

**CITY OF GRAMBLING
GRAMBLING, LOUISIANA**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2009**

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 3/2/11

**CITY OF GRAMBLING
GRAMBLING, LOUISIANA**

**TABLE OF CONTENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2009**

	Page
INDEPENDENT AUDITOR'S REPORT	1-2
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Assets	3
Statement of Activities	4
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	5
Reconciliation of the Governmental Funds' Balance Sheet to the Statement of Net Assets	6
Statement of Revenues, Expenditures, and Changes in Fund Balances	7
Reconciliation of the Governmental Funds' Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	8
Proprietary Fund – Maintenance Enterprise Fund:	
Statement of Net Assets	9
Statement of Revenues, Expenses, and Changes in Net Assets	10
Notes to the Financial Statements	11-28
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedules:	
General Fund	29
Health & Sanitation Fund	30
Capital Projects Fund	31
OTHER SUPPLEMENTAL SCHEDULE	
Schedule of Compensation to Mayor and City Council	32
OTHER REPORTS	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	33-34
Schedule of Findings	35-62
Status of Prior Audit Findings	63



Hulsey, Harwood & Sheridan, LLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

**To the Mayor and Council Members
City of Grambling, Louisiana**

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, 2009, 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 capital assets, debt, accounts receivable, revenue, accounts payable, and expenditures of the financial statements.

Because of the scope limitation described above we were 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 of America has determined is necessary to supplement, although not required to be part of, basic financial statements.

The City declined to present the statement of cash flows for the Maintenance Enterprise Fund. Presentation of such statement summarizing cash flows of the Maintenance Enterprise Fund is required by accounting principles generally accepted in the United States of America.

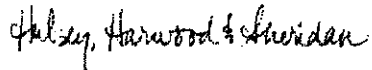
In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2011, on our consideration of the City of Grambling, Louisiana's, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

City of Grambling
Independent Auditor's Report
December 31, 2009

The budgetary comparison schedules are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Grambling, Louisiana's, basic financial statements. The Schedule of Compensation to Mayor and City Council is presented for purposes of additional analysis and is not a required part of the basic financial statements. We did not audit the information and we express no opinion on it.

HULSEY, HARWOOD & SHERIDAN, LLC



Monroe, Louisiana
January 27, 2011

BASIC FINANCIAL STATEMENTS

**CITY OF GRAMBLING
GRAMBLING, LOUISIANA**

**STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2009**

ASSETS	Primary Government		Total
	Governmental Activities	Business-type Activities	
Cash and cash equivalents	\$ 709,828	\$ 324,420	\$1,034,248
Investments	375,273	48,011	423,284
Receivables, net of allowance for uncollectibles	333,302	98,262	431,564
Internal balances	630,258	(630,258)	-
Prepaid expenses	6,636	2,042	8,678
Capital assets not being depreciated	42,902	16,526	59,428
Capital assets, net of accumulated depreciation	<u>2,299,745</u>	<u>2,033,247</u>	<u>4,332,992</u>
TOTAL ASSETS	<u>4,397,944</u>	<u>1,892,250</u>	<u>6,290,194</u>
LIABILITIES			
Accounts payable	77,557	11,429	88,986
Payroll and related liabilities	45,833	10,653	56,486
Accrued interest payable	15,359	56,408	71,767
Customer deposits payable	-	123,251	123,251
Rent deposits payable	5,666	-	5,666
Noncurrent liabilities:			
Due within one year	172,080	89,444	261,524
Due in more than one year	<u>563,813</u>	<u>1,394,001</u>	<u>1,957,814</u>
TOTAL LIABILITIES	<u>880,308</u>	<u>1,685,186</u>	<u>2,565,494</u>
NET ASSETS			
Investment in capital assets, net of related debt	1,635,041	567,732	2,202,773
Restricted for debt service	167,981	-	167,981
Restricted for health & sanitation	613,034	-	613,034
Restricted for capital projects	(103,548)	-	(103,548)
Unrestricted	<u>1,205,128</u>	<u>(360,668)</u>	<u>844,460</u>
TOTAL NET ASSETS	<u>\$3,517,636</u>	<u>\$ 207,064</u>	<u>\$3,724,700</u>

The accompanying notes are an integral part of these financial statements.

CITY OF GRAMBLING
GRAMBLING, LOUISIANA

STATEMENT OF ACTIVITIES
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2009

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			NET (EXPENSES) REVENUES AND CHANGES IN NET ASSETS			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Governmental activities:							
General government	\$ 1,986,787	\$ -	\$ 29,583	\$ -	\$ (1,957,204)		\$ (1,957,204)
Public safety	80,130	123,431	55,888	-	99,189		99,189
Health and sanitation	66,817	147,943	-	364,164	445,290		445,290
Highways and streets	90,861	-	-	-	(90,861)		(90,861)
Interest expense	37,449	-	-	-	(37,449)		(37,449)
Total governmental activities	<u>2,262,044</u>	<u>271,374</u>	<u>85,471</u>	<u>364,164</u>	<u>(1,541,035)</u>		<u>(1,541,035)</u>
Business-type activities:							
Water and sewer	952,835	619,298	-	50,000	-	\$ (283,537)	(283,537)
Total business-type activities	<u>952,835</u>	<u>619,298</u>	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>(283,537)</u>	<u>(283,537)</u>
Total primary government	<u>\$ 3,214,879</u>	<u>\$ 890,672</u>	<u>\$ 85,471</u>	<u>\$ 414,164</u>	<u>(1,541,035)</u>	<u>(283,537)</u>	<u>(1,824,572)</u>
General revenues:							
Property taxes					662,461	65,049	727,510
Sales and use taxes					566,774	-	566,774
Other taxes, penalties, and interest					88,621	3,685	92,306
Licenses and permits					69,239	-	69,239
Fines and forfeitures					2,934	-	2,934
Use of money and property					20,788	4,609	25,397
Gain on sale of capital assets					4,953	-	4,953
Other					225,786	3,526	229,312
Transfers					(527,778)	527,778	-
Total general revenues and transfers					<u>1,113,778</u>	<u>604,647</u>	<u>1,718,425</u>
Change in net assets					(427,257)	321,110	(106,147)
Net assets at beginning of year, restated					3,944,893	(114,046)	3,830,847
Net assets at end of year					<u>\$ 3,517,636</u>	<u>\$ 207,064</u>	<u>\$ 3,724,700</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF GRAMBLING
GRAMBLING, LOUISIANA
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF DECEMBER 31, 2009**

	General	Health & Sanitation	Debt Service	Capital Projects	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 596,520	\$ 70,094	\$ 37,950	\$ 5,264	\$ 709,828
Investments	135,270	240,003	-	-	375,273
Receivables, net	263,984	39,502	29,815	-	333,301
Due from other funds	766,356	390,313	29,828	611,024	1,797,521
Prepaid expenses	6,641	-	-	-	6,641
TOTAL ASSETS	\$ 1,768,771	\$ 739,912	\$ 97,593	\$ 616,288	\$ 3,222,564

LIABILITIES AND FUND BALANCES

Liabilities:					
Accounts payable	\$ 77,561	\$ -	\$ -	\$ -	\$ 77,561
Payroll and related liabilities	43,029	2,804	-	-	45,833
Rent deposits payable	5,666	-	-	-	5,666
Deferred revenue	66,026	-	10,624	-	76,650
Due to other funds	1,100,598	-	-	66,665	1,167,263
Total liabilities	1,292,880	2,804	10,624	66,665	1,372,973
Fund balances:					
Reserved for debt service	-	-	86,969	-	86,969
Unreserved, reported in:					
General	475,891	-	-	-	475,891
Special Revenue Fund	-	737,108	-	-	737,108
Capital Projects Fund	-	-	-	549,623	549,623
Total fund balances	475,891	737,108	86,969	549,623	1,849,591
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,768,771	\$ 739,912	\$ 97,593	\$ 616,288	\$ 3,222,564

The accompanying notes are an integral part of these financial statements.

**CITY OF GRAMBLING
GRAMBLING, LOUISIANA**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS' BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2009**

**Amounts reported for governmental activities
in the statement of net assets are different because:**

Total fund balances	\$ 1,849,591
Capital assets used in governmental activities are not financial resources and, therefore, are deferred in the funds.	2,342,647
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	76,650
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(751,252)</u>
Net assets of governmental activities	<u><u>\$ 3,517,636</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF GRAMBLING
GRAMBLING, LOUISIANA

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2009

	General	Health & Sanitation	Debt Service	Capital Projects	Total Governmental Funds
Revenues:					
Property taxes	\$ 501,104	\$ -	\$ 81,427	\$ -	\$ 582,531
Sales and use taxes	428,063	138,711	-	-	566,774
Franchise taxes	95,088	-	-	-	95,088
Gaming taxes	65,126	-	-	-	65,126
Other taxes, penalties, and interest	2,004	-	-	-	2,004
Licenses and permits	69,239	-	-	-	69,239
Intergovernmental revenues	85,471	-	-	364,164	449,635
Charges for services	108,691	147,943	-	-	256,634
Fines	126,894	-	-	-	126,894
Lease income	16,490	-	-	-	16,490
Interest earned	2,867	1,175	187	70	4,299
Other revenues	26,201	-	-	-	26,201
Total revenues	<u>1,527,238</u>	<u>287,829</u>	<u>81,614</u>	<u>364,234</u>	<u>2,260,915</u>
Expenditures:					
Current:					
General government	1,889,886	-	-	26	1,889,912
Public safety	53,856	-	-	-	53,856
Highways and streets	7,751	-	-	-	7,751
Health and welfare	-	63,130	-	-	63,130
Debt service - principal	-	68,023	82,180	-	150,203
Debt service - interest	-	-	27,910	-	27,910
Capital outlay	33,351	36,643	-	-	69,994
Total expenditures	<u>1,984,844</u>	<u>167,796</u>	<u>110,090</u>	<u>26</u>	<u>2,262,756</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(457,606)</u>	<u>120,033</u>	<u>(28,476)</u>	<u>364,208</u>	<u>(1,841)</u>
Other financing sources (uses):					
Proceeds from insurance	25,000	-	-	-	25,000
Total other financing sources and uses	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,000</u>
Net change in fund balances	<u>(432,606)</u>	<u>120,033</u>	<u>(28,476)</u>	<u>364,208</u>	<u>23,159</u>
Fund balances at beginning of year, restated	908,497	617,075	115,445	185,415	1,826,432
Fund balances at end of year	<u>\$ 475,891</u>	<u>\$ 737,108</u>	<u>\$ 86,969</u>	<u>\$ 549,623</u>	<u>\$ 1,849,591</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF GRAMBLING
GRAMBLING, LOUISIANA**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS' STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2009**

Amounts reported for governmental activities in the statement of net assets are different because:	
Net change in fund balances - total governmental funds	\$ 23,159
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.	(111,145)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	(528,298)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	76,650
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	140,664
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(28,287)</u>
Change in net assets of governmental activities	<u><u>\$ (427,257)</u></u>

The accompanying notes are an integral part of these financial statements.

