:

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

Anticipated completion date: See corrective action plan attached.

Reference # and title: **08-F16** **Adjustments to Utility Bills**

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

Condition found: An adequate record of all utility bill adjustments and approval is not kept.

The supervisor of public works gives verbal approval of utility bill adjustments rather than written approval. There is no way to determine if an adjustment made to a customer's account was for the correct amount or that it was actually an approved adjustment.

Corrective action planned: See corrective action plan attached.

Person responsible for the above corrective actions:

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

Anticipated completion date: See corrective action plan attached.

Reference # and title: **08-F17** **Internal Control Over Vendor Disbursements**

Federal program and specific federal award identification: This finding relates to Community Development Block Grant, CFDA # 14.228, from federal agency, Department of Housing and Urban Development, passed through the State of Louisiana for Federal Award year 1997.

Condition found: The most recent *Grantee Handbook*, FY 2008, states that "checks drawn on the required separate non-interest bearing account must be signed by two authorized persons". Additionally, all disbursements should be properly recorded and paid out of the applicable fund.

In a sample of nine disbursements the following were noted.

- Nine exceptions where only the Mayor signed the checks.
- Two exceptions where the disbursements were recorded in the incorrect fund.
- Nine exceptions where the disbursements were not charged to the correct GL account.

Corrective action planned: See corrective action plan attached.

City of Grambling
Corrective Action Plan for Current-year Findings and Questioned Costs
For the Year Ended December 31, 2008

Person responsible for the above corrective actions:

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

Telephone: (318) 247-6120

Fax: (318) 247-0940

Anticipated completion date: See corrective action plan attached.

City of Grambling
Status of Prior Management Letter Items
For the Year Ended December 31, 2008

07-M1 **Accepting Cash Payments for Utility Payments**

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

Management's response: The suggestion was considered.

Management Responses / Corrective Actions

City of Grambling Auditor's Report
Year Ended December 31, 2008
Martha W. Andrus, Mayor

Responses and/or Corrective Actions as Listed by Respective Audit Reference # and Title:

08-F1 **Material Journal Entries Not Recorded**

Management Response: In February 2008, in an effort to address some internal findings and repetitive audit findings of previous years the municipal clerk was relieved of some of her assigned duties. (Note: The relieved duties did not include the clerk's statutorily-defined duties.) A consultant was hired to help with the reorganization of the administrative office to correct the findings. Also, an accounting firm was hired as the previous city accountant had resigned. These steps and others were met with resistance by the city council. This resistance developed into ongoing conflicts and battle for control. Subsequently, court rulings, court delays, ongoing official investigations, and employee insubordination have contributed to impeding and obstructing management's implementation and enforcement of proposed proper safeguarding and internal control procedures. Consequently, the city's financial records, as well as safeguarding and control procedures are significantly compromised.

Despite the chaos and conflicts occurring in 2008, the hired accounting firm did complete journal entries through November 2008. The accounting firm continued to complete payroll processing and journal entries through first quarter 2009. The city's computer being used for bookkeeping purposes was confiscated by State Police in December 2008. However, the city's new server network system, including functional employee workstations, were in place earlier in 2008. The QuickBooks general ledger system software was installed on the city's new server network in March 2009. There was ample time for the current city accountant, who was hired in November 2008, to have completed and finalized journal entries and year-end accruals by the start of the audit engagement.

Corrective Action Planned: The City agrees with the auditor's recommendation. The City is presently interviewing for additional staff to ensure that bookkeeping is maintained in a timely, accurate, and efficient manner. The City also continues to emphasize the necessity of completing journal entries in a timely manner and in proper fund accounts. The City will ensure that journal entries to properly accrue all material accounts receivable and accounts payable at year-end are recorded in the accounting system. Management will continue to enforce the necessity of proper accounting and complete, timely financial statements.

Anticipated Completion Date: Immediately, and presently ongoing throughout 2009.

Note: The Mayor's continued appeals to the Council, city accountant, municipal clerk, and city attorney for prudent cooperation in the execution of operational tasks are still essentially disregarded. To date, the current city accountant has not complied with requests for interim financial statements and reports of current accounting progress. No interim financials or statements/reports attesting accountability or fiscal status have been presented to the mayor or city council as of yet.

Management's previously identified concerns regarding the integrity and reliability of the City's repository of accounting and financial information remain ongoing critical concerns.

08-F2 Louisiana Local Government Budget Act

Management Response: Financial statements were prepared in 2008 by the accounting firm that was hired to perform accounting functions for the City. However, the city council adamantly refused to review or accept the financial statements. Council's refusal of statements is documented in Council Meeting Minutes and on digital audio recordings of council meetings. Consequently, management's ability to properly identify and communicate fluctuations was significantly hindered.

Corrective Action Planned: The City will require that financial statements be prepared on a monthly basis and all fund accounts be monitored closely to make assure that the budget is amended and prepared as prescribed by law. It should be noted that to date, the current accountant has not complied with requests for interim financial statements, and no financials have been presented to the mayor or city council as of yet.

Priority will continue to be emphasized for continuous effective functions deemed necessary to assure that the City functions in and maintains compliance with the Louisiana Local Government Budget Act as prescribed by LSA-R.S. 39:1301-1314. Management and the Municipal Clerk will closely monitor the City's operations and fiscal status for adherence to the adopted budget allocations, and shall appropriately notify the City Council should monitored revenues, expenditures, or beginning fund balances differ from the budget estimates by five percent or more in accordance with LSA-R.S. 39:1311.

All funds will be monitored closely to ensure that the budget is prepared and amended as prescribed by law. In order to properly advise and expediently inform the Council of any budget deviation, in written notification, as required by law, the Municipal Clerk shall be expected to organize and provide applicable financial information, and to appropriately highlight any significant differences, in a timely manner to the Mayor. As such, the Mayor shall provide the requisite notification for the Council to appropriately adopt and publish relevant budget amendment, as is the responsibility of the Council in accordance with LSA-R.S. 39:1310-1311.

Anticipated Completion Date: Immediately, and presently ongoing throughout 2009.

Note: To date, the current city accountant has not complied with requests for interim financial statements. No financials have been presented to the mayor or city council as of yet.

08-F3 Late Submission of the Audit Report to the USDA

Management Response: The auditor-reported cause of "the City's lack of adequate financial records for the auditors to test" is acceptable. However, further explanation is necessitated. Furthermore, the auditor stated that the lack of financial records was "due to conflicts between the Mayor and City Council." This misleading statement is unacceptable, improper, and incorrect. It underscores the auditors' failure to exercise professional skepticism and objectivity in the analysis of environmental variables. It also underscores the auditors' overreliance on inquiry as a form of audit evidence and a related failure to substantiate prejudiced assertions.

Despite referenced "conflicts between the Mayor and the Council", efforts were made by the City to commence and complete a timely audit. However, for several months, the council tabled the selection of an audit firm and subverted the mayor's attempt to select one. (Auditor selection constraints are documented in council meeting minutes.) Upon selection, the auditors came on site promptly in May 2009 to attempt to schedule audit work. However, the auditors deferred the audit commencement to August 2009 at the improper request of the current city accountant, as is substantiated by communications between the two

parties. By August 2009, and after the city accountant had taken a vacation leave, the work necessary to the audit was still not completed. Much of the work was not finalized until September 2009. There were persistent delays by the city accountant. The city accountant was noncompliant in completing the necessary work in a timely manner, by either refusal or a lack of proficiency. It is confounding that the audit firm would attest only the confusion between the mayor and the council, with no indication whatsoever of the city accountant's role, as the cause of the audit delay.

(Please also see "Management Response" for Finding 08-F4 below pertaining to Management's additional concerns regarding audit delays.)

Corrective Action Planned: The City will maintain continued proper accounting records in accordance with proper fund accounting standards, along with the appropriate maintenance and filing of supplemental documentation, in correct accordance with accepted standards in the City's centralized accounting system. Efforts will be made to ensure that all requisite financial statements will be completed and made available in a timely manner. For future engagements, every effort will be made to ensure that all financial records necessary for audit testing will be completed in a timely manner and made available to the auditors to complete audits on time. The completion of future audit procedures and engagements in such a timeframe as to be in compliance with audit filing requirements will be an emphasized priority.

Management will continue to implement and enforce appropriate control procedures for information systems use and applications use, promoting the increased accountability of authorized users, and effecting the automation of correct accounting methods in accordance with generally accepted standards. Security protocol methods, the definition of which were initiated during the 2007 audit engagement but delayed, will be enforced and maintained in accordance with conventional (industry-accepted) information technology (IT) systems and internal control policies.

Anticipated Completion Date: Immediately, and presently ongoing throughout 2009.

Note: The Mayor's continued appeals to the Council, city accountant, municipal clerk, and city attorney for prudent cooperation in the execution of operational tasks are still essentially disregarded.

08-F4 Late Submission of the Audit Report to Legislative Auditor

Management Responses: The causes for the late submission of the Audit Report are indeed the same factors for both Findings 08-F3 and 08-F4. However, for this finding, 08-F4, auditors implicate the "seizure of financial records and computers by State Police and the City's inability to restore QuickBooks software on new computers." While the seizure of financial records and computers was and remains a significant contributory factor, it is overly referenced as a primary contingency focus. Efforts were undertaken to mitigate complications relative to the ongoing investigations. As noted above in "Management Response" to Finding 08-F1, the city's accounting firm was also processing financial records for the city off-site, and these data were made available to the city accountant and municipal clerk on the new server-networked computers in April 2009. As stated above in Finding 08-F3, the city's financial data were already loaded and accessible when the auditors initially arrived to start planning in May 2009. However, the auditors deferred the audit commencement to August at the request of the city accountant.

The city strongly objects to the auditors' conjecture of "key finance personnel not being allowed to perform their duties," which is improperly referenced throughout the audit report. First, the auditors failed to gather sufficient evidence to support such allegation. The statement is speculative and further underscores the auditors' failure to exercise professional skepticism and objectivity in the analysis of environmental variables.

It also underscores the auditors' overreliance on inquiry of inappropriate sources as a form of audit evidence and a related failure to substantiate prejudiced assertions. (Note: Failure of the auditors to exercise due professional care is also evidenced by confounding and incongruent assertions presented as Notes to the Financial Statements, which were also obtained by inquiry of improper sources without relevant review appropriate supporting documents or substantiation of evidence.) Additionally, such speculation indicates inherent, yet undisclosed, implications as to scope. Finally, and of primary concern, such speculation implied as "fact" are liable to effect probable and profound legal implications relative to ongoing judicial and investigative proceedings, as well as external agencies using the audit report for decision purposes and business interests.

Corrective Action Planned: With the expected aid of the proper state agencies and the judicial system, all financial personnel issues, computer and software issues, and security and control issues, are expected to be resolved. As such and as referenced above in Finding 08-F3, the City expects to be able to ensure that future audit procedures and engagements will be appropriately completed in such a timeframe as to be in compliance with audit filing requirements. The City will maintain continued proper accounting records in accordance with proper fund accounting standards, along with the appropriate maintenance and filing of supplemental documentation, in correct accordance with accepted standards in the City's procedurally controlled and centralized accounting system.

The City will plan and conduct timely processes to ensure that the City submits audit reports to the Legislative Auditor within six months of the close of the fiscal year of December 31, in accordance with LSA-R.S. 24:513. The CPA firm responsible for the City's audit report will be expected to begin audit engagement procedures in a timely manner, and to maintain effective communication with the Mayor for resolution of any audit requirement issues, toward the timely completion of audit processes and audit reports.

Management will continue effective coordination with city personnel and officers in the ongoing efforts to accurately and correctly maintain accounting records and secure accounting systems in accordance with proper fund accounting standards, to conduct timely bank reconciliations and make related journal entries, and to provide timely reliable financial statements on a regular basis. These actions are expected to provide relevant and more accurate financial data to facilitate timely future audit preparation processes.

Anticipated Completion Date: Immediately, and presently ongoing throughout 2009.

Note: The Mayor's continued appeals to the Council, city accountant, municipal clerk, and city attorney for prudent cooperation in the execution of operational tasks are still essentially disregarded. Also, to date, the current city accountant has not complied with requests for the submission of timely work papers and reports to the mayor for review, nor has he complied with requests for interim financial statements. The city accountant fails to acquire an understanding of procedures, systems, use of data, contributing/responsible parties, and authority limits. The referenced "conflicts", including council acts of interference as well as incidents of obstinate interference and noncompliance by the city accountant, have resulted in strained business relationships between the City and several third-party expert-area consultants. No financials have been presented to the mayor or city council as of yet. The city accountant continues to be noncompliant in completing the requested and assigned tasks in a timely manner, by either refusal or a lack of proficiency.

Management's previously identified concerns regarding the integrity and reliability of the City's repository of accounting and financial information remain ongoing critical concerns.

08-F5 Bank Reconciliations**Management Responses:**

The above-referenced accounting firm completed all of the 2008 bank reconciliations within their ability before the city's bookkeeping computer was seized in December 2008. The procedures, defined and projected in early 2008 and documented in the 2007 Audit Report, to correct identified errors in the fund accounts were abandoned as a direct result of the ongoing conflict and court battles between the city council and the mayor. Problematic court cases and associated judiciary rulings contributed to compromised interim controls that had been proposed and implemented as defined in the 2007 Audit Report.