**CITY OF GRAMBLING
GRAMBLING, LOUISIANA**

**PROPRIETARY FUND – MAINTENANCE ENTERPRISE FUND
STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2009**

ASSETS

Current assets:	
Cash and cash equivalents	\$ 118,256
Investments	48,011
Receivables, net	98,262
Due from other funds	339,967
Prepaid expenses	2,042
Total current assets	<u>606,538</u>
Noncurrent assets:	
Cash and cash equivalents - restricted	206,164
Capital assets, net	2,049,773
Total noncurrent assets	<u>2,255,937</u>
TOTAL ASSETS	<u>2,862,475</u>

LIABILITIES

Current liabilities:	
Accounts payable	11,429
Payroll and related liabilities	12,057
Due to other funds	970,225
Accrued interest on revenue bonds	56,408
Customer deposits payable	123,251
Revenue bonds payable - current	89,444
Total current liabilities	<u>1,262,814</u>
Noncurrent liabilities:	
Revenue bonds payable	<u>1,392,597</u>
Total noncurrent liabilities	<u>1,392,597</u>
TOTAL LIABILITIES	<u>2,655,411</u>

NET ASSETS

Invested in capital assets, net of related debt	567,732
Restricted for debt service	206,164
Unrestricted	(566,832)
TOTAL NET ASSETS	<u>\$ 207,064</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF GRAMBLING
GRAMBLING, LOUISIANA**

**PROPRIETARY FUND – MAINTENANCE ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2009**

Operating revenues:	
Charges for sales and services:	
Water sales	\$ 405,900
Water connection charges	6,312
Sewage fees	<u>207,086</u>
Total operating revenues	<u>619,298</u>
Operating expenses	<u>900,845</u>
Operating loss	<u>(281,547)</u>
Nonoperating revenues (expenses):	
Ad valorem tax revenues	65,049
Other taxes, penalties, and interest	3,685
Intergovernmental revenues	50,000
Interest earned	4,609
Interest expense	(51,990)
Other revenues	<u>3,526</u>
Total nonoperating revenue (expenses)	<u>74,879</u>
Loss before contributions and transfers	(206,668)
Transfers in	<u>527,778</u>
Change in net assets	321,110
Net assets at beginning of year, restated	<u>(114,046)</u>
Net assets at end of year	<u>\$ 207,064</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF GRAMBLING
GRAMBLING, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Grambling, Louisiana, (the City) 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 4,906. The City is governed by the Mayor and a five-member council. The Mayor and council members serve four-year terms.

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, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the City is considered a primary government since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the City may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) 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.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**CITY OF GRAMBLING
GRAMBLING, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement focus, basis of accounting, and financial statement presentation

The government-wide and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Health & Sanitation Fund accounts for the expenditures incurred in providing services for health care and garbage collection.

The Debt Service Fund accounts for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

The Capital Project Fund accounts for financial resources received and used for the acquisition, construction, or improvement of capital facilities not reported in the other governmental funds.

CITY OF GRAMBLING
GRAMBLING, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement focus, basis of accounting, and financial statement presentation (continued)

The City reports the following major proprietary fund:

The Maintenance Enterprise Fund accounts for the operations of the City's water and sewer 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's enterprise operations and governmental activities. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. However, there were no payments-in-lieu of taxes for the year ended December 31, 2009.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The Maintenance Enterprise Fund's principal operating revenues are water and sewer usage fees. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

**CITY OF GRAMBLING
GRAMBLING, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables and payables

Activity between funds outstanding at the end of the fiscal year, including lending and borrowing arrangements, is referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles, when material.

Property taxes are levied by the City in October and are mailed to the taxpayers in November. Billed taxes become delinquent on January 1 of the following year. Revenues from ad valorem taxes are budgeted in the year they are billed. The City bills and collects its own property taxes using the assessed value determined by the tax assessor of Lincoln Parish. For the year ended December 31, 2009, taxes of 47.53 mills were levied on property with assessed valuations totaling \$12,059,996, as follows:

Capital Outlay	9.49 mills
Fire Protection/Public Improvement	17.63 mills
Police Department	4.66 mills
Public Improvement Bond	6.00 mills
Public Streets	5.51 mills
Water System	4.24 mills

The following are the principal taxpayers and related property tax revenue for the City:

<u>Taxpayer</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>	<u>Ad Valorem Tax Revenue for Municipality</u>
Tradition Cove Subdivision	\$ 241,441	2.00%	\$ 11,476
Vested Group	201,254	1.67%	9,566
Lincoln Family Housing	185,480	1.54%	8,816
Pinecrest II Apartments Ltd.	125,437	1.04%	5,962
Pinecrest Apartments Ltd.	117,668	0.98%	5,593
Vested Group	82,727	0.69%	3,932
GLPL Cal Family Trust	82,532	0.68%	3,923
Larry Rabb	80,839	0.67%	3,842
Tsegai Emmanuel	52,014	0.43%	2,472
Tyrone Jacobs	51,329	0.43%	2,440
Totals	<u>\$1,220,721</u>	<u>10.13%</u>	<u>\$ 58,022</u>

**CITY OF GRAMBLING
GRAMBLING, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets

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

Cash and cash equivalents

Cash includes amounts in demand deposits, interest-bearing demand deposits, and time deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the City of Grambling may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. Some of the cash and cash equivalents are restricted. Cash deposits are reported at carrying amount which reasonably approximates fair value.

Investments

State law allows the City to invest in collateralized certificates of deposits, government backed securities, commercial paper, the Louisiana Asset Management Pool (a state sponsored investment pool), and mutual funds consisting solely of government backed securities. Currently, all investments of the City consist of deposits in the Louisiana Asset Management Pool. Investments for the City are reported at fair value.

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.

**CITY OF GRAMBLING
GRAMBLING, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 capitalization threshold for equipment is \$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 based on the following estimated useful lives:

Buildings	40 years
Concrete block building	20 years
Furniture and 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, and 5 to 8 years for furniture and equipment.

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 days of annual leave which can accumulate to 20 days. Employees earn ten days of sick leave each year; however, accumulated amounts are 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 GASB Codification Section C60, is recognized as a current year expenditure in the governmental funds when leave is actually taken or when employees are paid for accrued leave upon resignation or termination.

**CITY OF GRAMBLING
GRAMBLING, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and 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, 2009.

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:

1. Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments.
2. Imposed by law through constitutional provisions or enabling legislation.

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

Fund equity

Reservations of fund balance represent amounts that are not appropriable for expenditure or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislations.

Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

**CITY OF GRAMBLING
GRAMBLING, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund activity

Interfund activity is reported either as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

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 statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Sales Taxes

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 rate is two percent.

NOTE 2 – CASH AND CASH EQUIVALENTS

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City's policy to ensure that there is no exposure to this risk is to require each financial institution to pledge its own securities to cover any amount in excess of Federal Depository Insurance Coverage. Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten days of being notified by the City that the fiscal agent bank has failed to pay deposited funds upon demand.

At December 31, 2009, the City has cash and cash equivalents (book balances) totaling \$1,034,248 as follows:

Cash and cash equivalents – unrestricted:	
Demand deposits	\$ 695,378
Time deposits	132,506
Other	200
Total	<u>828,084</u>
Cash and cash equivalents – restricted:	
Demand deposits	126,033
Time deposits	80,131
Total	<u>206,164</u>
Total	<u><u>\$ 1,034,248</u></u>

**CITY OF GRAMBLING
GRAMBLING, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)

These deposits are stated at cost which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. As of December 31, 2009, \$253,697 of the City's bank balances of \$993,811 was exposed to custodial credit risk as follows:

Insured by FDIC	\$ 740,114
Uninsured and uncollateralized	253,697
Collateralized by pledged securities not in the City's name	-
Total balances exposed to custodial credit risk	<u>253,697</u>
Total bank balances	<u><u>\$ 993,811</u></u>

NOTE 3 – INVESTMENTS

Investments held at December 31, 2009, consist of \$423,284 in the Louisiana Asset Management Pool (LAMP), a local government investment pool. 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 LSA - R.S. 33:2955.

Effective August 1, 2001, LAMP's investment guidelines were amended to permit the investment in government only money market funds. In its 2001 Regular Session, the Louisiana Legislature (Senate Bill No. 512, Act 701) enacted LSA - R.S. 33:2955(A)(1)(h) which allows all municipalities, parishes, school boards, and any other political subdivisions of the State to invest in "investment grade (A-/P-1) commercial paper of domestic United States corporations." Effective October 1, 2001, LAMP's Investment Guidelines were amended to allow the limited investment in A-1 or A-1+ commercial paper.