Additionally, after the seizure of city computers and records, with pertinent items not yet having been returned, a considerably extensive amount of work had to be performed by hand and off-site, contributing increased hardships and workloads for limited staff, much unexpected confusion, and increased difficulty in monitoring actual work performed. (Please reference 2007 Management Responses and Corrective Actions documented for the finding 07-F5 in the 2007 Audit Report.)

Such contingencies were not acknowledged, assessed, or disclosed by the auditors, further indicating a pervasive failure to exercise due care and a pervasive failure to properly evaluate and acquire an appropriate understanding of the City's environmental and situational variables and relative needs.

Corrective Action Planned:

The City agrees that strong internal controls are necessary and policies will be implemented and enforced mandating reconciliations be done on a monthly basis, with the proper posting of variances in the general ledger and the accurate posting of deposits to the proper fund accounts. Timely submission of reconciliation reports to the mayor for review will also be mandated. Support for all documents and accounting transactions will be securely maintained to become a permanent part of the City's records.

City Management duly recognizes the importance of good internal controls mandating that bank reconciliations for all bank accounts be completed each month and any differences be investigated in a timely manner. In accordance with proper internal control procedures for bank reconciliations, the Mayor is continuing the coordination of proper efforts in the following steps for timely bank reconciliations:

- Completed bank reconciliations are printed out each month as completed by the accounting firm, or City accountant, to filed as part of the City's permanent accounting records
- Bank balances per the bank reconciliations are checked to agree general ledger amounts
- All variances which are posted between bank reconciliations and the amounts recorded by general ledger history will be examined further
- **Note:** Deletions of deposits are considered to violate good internal control procedures, complicate the policy of timely and traceable cash deposits, and indicate possible questionable bookkeeping/accounting practices, which warrant further administrative and investigative inquiries. Deletions of deposits are improper and not to be practiced.

The City recognizes the critical importance of maintaining good internal control over financial reporting and the responsibility for such will continue to be a primary administrative priority. Accordingly, one of the critical specifications for the centralized general ledger accounting system, and its related ongoing installation, is that authorized usage of the system will be procedurally controlled. As part of established administrative policy for the new system's general ledger transactions, NO user will have the ability to change, edit or delete any transactions. Deletion of transactions will be, and is currently, strictly prohibited.

The policy further requires that corrections be made by entering reversing and correcting journal entries, to include adequate reference notation.

Management will continue effective coordination with key financial and administrative personnel in the ongoing efforts to accurately and correctly maintain accounting records and secure accounting systems in accordance with proper fund accounting standards, to conduct timely bank reconciliations and make related journal entries, and to provide timely reliable financial statements on a regular basis. These actions, when combined with the maintenance of effective internal control procedures, are expected to provide relevant and more accurate financial data and information toward promoting public confidence in the municipality and protecting the City's current and future business interests.

Anticipated Completion Date: Immediately, and presently ongoing throughout 2009

Note: The Mayor's continued appeals to the Council, city accountant, municipal clerk, and city attorney for prudent cooperation in the execution of operational tasks are still essentially disregarded. Also, to date, the current city accountant has not complied with requests for the submission of timely work papers and reports to the mayor for review, nor has he complied with requests for interim financial statements. No bank account reconciliations have been conducted or submitted by the city accountant to the mayor or city council for review as of yet. No financials have been presented to the mayor or city council as of yet. The city accountant continues to be noncompliant in completing the requested and assigned tasks in a timely manner, by either refusal or a lack of proficiency.

Management's previously identified concerns regarding the integrity and reliability of the City's repository of accounting and financial information remain ongoing critical concerns.

08-F6 Cash Deposits of Water and Garbage Receipts

Corrective Action Planned:

City management recognizes the necessity of ensuring that there is effective separation of duties in all departments where funds are handled. These measures, which are currently being maintained and reviewed for effectiveness and appropriate modification as necessary, were proficiently implemented in first quarter 2008 as a course of action in management's internal processes. Emphasis on efforts for timely deposits were also again prioritized at that time. However, during significant portions of the year, there existed a shortage of personnel in the Administrative Office, resulting in no clear lines of separation of duties. In the near future, the city will hire adequate personnel and reinstate policies dictating clear lines of separation of duties and required procedures. The City will also enforce the requirements that deposits are to be made within three banking days of receipt, and that deposits are to be correctly recorded in the general ledger in a timely manner. Periodic reviews of supplemental documentation for compliance will be conducted by management. Proficiency and accountability continue to be of primary importance to the administrative staff and the Mayor.

The consistent adherence to corrective actions and procedures, which include the proper timely deposits of full receipts, specifically all check and cash receipts, is expected to mitigate/lessen the risks for the loss of cash receipts that would otherwise be stored in the cash register/front office for an excessive period of time. Persistent effective methods for the timely and full deposits of all receipts will also enable easier tracing of deposits to the point of receipt in the general ledger, as the receipt timeline will be more closely followed by deposits, thus supporting internal control over financial reporting. Maintenance of timely deposit

practices is expected to facilitate expedient bank reconciliation processes and to promote public and internal confidence in business operations.

Anticipated Completion Date: Immediately, and presently ongoing throughout 2009.

Note: Whether by insubordinate refusal, negligence, or lack of proficiency, procedures defined and implemented in 2008, which included auditor-reviewed procedures for timely cash receipt and deposits with the associated use of cash drawer procedures and audit forms for review, have subsequently been abandoned by the city accountant and municipal clerk. No requested work papers or reports are submitted to management, despite numerous requests and formal directives and reprimands. Pervasive issues of noncompliance increasingly indicate questions of compromised professional accountability and fiscal responsibility, with profound implications which must be addressed.

08-F7 Cash Deposits of Police Fines

Corrective Action Planned:

Please note the above Corrective Actions for Finding 08-F6. All deposits will be made within three banking days. Appropriate procedures will be enforced also in this area to ensure receipts are reconciled to the deposits by an employee independent of the collection, posting, or deposit processes. Deposits will be correctly recorded in the general ledger. Checks-and-balances systems for the issuing of tickets to officers, as well as for receipts and deposits, will be implemented and enforced.

As noted above, the consistent adherence to corrective actions and procedures, which include the proper timely deposits of full receipts, specifically all check and cash receipts, is essential. Persistent effective methods for the timely and full deposits of all receipts will also enable easier tracing of deposits to the point of receipt in the general ledger, as the receipt timeline will be more closely followed by deposits, thus supporting internal control over financial reporting. Maintenance of timely deposit practices is expected to facilitate expedient bank reconciliation processes and to promote public and internal confidence in business operations.

Anticipated Completion Date: Immediately, and presently ongoing throughout 2009.

08-F8 Internal Control Over Vendor Payments

Corrective Action Planned:

The importance of effective internal control over vendor expenses is duly recognized by Management. Note: These findings, relevant to internal control over vendor expenses, are considered to be significant deficiencies and material weaknesses in internal control over financial reporting. Such deficiencies and weaknesses were documented as audit report findings for 2005 and 2007. Management noted that such exceptions continued into 2008, before implementing internal processes actions. These exceptions have continued under the sole responsibility of the municipal clerk, despite training and administrative correction for such.

Additionally, as highlighted by findings per se from management's internal investigation of practices, this area of internal control has warranted focus especially regarding the importance of timely payments and monitoring for such. Management will continue the emphasis of proper procedures for vendor expenses, including ensuring that vendor payments include original documentation, proper approval, and are paid on time. All records supporting disbursements will be properly maintained.

Anticipated Completion Date: Immediately, and presently ongoing throughout 2009.

In accordance with LSA-R.S. 33:404, the Mayor reserves the executive right and responsibility to delegate or reassign these duties, and any bookkeeping/accounting duties, to office employees or municipal officers, current or future instated, as necessary to safeguard and ascertain the accuracy and integrity of the City's business and accounting records and financial statements and maintain compliance.

Management Response/Concerns: Through the enforcement of procedure, and training as necessary, for the continuing correct use of the general ledger application, management will emphasize the use of automated processes in the centralized accounting system to aid in monitoring the timeliness of vendor expense payments. The automation of processes is expected to reduce errors attributed to manual omission or impediment.

Notes It should be noted that Management has made every effort to comply with audit requirements as communicated by the audit firm. However, the documented testing exceptions were not brought to the attention of Management in a timely manner to provide for research or remediation as necessary. Especially given the complications encountered before and during the engagement, and the cooperative efforts shown by management, it is reasonably expected that any hindrances or problems with the accessibility of information on the part of any employee or municipal officer should have been reported to the Mayor much earlier during the testing process. It is also reasonably expected that audit findings were to be presented in sufficient detail and in a timely manner to the Mayor to allow for the preparation of an effective corrective action plan, and to prevent the late submission of audit reports. (See also Findings 07-F3 and 07-F4.)

The submission of the preliminary draft of findings and exceptions to be first electronic submission of findings and exceptions to be first reviewed in the exit-conference, scheduled, with the solicited and sanctioned participation of a singular council member, only one week before the audit report deadline of October 30, 2009, is inconsiderate and objectionable.

It should also be noted that there were indications of suspected tampering of records and documents. Upon the discovery of suspected improper removal and/or tampering of city records, documents and public records by certain administrative personnel, the mayor appropriately reported the details with requests for investigation and remedy to the local police and the state police investigating officer.

08-F9 Payroll Expenses

Note: The auditors failed to analyze and acquire an adequate understanding of the situational variable directly associated with this finding and related exceptions. Reporting irregularities of audit assertions further underscore the auditors' pervasive failure to exercise due professional care.

Corrective Action Planned:

Note: These findings, relevant to payroll expenses, are considered to be significant deficiencies and material weaknesses in internal control over financial reporting. Such deficiencies and weaknesses were documented as audit report findings for 2005 and 2007. Management noted that such exceptions continued into early 2008, before implementing internal process actions. These exceptions have continued under the sole responsibility of the municipal clerk, despite training and administrative correction for such.

In accordance with LSA-R.S. 33:421-422, the municipal clerk, as an officer of the City, "is to act as the auditor and shall preserve a record of the accounts of each particular fund, and is to file and preserve all records and papers appertaining to the business of the municipality." Documented and discovered exceptions are also considered to be indications of possible noncompliance with statutory duties.

Also, and as disclosed by management to auditors, historical 2007 personnel files were not maintained in a secured and updated manner by the responsible employee. These exceptions were noted before and during the audit engagement period. Personnel files for 2008 were created and organized by administrative staff, with the coordination of the Mayor; and missing data in the 2007 files had to be completed using information from the 2008 prepared files. Numerous discoveries indicating possible exceptions and inconsistencies were documented during management's internal process actions pertinent to payroll processing procedures, with some requiring remediation to prevent or mitigate potential detrimental implications. Documented issues warrant further management review and inquiry as indications of possible noncompliance with statutory duties.

City management will ensure that the payroll clerk, or the employee assigned responsibility for payroll processes, maintains proper payroll documentation, to include proof of existence, approved salary/hourly rated as supported with appropriate approval and recorded in the correct general ledger account in the correct amount. Management will continue, with increased efforts as applicable, effective review of payroll documentation, to include reviews of calculation of hourly pay for correctness, and reviews of time sheets and time cards for accuracy and signatures of supervisors and employees.

Management and the administrative staff will continue appropriate procedural modifications as implemented earlier in 2008, including the effective automation of payroll processes, using payroll application parameters and functions of the general ledger accounting system. Management will continue effective coordination with the current accounting firm in the ongoing efforts to setup and maintain correct automated payroll processes, with appropriate employee requested corrections. Additionally, periodic reviews of payroll and supplemental documentation for compliance will be conducted by management.

Anticipated Completion Date: Immediately, and presently ongoing throughout 2009.

In accordance with LSA-R.S. 33:404, the Mayor reserves the executive right and responsibility to delegate or reassign these duties, and any bookkeeping/accounting duties, to office employees or municipal officers, current or future instated, as necessary to safeguard and ascertain the accuracy and integrity of the City's business and accounting records and financial statements and maintain compliance.

Management Response/Concerns: Through the ongoing implementation of procedure, and training as necessary, for the continuous correct use of the general ledger application, management will emphasize the use of automated processes in the centralized accounting system to aid in the correct and efficient execution of regular and normal payroll processes every two weeks. Effective automation of duplicative payroll process steps, such as the setup of employee base initial data, will reduce errors attributed to manual operation or convolution. Effective automation of payroll processes as appropriate, will also serve to facilitate the maintenance of adequate internal control over payroll by allowing for more time, otherwise expended in inefficient manual processes, for the monitoring and review of compliance specifications as referenced in the reported finding.

Note: Upon Management inquiry to review the supporting information to review the testing exceptions, the auditors reported that the required information is incomplete as the municipal clerk did not provide the necessary information and documents to comply with the auditor requirements. It should be noted that Management has made every effort to comply with audit requirements as

communicated by the audit firm. However, the documented testing exceptions were not brought to the attention of Management in a timely manner to provide for research or remediation as necessary. Especially given the complications encountered before and during the engagement, and the cooperative efforts shown by management, it is reasonably expected that any hindrances or problems with the accessibility of information on the part of any employee or municipal officer should have been reported to the Mayor much earlier during the testing process. It is also reasonably expected that audit findings were to be presented in sufficient detail and in a timely manner to the Mayor to allow for the preparation of an effective corrective action plan, and to prevent the late submission of audit reports. (See also Findings 07-F3 and 07-F4.)