**CITY OF GRAMBLING
GRAMBLING, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 3 – INVESTMENTS (Continued)

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. LAMP is a 2a7-like investment pool. The following facts are relevant for 2a7-like investment pools: (1) credit risk: LAMP is rated AAAM by Standard & Poor's; (2) 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; (3) concentration of credit risk: Pooled investments are excluded from the 5 percent disclosure requirement; (4) interest rate risk: GASB No. 40 excludes 2a7-like investment pools from this disclosure requirement; and, (5) 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. LAMP is not registered with the SEC as an investment company.

NOTE 4 – RECEIVABLES

The following is a summary of receivables at December 31, 2009:

	<u>General</u>	<u>Health & Sanitation</u>	<u>Debt Service</u>	<u>Maintenance</u>	<u>Total</u>
Receivables:					
Taxes and licenses:					
Property taxes	\$ 185,299	\$ -	\$ 29,815	\$ 21,069	\$ 236,183
Sales and use taxes	38,548	17,519	-	-	56,067
Franchise taxes	13,541	-	-	-	13,541
User fees	-	21,984	-	90,815	112,799
Gaming taxes	22,370	-	-	-	22,370
Other	4,226	-	-	-	4,226
Gross receivables	<u>263,984</u>	<u>39,503</u>	<u>29,815</u>	<u>111,884</u>	<u>445,186</u>
Less allowance for uncollectibles	-	-	-	(13,622)	(13,622)
Total receivables, net	<u>\$ 263,984</u>	<u>\$ 39,503</u>	<u>\$ 29,815</u>	<u>\$ 98,262</u>	<u>\$ 431,564</u>

**CITY OF GRAMBLING
GRAMBLING, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 5 – CAPITAL ASSETS

A schedule of changes in capital assets for the year ended December 31, 2009, follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 42,902	\$ -	\$ -	\$ 42,902
Construction in progress	527,778	-	(527,778)	-
Total capital assets not being depreciated	<u>570,680</u>	<u>-</u>	<u>(527,778)</u>	<u>42,902</u>
Capital assets being depreciated:				
Buildings and improvements	2,635,359	-	-	2,635,359
Furniture and equipment	1,415,593	69,994	(22,000)	1,463,587
Total capital assets being depreciated	<u>4,050,952</u>	<u>69,994</u>	<u>(22,000)</u>	<u>4,098,946</u>
Less accumulated depreciation for:				
Buildings and improvements	522,671	64,201	-	586,872
Furniture and equipment	1,117,391	116,938	(22,000)	1,212,329
Total accumulated depreciation	<u>1,640,062</u>	<u>181,139</u>	<u>(22,000)</u>	<u>1,799,201</u>
Total capital assets being depreciated	<u>2,410,890</u>	<u>(111,145)</u>	<u>-</u>	<u>2,299,745</u>
Governmental activities, capital assets, net	<u>\$ 2,981,570</u>	<u>\$ (111,145)</u>	<u>\$ (527,778)</u>	<u>\$ 2,342,647</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 16,526	\$ -	\$ -	\$ 16,526
Capital assets being depreciated:				
Buildings and improvements	30,000	-	-	30,000
Sewage plant	2,474,958	577,778	-	3,052,736
Water system	1,540,036	209,644	-	1,749,680
Water/sewer equipment	1,094,125	-	-	1,094,125
Vehicles	29,950	-	-	29,950
Total capital assets being depreciated	<u>5,169,069</u>	<u>787,422</u>	<u>-</u>	<u>5,956,491</u>
Less accumulated depreciation for:				
Buildings and improvements	21,000	1,500	-	22,500
Sewage plant	1,702,195	142,591	-	1,844,786
Water system	889,394	82,244	-	971,638
Water/sewer equipment	1,056,052	7,585	-	1,063,637
Vehicles	17,245	3,438	-	20,683
Total accumulated depreciation	<u>3,685,886</u>	<u>237,358</u>	<u>-</u>	<u>3,923,244</u>
Total capital assets being depreciated	<u>1,483,183</u>	<u>550,064</u>	<u>-</u>	<u>2,033,247</u>
Business-type activities, capital assets, net	<u>\$ 1,499,709</u>	<u>\$ 550,064</u>	<u>\$ -</u>	<u>\$ 2,049,773</u>

**CITY OF GRAMBLING
GRAMBLING, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 5 – CAPITAL ASSETS (Continued)

Depreciation expense was charged as follows:

Governmental activities:	
General government	\$ 68,068
Public safety	26,274
Highways and streets	83,110
Health and welfare	3,687
Total	<u>\$ 181,139</u>
 Business-type activities – water/sewer	 <u>\$ 237,358</u>

NOTE 6 – INTERFUND BALANCES AND TRANSFERS

Individual balances due from/to other funds at December 31, 2009, were as follows:

		Due from			
		General	Capital		Total
			Projects	Maintenance	
Due to	General	\$ -	\$ 66,665	\$ 699,691	\$ 766,356
	Health & Sanitation	281,014	-	109,299	390,313
	Debt Service	9,828	-	20,000	29,828
	Capital Projects	469,789	-	141,235	611,024
	Maintenance	339,967	-	-	339,967
	Total	<u>\$ 1,100,598</u>	<u>\$ 66,665</u>	<u>\$ 970,225</u>	<u>\$ 2,137,488</u>

Amounts receivable in the General Fund include reimbursements from other funds for payroll and from the Maintenance Fund for expenses paid on its behalf.

During the year ended December 31, 2010, the City completed a sewer system improvements project and transferred the improvements from construction in progress in the Capital Projects fund to sewer system improvements in the Maintenance Enterprise fund in the amount of \$527,778.

**CITY OF GRAMBLING
GRAMBLING, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 7 – LONG-TERM OBLIGATIONS

The City issues certificates of indebtedness to provide funds for the acquisition and construction of major capital facilities. The City also issues bonds where the City pledges income derived from the acquired or constructed asset to pay debt service.

Bonds and certificate payable at December 31, 2009, are comprised of the following issues:

Certificate of Indebtedness:

\$850,000 Certificate of Indebtedness, Series 2005, payable in annual installments of \$109,708 beginning June 30, 2005, and ending May 31, 2015, including interest at 4.974%. The Debt Service Fund services this debt. \$ 570,990

Revenue Bonds:

\$1,250,000 Utilities Revenue Bonds, Series 1995, payable in incrementally increasing annual installments commencing 1996 through 2035, including interest at 5.125%. The Maintenance Fund services this debt. 1,059,216

\$380,000 Water and Sewer System Junior Lien Revenue Bonds, Series 1970, payable in incrementally increasing annual installments commencing 1971 through 2010, including interest at 5.375%. The Maintenance Fund services this debt. -

\$1,170,000 1993 Utilities Revenue Bonds, Series 1993, payable in incrementally increasing annual installments commencing 1994 through March 2015, including interest at 2.95%. The Maintenance Fund services this debt. 418,786

Total \$ 2,048,992

**CITY OF GRAMBLING
GRAMBLING, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 7 – LONG-TERM OBLIGATIONS (Continued)

Long-term liability activity for the year ended December 31, 2009, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Capital leases	\$ 210,459	\$ -	\$ (73,843)	\$ 136,616	\$ 77,710
Certificate of indebtedness	653,170	-	(82,180)	570,990	81,988
Compensated absences	16,246	22,272	(10,231)	28,287	12,382
Governmental activity long-term liabilities	<u>\$ 879,875</u>	<u>\$ 22,272</u>	<u>\$ (166,254)</u>	<u>\$ 735,893</u>	<u>\$ 172,080</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:					
Capital leases	\$ 8,964	\$ -	\$ (7,080)	\$ 1,884	\$ 1,884
Revenue bonds payable	1,599,584	-	(121,582)	1,478,002	85,405
Compensated absences	3,356	5,264	(5,061)	3,559	2,155
Business-type activity long-term liabilities	<u>\$ 1,611,904</u>	<u>\$ 5,264</u>	<u>\$ (133,723)</u>	<u>\$ 1,483,445</u>	<u>\$ 89,444</u>

Annual debt service requirements to maturity for bonds and the certificate are as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Certificate of Indebtedness</u>	<u>Certificate of Indebtedness</u>	<u>Revenue Bonds</u>	<u>Revenue Bonds</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 81,988	\$ 27,721	\$ 85,405	\$ 65,552
2011	86,066	23,643	91,448	62,518
2012	90,347	19,362	92,544	59,357
2013	94,841	14,868	93,696	56,139
2014	99,558	10,150	99,907	52,789
2015-2019	118,190	5,198	213,769	228,840
2020-2024	-	-	186,018	186,789
2025-2029	-	-	238,669	134,138
2030-2034	-	-	306,214	66,583
2035	-	-	70,332	3,612
Totals	<u>\$ 570,990</u>	<u>\$ 100,942</u>	<u>\$ 1,478,002</u>	<u>\$ 916,317</u>

**CITY OF GRAMBLING
GRAMBLING, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 7 – LONG-TERM OBLIGATIONS (Continued)

There are a number of limitations and restrictions contained in the various bond indentures. The City is not in compliance with all significant limitations and restrictions.

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, 2009, the City had the following assets under capital lease:

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

Annual debt service requirements for capital leases are as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Capital Lease</u>	<u>Capital Lease</u>	<u>Capital Lease</u>	<u>Capital Lease</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 77,710	\$ 6,624	\$ 1,884	\$ 25
2011	28,827	2,553	-	-
2012	30,079	1,303	-	-
Totals	<u>\$ 136,616</u>	<u>\$ 10,480</u>	<u>\$ 1,884</u>	<u>\$ 25</u>

Interest expense for the year ended December 31, 2009, totaled \$94,353.

NOTE 8 – PENSION AND RETIREMENT PLAN

The City established a Simple IRA plan to be effective October 4, 2002. All city employees are eligible to participate in the plan. The plan is a defined contribution plan administered by Morgan Keegan & Co., Inc. Under the plan, the City matches each employee's salary reduction for contributions to the plan up to 3% for that calendar year. The funds are immediately vested when paid into the plan. The plan is based on the IRS Code and must comply with all IRS Code requirements. The City of Grambling's contributions to the system for the year ending December 31, 2009, were \$6,063 and employees contributed \$6,064.

**CITY OF GRAMBLING
GRAMBLING, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 9 – ON-BEHALF PAYMENTS

Certain employees in the City's police and fire department receive supplemental pay from the state of Louisiana. In accordance with GASB Statement No. 24, the City has recorded revenues and expenditures for these payments in the General Fund. Revenues under this arrangement totaled \$53,326. The related expenditures of \$53,326 are included in public safety expenditures in the General Fund.

NOTE 10 – EXPENDITURES/EXPENSES

Payments totaling \$48,148 were made in February and March 2009 to Elizabeth Jones, the former Assistant City Clerk, whose employment was discontinued April 21, 2009. This amount is included in Miscellaneous Expenses in the General Fund. These payments may violate Article VII, Section 14 of the Louisiana Constitution. See disclosure of a related event in note 12.

NOTE 11 – LITIGATION AND CLAIMS

As of December 31, 2009, the Mayor and the City Council were involved in various legal suits for which the City may be liable for reimbursement of legal fees to City employees. 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. 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.

**CITY OF GRAMBLING
GRAMBLING, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 11 – LITIGATION AND CLAIMS (Continued)

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 this ruling. The Louisiana Supreme Court denied the appeal during 2010.

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 of this ruling. The Louisiana Supreme Court denied the appeal during 2010.

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 December 31, 2009, these reimbursement requests amount to \$26,117.35 and continue to accumulate.

NOTE 12 – RISK MANAGEMENT

The City is exposed to various risks of loss relating to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties.

**CITY OF GRAMBLING
GRAMBLING, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 13 – NEW ACCOUNTING STANDARD

In February 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Type Definitions*. The statement will require fund balances for each of the City's governmental funds to be displayed in various classifications depicting the relative strength of the spending constraints placed on the purpose for which resources can be used. The provisions of GASB No. 54 must be implemented by the City for the fiscal year ending December 31, 2010. Implementation will require the City to restate existing fund balances for the governmental funds.

NOTE 14 – PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made for the year ended December 31, 2009, to correct the prior year ad valorem tax receivable resulting in a \$265,804 increase in fund balances and net assets of \$265,804 as of December 31, 2008.

	General Fund	Debt Service Fund	Maintenance Fund	Total Governmental Funds
Beginning fund balance, as presented	\$ 661,870	\$ 115,073	\$ (132,852)	\$ 644,091
Adjustment	246,627	372	18,806	265,805
Adjusted beginning fund balance	<u>\$ 908,497</u>	<u>\$ 115,445</u>	<u>\$ (114,046)</u>	<u>\$ 909,896</u>

	Governmental Activities	Business- Type Activities	Total
Beginning net assets, as presented	\$3,697,895	\$ (132,852)	\$3,565,043
Adjustment	246,998	18,806	265,804
Adjusted beginning net assets	<u>\$3,944,893</u>	<u>\$ (114,046)</u>	<u>\$3,830,847</u>

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 27, 2011, the date on which the financial statements were available to be released.

See Note 11 for subsequent events related to litigation.

On November 2, 2010, Edward Jones was elected Mayor of the City. Mayor Jones began his term on January 1, 2011.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF GRAMBLING
GRAMBLING, LOUISIANA**

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2009**

	Budgeted Amounts		Actual	Variance
	Original	Final		with Final Budget
Revenues:				
Taxes	\$ 1,284,218	\$ 1,067,177	\$ 1,091,385	\$ 24,208
Licenses and permits	85,450	19,884	69,239	49,355
Intergovernmental revenues	35,150	32,100	85,471	53,371
Charges for services	7,545	4,274	108,691	104,417
Fines	143,880	166,890	126,894	(39,996)
Lease income	8,400	6,330	16,490	10,160
Interest earned	9,050	19	2,867	2,848
Other revenues	27,450	18,188	26,201	8,013
Total revenues	1,601,143	1,314,862	1,527,238	212,376
Expenditures:				
Current:				
General government	1,673,295	2,125,446	1,889,886	235,560
Public safety	4,675	1,705	53,856	(52,151)
Highways and streets	2,760	6,974	7,751	(777)
Debt service	700	700	-	700
Capital outlay	44,500	95,416	33,351	62,065
Total expenditures	1,725,930	2,230,241	1,984,844	245,397
Excess (deficiency) of revenues over expenditures	(124,787)	(915,379)	(457,606)	457,773
Other financing sources (uses):				
Transfers in	1,000,000	1,325,000	-	(1,325,000)
Transfers out	(1,183,000)	(183,000)	-	183,000
Proceeds from insurance	-	-	25,000	25,000
Total other financing sources (uses)	(183,000)	1,142,000	25,000	(1,117,000)
Net change in fund balances	(307,787)	226,621	(432,606)	(659,227)
Fund balances at beginning of year, restated	-	-	908,497	908,497
Fund balances at end of year	\$ (307,787)	\$ 226,621	\$ 475,891	\$ 249,270

**CITY OF GRAMBLING
GRAMBLING, LOUISIANA**

**HEALTH & SANITATION FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2009**

	Budgeted Amounts		Actual	Variance
	Original	Final		with Final Budget
Revenues:				
Taxes	\$369,823	\$ 210,822	\$ 138,711	\$ (72,111)
Licenses and permits	2,500	2,666	-	(2,666)
Charges for services	121,476	144,515	147,943	3,428
Interest earned	6,788	-	1,175	1,175
Other revenues	4,364	-	-	-
Total revenues	504,951	358,003	287,829	(70,174)
Expenditures:				
Current:				
Health and welfare	107,636	147,591	63,130	84,461
Debt service	32,367	-	68,023	(68,023)
Capital outlay	5,898	33,932	36,643	(2,711)
Total expenditures	145,901	181,523	167,796	13,727
Excess (deficiency) of revenues over expenditures	359,050	176,480	120,033	(56,447)
Other financing sources:				
Transfers out	(175,500)	(175,500)	-	175,500
Total other financing sources	(175,500)	(175,500)	-	175,500
Net change in fund balances	183,550	980	120,033	119,053
Fund balances at beginning of year	-	-	617,075	617,075
Fund balances at end of year	\$183,550	\$ 980	\$ 737,108	\$ 736,128

**CITY OF GRAMBLING
GRAMBLING, LOUISIANA**

**CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2009**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental revenues	\$310,515	\$308,898	\$ 364,164	\$ 55,266
Interest earned	35	-	70	(70)
Other revenues	669	669	-	(669)
Total revenues	<u>311,219</u>	<u>309,567</u>	<u>364,234</u>	<u>54,667</u>
Expenditures:				
General government	321,160	220,886	26	(220,860)
Total expenditures	<u>321,160</u>	<u>220,886</u>	<u>26</u>	<u>(220,860)</u>
Excess (deficiency) of revenues over expenditures	<u>(9,941)</u>	<u>88,681</u>	<u>364,208</u>	<u>275,527</u>
Other financing sources (uses):				
Transfers in	15,000	15,000	-	(15,000)
Total other financing sources (uses)	<u>15,000</u>	<u>15,000</u>	<u>-</u>	<u>(15,000)</u>
Net change in fund balances	5,059	103,681	364,208	260,527
Fund balances at beginning of year	-	-	185,415	185,415
Fund balances at end of year	<u>\$ 5,059</u>	<u>\$103,681</u>	<u>\$ 549,623</u>	<u>\$ 445,942</u>

OTHER SUPPLEMENTAL SCHEDULE

**CITY OF GRAMBLING
GRAMBLING, LOUISIANA**

**SCHEDULE OF COMPENSATION TO MAYOR AND CITY COUNCIL
FOR THE YEAR ENDED DECEMBER 31, 2009**

Martha Andrus, Mayor	\$ 52,087
Alvin Bradley, Sr.	10,850
Toby Bryan	12,250
Roosevelt Bryant, Jr.	12,250
Roy L. Jackson	12,250
Edward R. Jones	12,250
Total	<u>\$ 111,937</u>

OTHER REPORTS



Hulseley, Harwood & Sheridan, LLC

Certified Public Accountants

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*

**City of Grambling
Grambling, Louisiana**

We were engaged to audit the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Grambling, as of and for the year ended December 31, 2010, which collectively comprise the City of Grambling's basic financial statements and have issued our report thereon dated January 27, 2011. We conducted our audit 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 the *Louisiana Governmental Audit Guide*, issued by the Louisiana Society of Certified Public Accountants and the Louisiana Legislative Auditor. We did not express an opinion on the financial statements because we were unable to obtain sufficient documentation to complete testing of capital assets, debt, accounts receivable, revenue, accounts payable, and expenditures of the financial statements.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Grambling'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 of Grambling's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Grambling'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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

City of Grambling
Grambling, Louisiana
Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
December 31, 2009

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings as items 2009-1 through 2009-4 and 2009-6 through 2009-20 to be material weaknesses.

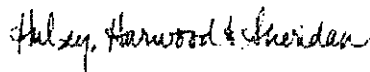
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Grambling's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as item 2009-1, 2009-3, 2009-5 through 2009-7, 2009-11 through 2009-15, and 2009-17 through 2009-19.

The City of Grambling's responses to the findings identified in our audit are described in the accompanying corrective action plan. We did not audit the City of Grambling's responses and, accordingly, we express no opinion on them.