The submission of the preliminary draft of findings and exceptions to be first electronic submission of findings and exceptions to be first reviewed in the exit-conference, scheduled, with the solicited and sanctioned participation of a singular council member, only one week before the audit report deadline of October 30, 2009, is inconsiderate and objectionable.

It should also be noted the carefully prepared and recreated complete personnel files that were compiled during 2008, and attested by third parties, were unable to be located in early 2009. Also, there were indications of suspected tampering of records and documents. Upon the discovery of suspected improper removal and/or tampering of city records, documents, public records, and personnel records, including employee confidential information, by certain administrative personnel, the mayor appropriately reported the details with requests for investigation and remedy to the local police and the state police investigating officer.

08-F10 Capital Asset Management

Management Response:

The deficiency, along with the numerous accounting needs of the City, was presented to the city accountant during the pre-hire employment interview. In an effort to emphasize the critical necessity of the tasks that were to be required, details of conditions and weaknesses were appropriately conveyed to the interviewee at that time. During the interview, the city accountant asserted his willingness to accept assignment of the capital asset management tasks. Subsequently, upon hiring, the city accountant was immediately assigned the Capital Asset Management tasks, as proposed in the 2007 Corrective Actions. These inventory tasks were among the priority tasks initially assigned to the city accountant in November 2008. There was ample time for the city accountant to have compiled an adequate capital asset inventory, yet it is among the numerous assigned tasks and requests that remain undone to date. The city accountant continues to be noncompliant in completing the requested and assigned tasks in a timely manner, by either refusal or a lack of proficiency.

Corrective Action Planned: The City will develop and implement policy/procedure for properly maintaining and listing capital assets in accordance with LSA-R.S. 24:515. The City will allocate employee duties to maintain a comprehensive listing of capital assets, including additions and deletions, and to coordinate such with department heads. Such allocation will include the appointment of an employee position of property manager if deemed necessary and appropriate by Management and City Council.

Anticipated Completion Date: Immediately.

In accordance with LSA-R.S. 33:404, the Mayor reserves the executive right and responsibility to delegate or reassign these duties, and any bookkeeping/accounting duties, to office employees or municipal

officers, current or future instated, as necessary to safeguard and ascertain the accuracy and integrity of the City's business and accounting records and financial statements and maintain compliance.

08-F11 **Information System Controls**

Management Response:

City Management disagrees with the Information System Controls finding. The finding and relative details were never addressed to the Mayor by the auditors. Further, the finding contains conjecture and speculative assertions presented as "facts" without the support of appropriate audit evidence. The auditors' overreliance on inquiry of improper sources is also exhibited by this finding. The city does have a currently enforced policy, and the systems are indeed being backed up, with the back-ups stored off site. Furthermore, the auditors failed to obtain adequate information to acquire and understanding of the IT issues, as also evidenced by the auditors' failure to consult the city's information technology (IT) administrator.

The following information is documented in the 2007 Management Responses and Planned Corrective Actions for Finding 07-F15 in the 2007 Audit Report:

Corrective Action Planned: The City will maintain continued proper accounting records, along with the appropriate maintenance and filing of supplemental documentation, in correct accordance with accepted and proper fund accounting standards in the City's procedurally controlled and centralized general ledger accounting system to be maintained on a third-party, peer-reviewed domain-network secured IT server infrastructure, as referenced in above Findings. A written policy providing procedures for segregation of duties, in accordance with management-documented and –maintained job duties descriptions, authorized user access and controls, approved training, and methods for the proper maintenance of accounting records has been developed and is currently being implemented. Security protocol methods will be provided through the contracted use of the application's proprietary third-party online services, including additional data backup and historical accountability functions, will be maintained upon installation of system accounting records on the secured network. Security protocol methods will also be documented and maintained in accordance with industry-accepted data security white papers.

Adjunct security measures and system isolation, as documented in the Mayor's procedural methods for setup, are currently maintained for the 2008 application system, and will remain in place until after 2008 accounting data has been verified and stabilized, which process is currently ongoing. Additionally, any new user to the 2008 accounting application system will be prohibited access until they have successfully completed a management-approved training process, draft proposal in review. At future point, after all historical data has been transferred and reconciliations completed with correlated financial statements, and work is brought current, the general ledger application system will maintained entirely on the new IT-server domain-network secured infrastructure as referenced below, current work-in-progress.

Anticipated Completion Date: Immediately, and presently ongoing throughout 2009.

In accordance with LSA-R.S. 33:404, the Mayor reserves the executive right and responsibility to delegate or reassign these duties, and any bookkeeping/accounting duties, to office employees or municipal officers, current or future instated, as necessary to safeguard and ascertain the accuracy and integrity of the City's business and accounting records and financial statements and maintain compliance.

Management Response/Concerns: The auditor-reported effect that "information systems were not consistently backed up and stored offsite" and "access was not consistently restricted" was also duly noted by

management's internal investigation of internal controls and processes. These effects were also indicated to be relevant to the discovery of the above referenced IT-related indications of the unauthorized contravention of conventional computer systems and file security protocol and possible indications of unauthorized modification to City intellectual property.

Management's decision to improve information systems internal controls, setup and security measures, and policy procedures for authorized use on a centralized system and peer-reviewed domain-network secured server infrastructure, was initiated by the Mayor in response to third-party peer expert advice sought of information technology (IT) consultants and authoritative agencies as measures to mitigate risks of unauthorized access and unauthorized manipulation or misstatement of accounting records, as a part of a relevant course of action following the reporting the security breach for investigation. Establishing and implementing improved procedures for information systems use and applications use, for all centralized server-maintained business applications, will promote the increased accountability of all authorized users.

08-F12 **Manual Journal Entries**

Corrective Action Planned:

Note: The exceptions presented for this finding contain misstatements and conjecture presented as "fact" regarding exception, non-routine transactions and processes. Furthermore, the assertions indicate the auditor's pervasive failure to obtain an adequate understanding of the situational variables through proper evidence gathering procedures, referencing supporting documentation, and appropriate sources. Also underscored is the auditors' failure to review documented contingences, exceptions, and planned corrective actions which were identified and documented in prior year's 2007 audit report. Also exhibited by this finding is the auditors' failure to assess neither the complex situational factors, nor the findings of management's internal investigation, influencing both 2007 and 2008 audit. The manual entries referenced in this finding were part of the exception corrective actions and process, to be performed only relative to the identified relative exceptions, and which were defined and limited to only the defined situation, and planned to occur only for the fiscal year 2008. The irregularities also further underscore the auditors' pervasive failures to exercise due professional care and professional skepticism and objectivity in the analysis of environmental variables, procedural planning, and audit processes. These irregularities further underscore the auditors' failure to obtain an adequate understanding of the situational variables through proper evidence gathering procedures and appropriate sources, including the input of third-party expert-area consultants. These factors further underscore the auditors' failure to exercise professional skepticism and objectivity in the analysis of environmental variables. They also underscore the auditors' overreliance on inquiry as a form of audit evidence and a related failure to substantiate prejudiced assertions.