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

HULSEY, HARWOOD & SHERIDAN, LLC



Monroe, Louisiana
January 27, 2011

**CITY OF GRAMBLING
GRAMBLING, LOUISIANA**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2009**

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses a disclaimer of opinion on the basic financial statements of the City of Grambling.
2. Nineteen significant deficiencies are reported in the Independent Auditor's 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*. All of the deficiencies are considered material weaknesses.
3. Thirteen instances of noncompliance material to the financial statements which are required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

2009-1 General Accounting Issues

First Reported

2006

Condition

We noted the following general accounting issues:

1. The City was slow to provide requested data. Some requested documents were never provided. We provided the City with a list of data that would be needed for us to begin the audit. We explained that audit cost is driven by the time required to complete the audit. We explained that it was imperative that all of the requested data be readily available when we arrived to work. This would allow us to be immediately productive and ensure that the City's staff was available to answer audit inquiries and to pull additional data that would be necessary based on the results of our initial procedures.
2. When we received the trial balances, there were \$675,976 and \$108,498 posted to miscellaneous revenue and expenditure accounts in the General Fund, respectively. The City Accountant provided journal entries for the majority of the transactions but it was months after the audit should have begun.
3. The City did not account for transactions in the appropriate funds. The General Fund checking account was used for most deposits and checks. For some transactions, the City Accountant used the class function in QuickBooks software to identify the appropriate fund. However, for transactions totaling \$1,440,557.60, no class was recorded.

**CITY OF GRAMBLING
GRAMBLING, LOUISIANA
SCHEDULE OF FINDINGS (Continued)**

2009-1 General Accounting Issues (continued)

4. The City levied taxes for capital outlay, fire protection, police protection, public improvement bonds, maintenance of public streets, and maintenance of the water system. However, no special revenue funds were established. All ad valorem tax revenue was recorded in the General Fund.
5. Numerous invoices and other documents could not be located for examination by the auditor.
6. The interfund activity that was posted did not balance. The following represents the unadjusted balances in interfund balance sheet accounts.

	Unadjusted		Adjusted	
	Due From	Due To	Due From	Due To
General Fund	\$ (193,127)	\$ 1,091,611	\$ 829,982	\$ 1,164,224
Health and Sanitation Fund	547,655	-	390,313	-
Debt Service Fund	-	-	29,828	-
Capital Projects Fund	383,235	66,665	611,024	66,665
Maintenance Fund	258,314	(75,524)	339,967	970,225
	<u>\$ 996,077</u>	<u>\$ 1,082,752</u>	<u>\$ 2,201,114</u>	<u>\$ 2,201,114</u>
Difference		<u>\$ 86,675</u>		<u>\$ -</u>

	Transfers In		Transfers Out	
	Transfers In	Transfers Out	Transfers In	Transfers Out
General Fund	\$ -	\$ -	\$ -	\$ -
Health and Sanitation Fund	260	-	-	-
Debt Service Fund	-	20,000	-	-
Capital Projects Fund	-	-	-	-
Maintenance Fund	-	-	-	-
	<u>\$ 260</u>	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ -</u>
Difference		<u>\$ 19,740</u>		<u>\$ -</u>

7. The ordinance for the 1983 sales tax requires a separate fund. However, the tax proceeds can be "used for any lawful corporate purposes of the Town."

Criteria

The City should implement controls to ensure that all transactions are recorded in accordance with generally accepted accounting principles (GAAP). GAAP requires that all transactions be recorded and properly classified. Louisiana Revised Statute (LSA-RS) 24:513 and 515 require that the City maintain its accounting records in such a manner as to provide evidence of legal compliance and the support for preparation of annual financial statements.

**CITY OF GRAMBLING
GRAMBLING, LOUISIANA
SCHEDULE OF FINDINGS (Continued)**

2009-1 General Accounting Issues (continued)

Criteria (continued)

Best practices as well as LSA-RS 44:36 require implementing procedures to ensure that City records are properly processed, filed, and safeguarded for future use and reference.

The Governmental Accounting Standards Council (GASB) Codification 1300.105 states "Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term "proceeds of specific sources" establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund." GASB Codification 1300.119 states that "each fund must be accounted for in a separate self-balancing set of accounts for its assets, liabilities, equity, revenues, expenditures or expenses (as appropriate) and transfers."

Cause

The entire cause is not known. The cause appears to include the following:

The City Accountant and the City Clerk were prohibited by Mayor Andrus from performing their duties. The City Accountant and the City Clerk were successful in lawsuits that allowed them to return to their duties. However, the elapsed time caused a backlog of work and the City Accountant asserts that when he returned, the supporting documents were missing. He obtained from the bank copies of the documents related to the aforementioned transactions.

Effect

As the cost of the audit is based on time expended, audit costs are increased when errors occur and when it is difficult for the auditor to obtain records from the auditee.

The unadjusted trial balances did not support the preparation of financial statements in accordance with GAAP. Additional audit procedures were required to evaluate transactions for posting in the proper fund and to record adjustments. Additional audit procedures were required to evaluate interfund activity.

The following summarizes the effect of posting the revenues and expenditures to miscellaneous accounts:

1. The Council and Management did not have useful financial statements during the year.
2. The bank charged the City more than \$12,000 to reproduce the related deposit slips and canceled checks related to the transactions that were posted to miscellaneous revenue and expenditure accounts.
3. The audit was delayed. The City Accountant returned to work approximately in mid-April 2009. The aforementioned documents were obtained from the bank in approximately September 2009. The auditors began fieldwork on October 19, 2010. The journal entries to reclassify the revenues and expenditures were provided to the auditors on approximately October 21, 2010.

**CITY OF GRAMBLING
GRAMBLING, LOUISIANA
SCHEDULE OF FINDINGS (Continued)**

2009-1 General Accounting Issues (Continued)

4. Additional audit procedures were required to evaluate the entries to reclassify the revenues and expenditures and to record reclassifying entries.
5. Significant additional audit time was required to analyze transactions to identify balances in interfund accounts and consider whether transactions in the General Fund were actually transactions of another fund.

As a result of the magnitude of issues described in this finding and others, we concluded that we are unable to issue opinions on the financial statements.

Recommendation

In general, we recommend that the Mayor Elect and his staff perform a thorough evaluation of policies and procedures and internal controls and present recommendations for changes to the Council for approval. The Louisiana Legislative Auditor's website includes several tools to assist the City in the evaluation and development of policies, procedures, and internal control.

Specifically, we recommend the following:

1. Establish funds as required by GAAP.
2. Keep the use of miscellaneous accounts to a minimum to ensure that management can properly assess the use of funds throughout the year. If conditions similar to those that occurred in this situation should arise again, ensure that corrections are timely, requiring overtime of staff or hiring additional temporary personnel if necessary.
3. Either use separate bank accounts for each fund or properly record interfund transactions to ensure that revenues and expenditures are included in the proper funds and that interfund accounts reflect complete accurate balances.

Corrective Action Plan and Responsible Person

See separate corrective action plan.

2009-2 Enterprise Fund

First Reported

2006

Condition

The following conditions were noted with respect to the Maintenance Enterprise Fund:

1. We were unable to reconcile gallons pumped from the water system to gallons billed to customers. Gallons pumped and billed per City records totaled 149,163,000 and 75,225,000, respectively. After we allowed for leakage, evaporation, faulty meters, and flushing lines, there was still a variance of 51,563,550 gallons.

**CITY OF GRAMBLING
GRAMBLING, LOUISIANA
SCHEDULE OF FINDINGS (Continued)**

2009-2 Enterprise Fund (continued)

2. The utility department's computer crashed in July 2010. The City does not appear to have followed proper backup procedures as it was unable to restore the records that were lost. The clerk partially re-entered 2009 data. The clerk had not printed basic reports at year end. Therefore, we were unable to obtain an accurate schedule of accounts receivable for utility accounts as of December 31, 2009, unable to obtain an accurate schedule of outstanding meter deposits at year end. unable to test subsequent payment of receivables, and unable to print adjustment reports for testing. We examined the City's "adjustment binder". Based on that review and inquiry of City personnel, it does not appear that proper documentation of the purpose and authorization of adjustments is made.
3. The City did not perform procedures recommended by the utility software provider that are designed to prevent errors in utility billing, receivable, and collection reports.
4. The City did not reconcile the utility department receivables and revenue to the receivable and revenue accounts in the general ledger. Revenue was recorded on the cash basis.
5. We routinely examine the utility accounts of elected officials and employees for special treatment and unusual transactions. The account of one Councilman was three months past due as of December 31, 2009, with a balance of \$507.10. We inquired of various employees and officials. It appears that service to the Councilman has been discontinued by the utility department periodically but has been reconnected by someone outside the department.
6. We selected a sample of one hundred forty-five customer billings and attempted to recalculate the billing. In fourteen instances, the penalty charged varied from the auditor's calculation.
7. We selected a sample of forty meter readings and attempted to trace the readings to billings. We were unable to trace 10 of the readings to billings.
8. The allowance for doubtful accounts is not updated.
9. We selected for testing ten meter deposit refunds. In one instance, we were unable to trace the refund to a cut-off form and a copy of the check as is the customary documentation. We were unable to verify the original deposit item for any of the ten items.
10. During the performance of our procedures, we noted many instances where adjustments were made to zero out customer balances. It appears that this was due to the loss of the records referred to above.

Criteria

The utility department should be operated in a manner similar to operating a business for profit. To properly manage a business, management must be able to monitor revenues earned and expenses incurred as opposed to cash received and paid. Therefore, the Enterprise Fund that is used to account for the utility department operations should be maintained on the accrual basis.

Best practices for this fund include reconciling the subsidiary ledgers to the control ledgers, reconciling gallons of water pumped with gallons of water billed, enforcing reasonable cutoff procedures, strictly billing based on approved rates for usage and penalties, requiring properly documented approval of adjustments to customer accounts, and properly documenting all transactions including meter deposit refunds.

**CITY OF GRAMBLING
GRAMBLING, LOUISIANA
SCHEDULE OF FINDINGS (Continued)**

2009-2 Enterprise Fund (continued)

Cause

There have been multiple deficiencies in the City's internal control system for several years. There is also a lack of communication and sharing of information among City employees due to disagreements and alleged incidents of theft that have resulted in lawsuits among the Mayor, the City Council, and City employees.

Effect

Without timely and accurate reporting, the Mayor and management of the utility department cannot properly manage the utility department.

Recommendation

We recommend that the Council and the Mayor require that the Enterprise Fund be maintained on the accrual basis of accounting. After performing the balancing procedures recommended by the software provider, the utility department clerk should submit to the accountant a copy of the balancing worksheet. The accountant should post all transactions including billings, payments, and adjustments from the balancing worksheet to the accounting software and reconcile payments per the balancing worksheet to payments per deposits.

We further recommend that the Council, the Mayor, and the Clerk review monthly financial statements prepared on the accrual basis. The review should include consideration of whether the amounts are reasonable and should include follow-up inquiries and inspection of documents if necessary. Further, the Clerk should review the balancing worksheet and the accounts receivable trial balance for unusual items and evidence that cutoff procedures are being followed.

Additionally, the department supervisor should implement procedures and the use of master meters to properly document gallons pumped and a reconciliation of gallons pumped to gallons billed.

Also see finding 2009-1.

Corrective Action Plan and Responsible Person

See separate corrective action plan.

2009-3 Budgets

First Reported

2005

Condition

The following summarizes the issues we noted regarding budgets:

1. The City did not timely adopt budgets and amendments.
2. When compared to prior and current year actual amounts, the budget amounts did not appear realistic.

**CITY OF GRAMBLING
GRAMBLING, LOUISIANA
SCHEDULE OF FINDINGS (Continued)**

2009-3 Budgets (continued)

Criteria

Louisiana Revised Statute (LRS) 39:1301-1314 requires the following, in summary:

1. The City must use the uniform chart of accounts developed by the Louisiana Legislative Auditor.
2. The Mayor must prepare a budget for the general fund and all special revenue funds. The budget should include a budget message and a statement for the general fund and each special revenue fund showing the estimated fund balances at the beginning of the year, estimates of all revenues and expenditures for the year, and estimated fund balances at the end of the year. The budget cannot present a negative fund balance.
3. The budget must be accompanied by the appropriate budget adoption instrument which must define the authority of the officers of the City to make changes without approval by the Council. The Lawrason Act requires the budget to be adopted and amended by ordinance.
4. The budget must be submitted to the Council and made available to the public no later than fifteen days prior to the beginning of the year. The City must follow requirements to allow public participation in the budget adoption process.
5. Certified copies of the budget and the adoption instrument and budget amendments must be retained by the Mayor.
6. The Mayor must propose a budget amendment to the Council when it becomes apparent that an unfavorable budget variance will exceed five percent or more. Budget amendments are not required for special revenue funds with proposed expenditures of less than \$500,000.

Additionally, best practices include preparing a budget for each fund before the year begins to be used as a tool for monitoring expenditures/expenses.

Cause

There have been multiple deficiencies in the City's internal control system for several years. There is also a lack of communication and sharing of information among City employees due to disagreements and alleged incidents of theft that have resulted in lawsuits among the Mayor, the City Council, and City employees.

Further, the City Clerk and the Accountant were prohibited by the Mayor from performing their duties for approximately the first three and a half months of the year. Even when they were allowed to return to their duties, following litigation, the accounting software was not installed on their computers until approximately mid-May 2009. Many records were missing and four and a half months of transactions had to be recorded in addition to performing daily duties and recording current transactions.

Effect

The Council, the Mayor, and the Clerk could not properly monitor expenditures and compliance with the budget act. Therefore, the City violated the budget act and possibly incurred unnecessary and/or unauthorized expenditures.

**CITY OF GRAMBLING
GRAMBLING, LOUISIANA
SCHEDULE OF FINDINGS (Continued)**

2009-3 Budgets (continued)

Recommendation

We recommend the following budgetary practices:

- The Accountant collects operating information from each department head in September of each year.
- The Accountant prepares a budget for each fund and a budget message in October of each year based on the prior year's activity and known changes in operations. The Accountant should prepare the budget on the same basis and in the same classifications that will be used to maintain the general ledgers.
- The Clerk reviews the budgets and recommends changes.
- The Accountant considers the Clerk's recommendations and revises the budgets if necessary.
- The Accountant submits to the Clerk the revised budgets for review and comments.
- The Accountant revises the budgets if necessary.
- The Accountant submits to the Mayor the proposed budgets for review.
- The Accountant considers the Mayor's questions and comments and revises the budgets and the message, if necessary.
- The Clerk submits the proposed budget to the Council in November of each year.
- The Council adopts the proposed budgets in December of each year.
- The Accountant prepares a monthly comparison of budget to actual amounts and investigates significant variances before submitting to the Clerk and the Mayor the comparisons for review.
- The Accountant records any necessary adjustments in the general ledgers and prepares proposed budget amendments for the Clerk and Mayor to review if projected annual revenues are failing to meet budgeted revenues by more than five percent or if projected annual expenditures/expenses are expected to exceed budgeted expenditures/expenses by more than five percent.
- The Clerk submits to the Council the proposed amendments and the budgetary comparison statements for review.
- The Council adopts the budget amendments, if any.

Corrective Action Plan and Responsible Person

See separate corrective action plan.

2009-4 Cash

First Reported

2006

Condition

The following issues were noted with respect to cash accounts and policies and procedures:

1. Included in expenses of the General Fund is \$29,266 of adjustments that were posted to adjust cash for differences from the bank reconciliation.
2. In several cases, lists of outstanding items were not retained. We were unable to test outstanding checks and deposits in transit.

**CITY OF GRAMBLING
GRAMBLING, LOUISIANA
SCHEDULE OF FINDINGS (Continued)**

2009-4 Cash (Continued)

3. We attempted to test April and December 2009 cash receipts by agreeing cash receipts per the cash register tapes to cash receipts per the utility billing software, per the bank deposits, and per the general ledger. December 2009 was selected for testing to enable us to compare performance from the early part of the year where issues were expected to the latter part of the year when the staff had been back in place for several months. The following schedule summarizes the differences we noted:

	<u>April</u>	<u>December</u>
Cash per Z tapes	\$ 18,801.98	\$ 28,304.50
Cash per deposits	<u>12,558.14</u>	<u>27,321.00</u>
Difference	<u>6,243.84</u>	<u>983.50</u>
Checks per Z tapes	94,827.84	552,332.01
Checks per deposits	<u>127,069.92</u>	<u>555,679.15</u>
Difference	<u>(32,242.08)</u>	<u>(3,347.14)</u>
Total	<u><u>\$(25,998.24)</u></u>	<u><u>\$ (2,363.64)</u></u>

4. As of September 2010, based on observation in the QuickBooks data file, bank reconciliations had not been performed since December 2009.

Criteria

Basic internal control procedures include reconciling the cash accounts to the bank statements. Any differences should be identified and properly accounted for.

Basic internal control procedures include documenting cash receipts in such a way as to form an audit trail that will enable an auditor to trace the receipt from the earning point to the bank deposit to posting in the general ledger.

Cause

Unknown

Effect

See 2009-1. Either expenditures are misclassified, a deposit(s) was duplicated, or funds were misappropriated.

Recommendation

We recommend the following:

1. The City Accountant should investigate all differences between the general ledger cash balances and the adjusted bank balances.
2. The Clerk or the Mayor should review the bank reconciliations and initial and date as evidence of their review.
3. The Mayor should be the first to open and review all bank statements. The Mayor should investigate any unusual items. The Mayor should initial and date the bank statement as evidence of the review.

**CITY OF GRAMBLING
GRAMBLING, LOUISIANA
SCHEDULE OF FINDINGS (Continued)**

2009-4 Cash (Continued)

4. The entire bank reconciliation should be printed and properly stored and retained in the City's accounting records.

Also see finding 2009-1.

Corrective Action Plan and Responsible Person

See separate corrective action plan.

2009-5 Louisiana Compliance Questionnaire

First Reported

2009

Condition

Mayor Andrus refused to sign the Louisiana Compliance Questionnaire. The questionnaire was completed by the City Accountant and the City Clerk and approved by the Council.

Criteria

The Louisiana Governmental Audit Guide requires each political subdivision and quasi-public entity to complete and submit to the auditors the questionnaire at the beginning of each audit. For municipalities, the signature of the Mayor, the City Clerk, and the chief fiscal officer are required.

Cause

Unknown

Effect

The City is not in compliance with the Louisiana Governmental Audit Guide.

Recommendation

We recommend that all City officials familiarize themselves with the Louisiana Governmental Audit Guide, the questionnaire, and the statutes referenced on the questionnaire. We further recommend that the completed properly approved questionnaire be presented to the auditor at the beginning of each audit as required.

Corrective Action Plan and Responsible Person

See separate corrective action plan.