However, while city management currently limits the authorization use of manual entries as part of normal procedure, management will ensure that procedures and policy regarding manual journal entries. The use of manual entries is strictly limited to approved exceptional situations. This limitation does not necessarily apply to those year-end manual entries documented in Finding 08-F1. The procedures will specify instructions for the preparation, approval, posting, and retention of these exceptional non-routine financial adjusting entries.

Anticipated Completion Date: Immediately.

08-F13 **Federal Withholding Taxes**

Management Responses: Management objects to the auditors' conjecture and misleading statement that "the letters from the IRS of past due taxes were ignored by the City." Again, the auditors' speculation implied as "fact" underscores the auditors' failure to gather sufficient evidence to support an allegation obtained by inquiry. It also further underscores the auditors' pervasive overreliance on inquiry of inappropriate sources as a form of audit evidence and the related failure to substantiate biased assertions. In this particular case, Management is not aware of any letters having been received from the IRS regarding past-due taxes. The auditors should have at least simply discussed the issue with management initially.

Corrective Action Planned:

- The Mayor has assumed complete control for picking up the City's mail from the post office, as several incidents were noted throughout 2008 and early 2009, including, but not limited to,
 - a) Mail items not being received by Management, with indications of probable interception
 - b) Unauthorized and improper use, by a number of employees, of the city's post office box for the receipt of improper items at the city's business address
 - c) The Mayor will continue to pick up the City's mail from the post office. This decision is supported by the allegation, promulgated by municipal personnel and officers, of Management's "ignoring letters from the IRS," which, however, were not received.
- Management will ensure that tax liabilities will be paid at the end of each quarter, or when they are due, whichever deadline is most applicable.

Anticipated Completion Date: Immediately, and presently ongoing throughout 2009.

In accordance with LSA-R.S. 33:404, the Mayor reserves the executive right and responsibility to delegate or reassign these duties, and any bookkeeping/accounting or administrative duties, to office employees or municipal officers, current or future instated, as necessary to safeguard and ascertain the accuracy and integrity of the City's business and accounting records and financial statements and maintain compliance.

08-F14 Subsidiary Ledger of Ad Valorem Taxes Paid Not Updated

Management Response:

City Management disagrees with the statements defining finding "Subsidiary Ledger of Ad Valorem Taxes Paid Not Updated." The finding and relative details were never addressed to the Mayor by the auditors, nor was there any attempt to acquire an understanding of the mitigating procedures and work executed to mitigate the both foreseen and unexpected contingencies. Furthermore, extra measures were indeed taken by management and administrative staff directly related and in response to both foreseen and unexpected contingencies and developments, however, auditors failed to inquire of such measures through appropriate discussion with proper sources, including the Mayor. These findings were not appropriately discussed and analyzed with the mayor during audit procedures.

Additionally, the finding contains material misrepresentations and conjecture presented as "fact". These irregularities further underscore the auditors' failure to obtain an adequate understanding of the situational variables through proper evidence gathering procedures and appropriate sources, including the input of third-party expert-area consultants. These factors further underscore the auditors' failure to exercise professional skepticism and objectivity in the analysis of environmental variables. They also underscore the auditors' overreliance on inquiry as a form of audit evidence and a related failure to substantiate prejudiced assertions.

Corrective Action Planned: The City will document and implement adequate and appropriate internal controls to safeguard the tax receipts. The internal controls and related enforced procedures will provide mandated guidelines for payments to be accurately posted, and updated, in the subsidiary ledger in a timely manner; and the ad-hoc generation of a year-end report of unpaid and valorem taxes printed and tied to the Accounts Receivable – Property Taxes accounts in the general ledger. Certified bank deposits and supporting documentation will be kept and safeguarded as part of the City’s official financial records.

Anticipated Completion Date: Immediately, and presently ongoing through 2009.

08-F15 **Police Department Tickets**

Note: It is the Mayor’s opinion that Findings 08-F15 and 08-F7 could have been effectively combined and documented as one finding.

Corrective Action Planned: Please see Finding 08-F7 above.

Additionally a record of all ticket books and tickets will be maintained, and empty ticket books will be returned to the dispatcher when all the tickets are written. Ticket numbers issued will be reconciled to actual tickets written and a report prepared by the police department.

Anticipated Completion Date: Immediately.

08-F16 **Adjustments to Utility Bills**

Corrective Action Planned:

A written policy will be adopted by the water department for utility bill adjustments. A form will be developed to record the amount of the adjustment. The adjustment must be approved by the supervisor and/or mayor before the adjustment is made. A periodic internal audit of utility bill adjustments will be performed by personnel independent of the utility department.

Anticipated Completion Date: Immediately.

08-F17/F19* **Internal Control Over Vendor Disbursements**

Corrective Action Planned: Not applicable, as the referenced grant has been audited, approved, and closed by the State of Louisiana.

Anticipated Completion Date: Completed.

08-F17* **Payroll Deductions**

Management Response:

City Management disagrees with the finding which materially misrepresents the city's policy for the addressed condition. The misrepresentation is presented as "fact" and is subsequently applied to a singular documented exception. Statements documented by the auditors also directly contradict their documentation of the policy elsewhere in the audit report. The misrepresentations were improperly extrapolated to a system as a whole, with resulting conjecture presented as "fact". The auditors failed to obtain a p defining finding "Subsidiary Ledger of Ad Valorem Taxes Paid Not Updated." These irregularities further underscore the auditors' failure to obtain an adequate understanding of the situational variables through proper evidence gathering procedures and appropriate sources. The irregularities also further underscore the auditors' pervasive failures to exercise due professional care and professional skepticism and objectivity in the analysis of environmental variables, procedural planning, and audit processes. They also underscore the auditors' overreliance on inquiry as a form of audit evidence and a related failure to substantiate prejudiced assertions.

Corrective Action Planned: Please see the Corrective Action documented above in Finding 08-F9.

Anticipated Completion Date: Immediately.

08-F18 Financial Accounting Systems

Management Response: The finding contains material misrepresentations and conjecture presented as "fact". These irregularities further underscore the auditors' failure to obtain an adequate understanding of the situational variables through proper evidence gathering procedures, including the input of third-party expert-area consultants. These consultants, who have made significant contributions and who also have knowledge of key implications, procedural methods undertaken, and expertise, were excluded from audit inquiry and procedures and minimally recognized, if at all.

Corrective Actions Planned:

The City will maintain continued proper accounting records in accordance with proper fund accounting standards, along with the appropriate maintenance and filing of supplemental documentation, in correct accordance with accepted standards in the City's procedurally controlled and centralized accounting system, which will be necessary to ensure that future audit procedures and engagements will be appropriately completed in such a timeframe as to be in compliance with audit filing requirements.

The City will plan and conduct timely processes to ensure that the City submits audit reports to the Legislative Auditor within six months of the close of the fiscal year of December 31, in accordance with LSA-R.S. 24:513. The CPA firm responsible for the City's audit report will be expected to begin audit engagement procedures in a timely manner, and to maintain effective communication with the Mayor for resolution of any audit requirement issues, toward the timely completion of audit processes and audit reports.

Management will continue effective coordination with the current accounting firm in the ongoing efforts to accurately and correctly maintain accounting records and secure accounting systems in accordance with proper fund accounting standards, to conduct timely bank reconciliations and make related journal entries, and to provide timely reliable financial statements on a regular basis. These actions are expected to provide relevant and more accurate financial data to facilitate timely future audit preparation processes.

As referenced in Management Responses and Planned Corrective Actions for Finding 07-F15 documented in the 2007 Audit Report, Management's decision to establish and implement improved procedures for information systems use and applications use will promote the increased accountability of

authorized users, and provide for the increased automation of correct accounting methods in accordance with generally accepted standards. Procedures and security protocol methods will also be maintained according to conventional (industry-accepted) IT systems and internal control policies, including the maintenance of consistent system data backups securely stored offsite, to effectively mitigate risks of unauthorized access and prevent future incidents such as these circumstances defining the exceptional nature of these 2007 and 2008 audit engagements.

Anticipated Completion Date: Immediately, and presently ongoing throughout 2009.

Ongoing improvements and the effective coordination of efforts appropriately and as warranted, respective to discoveries and outcomes of management's ongoing internal investigation/processes, are expected to provide for relevant and accurate documentation in year-end preparation for timely audit engagements.

Note: The Mayor's continued appeals to the Council, city accountant, municipal clerk, and city attorney for prudent cooperation in the execution of operational tasks are still essentially disregarded. Also, to date, the current city accountant has not complied with requests for the submission of timely work papers and reports to the mayor for review, nor has he complied with requests for interim financial statements. The city accountant fails to acquire an understanding of procedures, systems, use of data, contributing/responsible parties, and authority limits. The referenced "conflicts", including council acts of interference as well as incidents of obstinate interference and noncompliance by the city accountant, have resulted in strained business relationships between the City and several third-party expert-area consultants. No financials have been presented to the mayor or city council as of yet. The city accountant continues to be noncompliant in completing the requested and assigned tasks in a timely manner, by either refusal or a lack of proficiency.

Management's previously identified concerns regarding the integrity and reliability of the City's repository of accounting and financial information remain ongoing critical concerns.

Management Letter: **08-M1** **(No Listed Comments)**

Management's Response:

Not applicable as nothing was listed in the Management Letter upon receipt of Auditor's Report Draft.

Additional Management Findings/Concerns:

[Note: The following issues were not addressed or reviewed by Auditors.]

Minutes Not Published**Minutes Incomplete or Inaccurate**

Proceedings of the City Council meetings are not consistently published as required by Louisiana law. Additionally, written minutes did not always include all official actions of the Council. Minutes for numerous Council meeting contain profuse exceptions, errors, and misstatements upon the Mayor's review.

R.S. 43:143 requires that the proceedings of the Council meetings be published in the official journal of the city. R.S. 43:144 requires the publication of minutes within ten days from the date of the meeting and provides for fines and/or imprisonment as penalty for noncompliance. In addition, Attorney General Opinion 94-376 provides, in part, that minutes should include the substance of all matters decided (and not discussions).

In addition to the Minutes not being properly generated and filed as record in accordance with statutory law, many of the minutes for council meetings were incomplete. There are several incidences of the minutes not accurately reflecting the actions of the Council. These are significant exceptions as the minutes are to be used as a primary reference and evidence base for the City's business activities. Of primary concern, several minutes documents indicate and provide proof of the violations of Open Meeting Laws.

The Mayor reported significant exceptions to the auditors regarding the inadequacy of the city's minutes. Furthermore, the auditors also identified significant exceptions relative to the Minutes for the City. However, the auditors failed to perform any testing of the Minutes, nor did they ever formally disclose, review, address, or even acknowledge any exceptions or deficiencies relative to the City's Minutes. The auditors failed to properly assess the relative, substantive inherent risk issues and adjust audit procedures accordingly. The auditors' failure to recognize, assess, and disclose these exceptions, especially as the auditors themselves identified material deficiencies, further underscore the auditors' pervasive failure to exercise due professional care throughout the audit.

Notes to Financial Statements:

- **Litigation and Claims**
- **Subsequent Events**

Independent Auditors' Report:

- Failure of the auditors to exercise due professional care is also evidenced by many statements asserted by the auditors which are actually contradictory.
- Failure of the auditors to exercise due professional care is also evidenced by auditors' refusal to acknowledge hired and contributing third-party consultants throughout the audit procedures, during the finalization process, and in the audit report.
- The auditors consistently failed to acknowledge assessment of the complex situational factors, nor the findings of the management's internal investigation, influencing both 2007 and 2008 audit engagements.
- Questionable use of and reliance upon the management representation letter to improperly assess and define the audit scope and procedures. Furthermore, it appears to have been used improperly to support the statement of certain opinions, speculations, and conjecture, without substantive audit evidence. These factors further underscore the auditors' overreliance on inquiry and assumptions as forms of audit evidence and a related failure to substantiate biased assertions. Also of concern is the auditors pervasive failure to exercise professional skepticism and objectivity, especially given the level of foreknowledge of the City's contingencies, situational variables, and exceptional needs. Failure to exercise due professional care is also exhibited by the consistent repetition of similar limited audit procedures and documented findings across a period of several years of audit engagements. The 2008 and 2007 audit reports document little to no assessment and, more significantly, little to no disclosure material risk indicators and exceptions identified and discussed by the auditors and/or identified and reported by the Mayor.
- Irregularities exist throughout the audit engagement and procedures, and are often exhibited in the audit report as numerous inconsistencies, incongruent, and contradictory statements along with assertions lacking the appropriate support of sufficient audit evidence.
- Fundamentally, there exist significant indications of a prejudiced prematurely limited scope of audit procedures and testing, with a resultant biased expression position regarding the opinion.

Allen, Green & Williamson, CPAs
P. O. Box 6075
Monroe, LA 71211-6075

Corrective Action Plan for Schedule of Findings and Questioned Costs for the Year
Ended December 31, 2008

- 08-F 1- Material Journal Entries Not Recorded

For the year of 2008, Mayor Martha Andrus would not allow Mrs. Pamela Stringfellow, the Municipal Clerk to enter into the Administrative areas of City Hall to perform her duties and responsibilities. Also, during the first quarter of 2009, the Mayor would not allow the municipal clerk or the accountant, Mr. Willie Mabry, to enter the administrative area of City Hall to perform his duties and responsibilities. Full access to the City's Quickbook's software was not made available to them until the latter part of April in 2009.