**CITY OF GRAMBLING
GRAMBLING, LOUISIANA
SCHEDULE OF FINDINGS (Continued)**

2009-6 Nonpayroll Expenditures, Expenses, and Disbursements

**First Reported
2007**

Condition

The following issues were noted with respect to expenditures, expenses, and disbursements:

1. We systematically selected an initial sample of 60 disbursements for testing. The following is a summary of the results of that test:
 - a. For fourteen of the transactions, proper support was not available.
 - b. Six of the transactions were not properly coded.
 - c. Thirteen items were not supported by a purchase requisition in accordance with City policy.
 - d. Four items were not supported by a purchase order in accordance with City policy.
 - e. For eighteen items, the purchase order on file was incomplete.
 - f. For five items, the purchase order was not approved.
 - g. For five items, the invoice preceded the purchase order.
2. Due to the City's apparent failure to post transactions in the proper funds, we selected an additional sample of sixty disbursement transactions for testing. Twenty-one out of sixty items were not supported by invoices or other appropriate support.
3. While performing our procedures, we noted a check in the general ledger issued to Martha Andrus on April 20, 2009, in the amount of \$1,281.91. The check was not a payroll check but was coded to salaries. The City was unable to produce support for the check.
4. We noted a check posted to miscellaneous expenditures in the general ledger issued to Elizabeth Jones in the amount of \$32,623.54. The memo on the check was "business car expense". This check among others was previously submitted to the City Attorney by City officials for review. The checks appear to have been signed by Mayor Andrus. Mayor Andrus asserts that she did not sign the checks. The City Attorney hired a forensic document examiner who reached the conclusion that the checks were signed by Mayor Andrus. The following is a list of the checks:

32338	1/31/2009	Elizabeth Jones	\$ 2,492.50
32387	2/19/2009	Elizabeth Jones	2,223.06
32587	2/25/2009	Northern Louisiana Medical Center	147.24
32596	2/25/2009	Elizabeth Jones	861.00
32611	3/3/2009	Body Central, Jacksonville, FL	566.16
32614	3/3/2009	Elizabeth Jones	32,623.54
32617	3/5/2009	Elizabeth Jones	9,234.00
			<u>\$ 48,147.50</u>

5. We selected for testing a sample of checks dated after year end for the purpose of considering the completeness of accounts payable and accrued liabilities. The City could not provide invoices for ten of the sixty-five transactions selected for testing.

**CITY OF GRAMBLING
GRAMBLING, LOUISIANA
SCHEDULE OF FINDINGS (Continued)**

2009-6 Nonpayroll Expenditures, Expenses, and Disbursements (continued)

6. During the year ended December 31, 2009, the City paid \$222,505.90 for 2008 payroll taxes withheld and accrued that had not been remitted to the appropriate authorities.
7. The majority of invoices included in the accounts payable schedule were dated April 24, 2009. The City could not provide an explanation for the date entered except that there was management conflict during this time.
8. We pulled from QuickBooks a vendor listing and examined it for duplicate addresses and vendors with similar names. We were unable to fully complete the review due to incomplete data entered for some vendors. We were unable to locate information either via a search on the World Wide Web or on www.yellowpages.com for four of the vendors that had similar names and/or identical addresses.
9. In order to test check numbers missing from the sequence, we requested all void checks. The void check file did not include documents for January 2009 to August 2009. For the period from September 2009 to December 2009, we noted two missing check numbers but only one was supported by an original void check.
10. We scanned disbursements for checks other than payroll checks that were issued to employees. We noted a \$340 payment to one employee coded to miscellaneous expense. The City could not produce support for the check. We also noted several checks with a payee of "Vendor Name". Some of the payments were traced to the bank statements but we were unable to determine from the check image what the expenditure was for.
11. We pulled a sample of expenditures that we considered to be possible purchases or projects requiring compliance with the Louisiana Bid Law. The City could not provide invoices for this testing.
12. Included in the initial sample was a payment to Office Depot. The backup on file consisted of page 1 of 2 of the statement and a copy of the check signed by Mayor Andrus. The total payment was \$1,560.87. The Mayor requested and received from Office Depot a copy of page 2 of 2 of the statement. The statement indicates that a laptop computer was purchased and shipped to an individual in California. City officials identified the man to be the spouse of former Assistant City Clerk who is currently on trial for theft from the City.
13. During our testing we noted that procedures in practice for purchase requisitions and purchase orders were inconsistent. Additionally, the format of the forms changed multiple times during the year.
14. While performing our procedures, we noted that several different vendors were overpaid throughout the year. We obtained copies of statements and checks from vendors that had been overpaid a total of \$12,256.21.

Criteria

Basic internal control procedures include:

1. Paying from original invoices supported by purchase orders and other documents as appropriate.
2. Retaining sufficient backup to support management's assertion that expenditures included in the financial statements are valid expenditures of the City.

**CITY OF GRAMBLING
GRAMBLING, LOUISIANA
SCHEDULE OF FINDINGS (Continued)**

2009-6 Nonpayroll Expenditures, Expenses, and Disbursements (continued)

The Louisiana Constitution Article VII Section 14 prohibits donation of public funds or property.

LRS 42:1113 prohibits transactions with related parties.

Cause

Unknown

Effect

1. The City may have disbursed funds for unauthorized purposes.
2. Some disbursements may have violated state law.
3. The laptop is not in the City's possession.
4. The overpayment of vendors could possibly create a situation whereby funds could be embezzled. The deposit of the refunds from vendors could conceal funds from other sources that were not deposited.

Recommendation

We recommend that the City enforce standard procedures for incurring expenditures and disbursing funds. We further recommend that the City follow up on the above questioned transactions with the assistance of legal counsel.

Corrective Action Plan and Responsible Person

See separate corrective action plan.

2009-7 Ad Valorem Tax Revenue

First Reported

2008

Condition

The following issues were noted with respect to ad valorem taxes:

1. All taxes were deposited in the General Fund bank account. Also see finding 2009-1. No journal entries were made to distribute the revenue.
2. The City was unable to produce a schedule of unpaid taxes as of December 31, 2009.
3. Though a tax sale was held in June 2010 to collect unpaid taxes, the City has not established an allowance for doubtful accounts.
4. We obtained a tax assessment payment register for 2009 tax payments generated by the software used to track ad valorem taxes. We intended to use the report to help us test revenue and receivables. However, it was determined that the payment dates entered were incorrect rendering the report useless.

**CITY OF GRAMBLING
GRAMBLING, LOUISIANA
SCHEDULE OF FINDINGS (Continued)**

2009-7 Ad Valorem Tax Revenue (continued)

5. While investigating issues surrounding the former assistant clerk, the City noted that ad valorem tax payments may have been misappropriated. The City had no way of knowing who had paid and who had not. So, notices were mailed to all citizens whom the software indicated had not paid. Several citizens claimed they had paid and some citizens provided proof. The records were adjusted for those that came in.

Criteria

See finding 2009-1.

Cause

Unknown

Effect

See 2009-1. GAAP financial statements cannot be prepared without proper accounting records. The City cannot properly manage collection of ad valorem taxes without a properly maintained subsidiary ledger. Revenue could be lost due to poor collection practices.

Recommendation

See 2009-1. We further recommend that the City fully utilize the software that was purchased to track ad valorem tax receivables.

Corrective Action Plan and Responsible Person

See separate corrective action plan.

2009-8 Occupational License Tax Revenue

First Reported

2008

Condition

The following issues were noted with respect to occupational licenses:

1. The City was unable to produce a record of the number of licenses that were issued.
2. We selected a sample of ten businesses from the phone book and attempted to examine evidence that an occupational license was obtained. One business was located out of the city limits. Four businesses were traced to proof that a license was obtained. Five businesses could not be traced to proof that a license was obtained.

Criteria

See 2009-1. Best Practices include establishing procedures sufficient to ensure that revenue is not lost due to poor records. The City should be able to pull evidence that licenses were issued for all active businesses in the City.

Cause

Unknown

**CITY OF GRAMBLING
GRAMBLING, LOUISIANA
SCHEDULE OF FINDINGS (Continued)**

2009-8 Occupational License Tax Revenue (continued)

Effect

We were unable to complete sufficient procedures to support opinions on the financial statements. The City may have lost revenue.

Recommendation

See 2009-1. We recommend that the City implement procedures to ensure that significant revenue is not lost and that a proper audit trail is maintained.

Corrective Action Plan and Responsible Person

See separate corrective action plan.

2009-9 Fines Revenue

First Reported

2008

Condition

The City's system for tracking police department tickets does not provide a complete audit trail. Ticket books are logged out to officers and issued tickets are logged. There is no record of unissued or void tickets. Therefore, we were unable to account for the sequence of ticket numbers.

Criteria

Proper internal controls include the following: issuing ticket books in sequence, logging each book and each ticket, and requiring an accounting for all numbers before an officer is allowed to check out a new book. Void tickets should be retained for evidence that the ticket has not been issued. The monitoring duties should not be performed by the officers issuing tickets. See <http://www.la.la.gov/userfiles/file/traffictickets.pdf>.

Cause

The City did not implement prior audit recommendations.

Effect

Weaknesses in internal control and errors increase the risk that financial statement misstatements or fraud could occur and thus require additional audit time which increases audit cost.

Recommendation

1. See 2009-1.
2. The police department should revise its system to account for all tickets.
3. The City Accountant should perform a monthly reconciliation of collections per the police department software to the revenue account in the general ledger. Any differences should be resolved with the City Court Clerk.

Corrective Action Plan and Responsible Person

See separate corrective action plan.

**CITY OF GRAMBLING
GRAMBLING, LOUISIANA
SCHEDULE OF FINDINGS (Continued)**

2009-10 Sales Tax Revenue

First Reported

2009

Condition

We obtained from the sales tax collector confirmation of the City's sales tax revenue. The confirmation contained three remittances totaling \$51,998.54 that we could not trace to the City's accounting records.

Criteria

See 2009-1. The City should be able to reconcile the confirmation to the general ledger.

Cause

See 2009-1

Effect

We could not complete our audit procedures.

Recommendation

See 2009-1

Corrective Action Plan and Responsible Person

See separate corrective action plan.