The Grambling City Council began its Corrective Action Plan on the 16th of June 2008, by filing a Consent Judgment against Mayor Martha Andrus. On February 27, 2009, Judge Jay B. McCallum ruled in favor of the Council; unfortunately, the Mayor has disregarded the judge's ruling in many instances.

The Council will continue to pursue and to enforce legal action against the Mayor to ensure that the Municipal clerk and the accountant will have continued access to the Quick book's Software so that journal entries can be recorded in a timely manner.

- 08-F 2- Louisiana Local Government Budget Act

As a result of the Municipal Clerk and the Accountant having been denied access to the Quick book's Software for the City from February of 2008 until the latter part of April in 2009, the amended budget was not adopted until August of 2009. In addition, Mayor Martha Andrus had not presented the Council with Financial Statements in 2008 or 2009, so that the Council could amend the Health and Sanitation Fund.

The Council will continue to pursue and to enforce legal action to ensure that the Accountant will have access to the Quick books Software to enable the Council to receive accurate Financial Statements in order to amend the budget in a timely manner. The Municipal Clerk, the Accountant, and the Council will be cognizant in the future concerning the ten (10) day publishing hearing date.

- 08-F 3- Late Submission of the Audit Report to the USDA

Because the Accountant was unable to gain access to the City's financial records until the latter part of April of 2009, and due to inadequate financial records, the Accountant was not able to compile the City's financial information in a timely manner. The Council will continue to pursue legal action and to enforce the judges' rulings to ensure that the

Accountant has access to the City's financial information so that future audits can be completed in a timely manner.

- 08- F 4- Late Submission of Audit Report to Legislative Auditor.

(Refer to the answer for Finding 08-F 3)

- 08- F 5- Bank Reconciliations

The Municipal Clerk was not allowed to perform her duties and responsibilities from February of 2008 through April of 2009. The Accountant was not hired until the latter part of November in 2008. He was not given access to the City's QuickBooks Software until the latter part of April in 2009. Mayor Martha Andrus, Ms. Elizabeth Jones, the former Assistant Clerk; and Ms. Deidre Andrus, the Mayor's daughter, were the primary individuals who had access to the City's financial information.

The City Council will continue to pursue legal action and to enforce the two (2) judge's rulings to ensure that the Accountant has full access to the City's financial information so that he can reconcile all bank accounts in the City's name in a timely manner.

- 08- F 6- Cash Deposits of Water and Garbage Receipts

Ms. Elizabeth Jones, the former Assistant Clerk, was the only employee who was responsible for depositing funds into the City's bank accounts. Ms Jones' employment has been terminated; furthermore, she is now wanted by the United States Marshal's Office. Mrs. Pamela Stringfellow, the Municipal Clerk, presently records and deposits cash in a timely manner.

- 08- F 7- Cash Deposits of Police Fines

(Refer to the answer for Finding 08-F 6)

- 08 F 8- Internal Control over Vendor Payments

Ms. Elizabeth Jones, the former Assistant Clerk, was the sole employee responsible for Vendor Payments during this period. The Municipal Clerk and the Accountant are presently establishing control over Vendor Payments with the exception of vendors that the Mayor may not have presented to the Accountant or the Municipal Clerk, or the Mayor has refused to sign a vendor's purchase order, or the Council has not approved the purchase.

The Council will continue to pursue legal action and to enforce that two (2) judges' rulings concerning payments to vendors.

- 08- F 9- Payroll Expenses

Ms. Elizabeth Jones, the former Assistant Clerk, was solely responsible for handling all payroll functions with the exception of signing the checks. Ms. Jones' employment was terminated. She is now wanted by the United States Marshal's Office. Mrs. Pamela Stringfellow and Mr. Willie Mabry are currently responsible for the documentation of payroll expenses.

- 08- F 10- Capital Asset Management

Since Mayor Martha Andrus is responsible for the day-to-day operation of the City, the Council will advise the Mayor concerning the importance of establishing adequate control over the safeguarding of the City's Capital Assets.

- 08-F 11- Information System Controls

Because Mayor Martha Andrus is responsible for the day-to-day operation of the City, the Council will advise the Mayor concerning the importance of a written policy for information systems or established procedures for limiting access or backing up information.

- 08- F 12- Manual Journal Entries

Ms. Elizabeth Jones, the former Assistant Clerk, was the sole employee responsible for maintaining manual journal entries. Mr. Willie Mabry, the Accountant/Business Manager, currently maintains the manual journal entries.

- 08- F 13- Federal Withholding Taxes

Ms. Elizabeth Jones, the former Assistant Clerk, was solely responsible for paying the Federal Withholding Taxes. Mrs. Pamela Stringfellow, the Municipal Clerk who had previously electronically submitted all federal withholding taxes in a timely manner, once again, will be responsible for submitting these taxes.

- 08- F 14- Subsidiary Ledger of Ad Valorem Taxes Paid Not Updated

Ms. Elizabeth Jones, the former Assistant Clerk, was solely responsible for updating this ledger. Mrs. Pamela Stringfellow, the Municipal Clerk, now handles this responsibility.

- 08- F15- Police Department Tickets

Because Mayor Martha Andrus is responsible for the day-to-day operation of the City, the Council will advise the Mayor to establish a procedure with the Police Department for the reconciliation of ticket numbers that were written to actual tickets.

- 08-F 16- Adjustments to Utility Bills


Because Mayor Martha Andrus is responsible for the day-to-day operation of the City, the Council will advise the Mayor of the importance of establishing a written approval form for adjusting utility bills to a customer's account.

- 08- F 17- Internal Control Over Vendor Disbursements

Mayor Martha Andrus was solely responsible for the Vendor Disbursements as it related to the Community Development Block Grant, CFDA # 14228 from the Department of Housing and Urban Department.


The Council will advise the Mayor that even though she can be the sole signatory on City checks as per the Lawrason Act, she can not be the sole signatory on an account from funds derived from a federal grant.

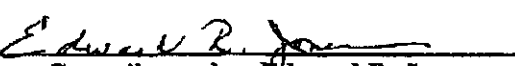
Signing I am agreeing to the answers to the Corrective Action Plan for the Findings of the 2008 Audit Report prepared by Allen, Green & Williamson, CPAs, for the City of Grambling:


Council member Alvin Bradley


Council member Toby Bryan


Council member Roosevelt Bryant, Jr.


Council member Roy L. Jackson


Council member Edward R. Jones

10-29-09
Date