2009-11 Payroll Expenditures

First Reported

2008

Condition

The following issues were noted with respect to payroll expenditures:

1. The City's 2009 Form W-3 reported salaries of \$1,172,857.07 while the total of the City's 2009 Forms 941 was \$1,160,315.48. The difference is due to the City Accountant's salary. During the time period that he was not allowed in his office, the Council issued checks to him outside of the payroll system. When he was allowed to return to his office, those checks were entered into the payroll system and included in his Form W-2 and thus in Form W-3. However, there is no evidence that Form 941 for the first quarter was amended to reflect the change.
2. During the year ended December 31, 2009, all payroll checks were issued from the General Fund. No reimbursements or interfund entries were made from other funds to record the expenditures in the proper funds.
3. See finding 2009-6. A regular check was issued to Martha Andrus and coded to salaries expense. The City could not produce any support for the check.
4. We selected for testing the payroll checks issued December 18, 2009. There were fifty-five items. The following summarizes the results of our testing:

**CITY OF GRAMBLING
GRAMBLING, LOUISIANA
SCHEDULE OF FINDINGS (Continued)**

2009-11 Payroll Expenditures (continued)

- a. Pay rates were documented via a spreadsheet approved by the council or a memo approved by the chief of police and/or the minutes of Council meetings. None of the tested personnel files included the documentation of authorized pay rates.
- b. For seventeen checks, the expenditure appeared to be posted to the wrong fund or class.
- c. For twenty-five checks, the expenditure appeared to be posted to the incorrect expenditure account.
- d. For eight checks, we could not locate appropriate documentation of the person in the personnel file.

Criteria

See 2009-1. The federal tax code requires that payroll tax returns be prepared and filed accurately and timely. Personnel files should include standard documents that establish compliance with federal laws, validate the identity of the employee, and document authorized pay rates.

Cause

The City overlooked filing an amended Form 941. The causes of items 2, 3, and 4 are unknown.

Effect

The City has not complied with the federal tax code.

Recommendation

Payroll documentation should include proof of existence, proof of authorized pay rates, and proper approved time records. Personnel files should be safeguarded with limited access. Payroll tax returns should be reconciled to the accounting records, timely filed, and a copy properly filed and maintained.

Corrective Action Plan and Responsible Person

See separate corrective action plan.

2009-12 Capital Assets

First Reported

2007

**CITY OF GRAMBLING
GRAMBLING, LOUISIANA
SCHEDULE OF FINDINGS (Continued)**

2009-12 Capital Assets (continued)

Condition

We noted the following issues related to capital assets:

1. There were numerous transactions posted to capital outlay accounts that were not capital purchases. There were numerous transactions posted to various expenditure accounts that should have been posted to capital outlay accounts. Significant analysis and adjustment was necessary to attempt to properly classify expenditures. For many transactions, the City was unable to provide an invoice for us to examine.
2. There are twenty-five vehicles on the City's capital asset listing. Initially, we requested titles for a sample of five vehicles. The City provided a file indicating that the titles should be included. We could not find a title in the file for any of the five selected vehicles. We requested that the City provide any available titles for any of the vehicles on the list. They could not provide any of the titles.
3. We requested invoices for the purpose of considering whether any repairs and maintenance expenditures were actually capital asset purchases. The City was not able to provide all of the invoices.
4. For two of the transactions that we tested, the check numbers in the general ledger (31751 and 1065) did not agree with the check numbers that cleared the bank (32785 and 1064).

Criteria

LSA-R.S. 24:515 requires the City to maintain a comprehensive listing of capital assets with supporting documentation for purchases. Such a listing is also necessary to maintain the depreciation schedule in accordance with generally accepted accounting principles.

Cause

Unknown

Effect

We were unable to complete audit procedures sufficient to issue opinions on the financial statements with respect to capital assets and capital expenditures. The depreciation schedule may be incomplete which causes the financial statements to be misstated and raises the risk that assets could be misappropriated.

Recommendation

See 2009-1. Management should consider appointing an employee as property manager who will maintain a comprehensive listing of capital assets and properly account for additions and deletions 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 occur. The property manager should perform an annual physical inventory of all capital assets. The City Accountant should reconcile additions per the property records to capital outlay per the general ledgers.

Corrective Action Plan and Responsible Person

See separate corrective action plan.

**CITY OF GRAMBLING
GRAMBLING, LOUISIANA
SCHEDULE OF FINDINGS (Continued)**

2009-13 Debt

First Reported

2007

Condition

The following issues were noted related to debt:

1. The City could not produce several debt documents that should be filed in the City's permanent files.
2. The City did not make any sinking fund payments to the Debt Service Fund. We were unable to determine the required amounts because the City could not produce the documents.
3. The City paid a 2005 Certificate of Indebtedness payment of \$109,723 using \$20,000 from the Debt Service Fund and \$89,723 from a reserve account in the Maintenance Enterprise Fund. No interfund loan was recorded though the payment should have been made from the Debt Service Fund. There were insufficient funds available in the Debt Service Fund due to the failure to make sinking fund payments.
4. Debt balances were not adjusted to amortization schedules. The City could not provide current statements from lenders.

Criteria

See 2009-1. Debt balances and debt service expenditures should be supported by debt agreements, other debt documents, and amortization schedules. The City must comply with special requirements such as sinking fund requirements.

Cause

Unknown

Effect

Restricted funds were used for an unallowable purpose. Significant audit time was required to attempt to correct debt balances and expenditures. We were unable to determine whether the City complied with significant terms of debt agreements.

Recommendation

See 2009-1.

Corrective Action Plan and Responsible Person

See separate corrective action plan.

2009-14 Grant Revenues

First Reported

2008

**CITY OF GRAMBLING
GRAMBLING, LOUISIANA
SCHEDULE OF FINDINGS (Continued)**

2009-14 Grant Revenues (Continued)

Condition

We noted the following issues with respect to grants:

1. We pulled from the website of the Louisiana Office of Statewide Reporting a report of all state monies that went to the City from that office. We were unable to trace \$8,895 to the City's accounting records. Per OSRAP, the funds were distributed on February 20, 2009 for "ACT19-2NDQTR" "LINCOLN MUNI FD".
2. During our test of journal entries, we requested support for \$29,583 posted to state grants. No support was provided to us.
3. During our review of the minutes, we noticed that on December 4, 2008, the Council authorized the Mayor to send a letter to the former director of the H.E.R.D. grant requesting that all equipment that was purchased with money from the grant be returned to the City. From documents we obtained from the Mayor and the Chief of Police, we noted that the equipment was determined to be stored with the vendor. According to the Mayor, the City had not taken delivery of the equipment due to lack of space. In December 2010, the City paid the vendor storage fees of \$2,088 and accepted delivery of the equipment. The equipment was for a fitness program that is no longer in operation. The grantor would like to close out the program. However, the City has received notice that there are discrepancies in reports previously filed. The program is so old that no one wants to take responsibility for resolving the discrepancies and closing out the program.

Criteria

See 2009-1.

Cause

Unknown

Effect

Funds have been wasted on assets that are not in use. The City is at risk for having to return funds due to noncompliance with requirements.

Recommendation

Corrective Action Plan and Responsible Person

See separate corrective action plan.

2009-15 Possible Fraud and/or Theft

First Reported

2008

**CITY OF GRAMBLING
GRAMBLING, LOUISIANA
SCHEDULE OF FINDINGS (Continued)**

2009-15 Possible Fraud and/or Theft (Continued)

Condition

We noted the following items that could represent fraudulent transactions or theft:

1. During 2010, the Mayor authorized payments to Sheree Rabon totaling \$8,152 for the development of a website for the City. The Council has asserted that it did not approve these expenditures and has requested that the City Attorney investigate the matter. The City Attorney performed research on the company and found it to be questionable including finding that the phone number on the company's invoice was actually an adult hotline. The Council also questioned what work has been performed since there is little content visible on the website. The Mayor asserts that there was work performed in preparation for the launching of the website. She also asserts that the phone number listed on the invoice was a typographical error.
2. See 2009-6. Included in the initial sample of disbursements selected for sampling was a payment to Office Depot. The backup on file consisted of page 1 of 2 of the statement and a copy of the check signed by Mayor Andrus. The total payment was \$1,560.80. The Mayor requested and received from Office Depot a copy of page 2 of 2 of the statement. The statement indicates that a laptop computer was purchased and shipped to an individual in California. City officials identified the man to be the spouse of former Assistant City Clerk who is currently on trial for theft from the City.
3. See 2009-6. There were seven checks totaling \$48,147.50 in question.

Criteria

Expenditures/expenses paid by the City and recorded in the general ledgers should represent valid authorized obligations of the City. Article VII Section 14 of the Louisiana Constitution prohibits the donation of the City's funds.

Cause

Unknown

Effect

Potentially, the City is in violation of the Louisiana Constitution and in excess of \$57,000 has been misappropriated.

Recommendation

We recommend that the City continue to seek legal advice with respect to these items. Also see 2009-1. The City's internal control system should prevent such expenditures/expenses.

Corrective Action Plan and Responsible Person

See separate corrective action plan.

**CITY OF GRAMBLING
GRAMBLING, LOUISIANA
SCHEDULE OF FINDINGS (Continued)**

2009-16 Segregation of Duties

First Reported
2008

Condition

A proper segregation of duties is not achieved in the following areas as summarized below:

Cash Receipts

- The City Clerk has access to the cash register and holds the primary responsibility for preparing the deposits and taking the deposits to the bank. The City Clerk also processes ad valorem tax bills, maintains the receivables, and receives taxpayer complaints.
- The City Accountant has access to the cash register and periodically prepares the deposits and takes deposits to the bank. He also records deposits and reconciles the bank accountants.
- The Assistant City Clerk is the primary cashier and periodically prepares deposits and takes deposits to the bank.

Cash Disbursements

- The Mayor retrieves all mail. The Assistant City Clerk opens and distributes the mail.
- The City Clerk receives vendor invoices and statements from the Assistant City Clerk; prepares checks, mails checks; can edit the vendor master file; investigates discrepancies involving expenditures; and has authority to sign on some bank accounts. The City Clerk also prepares payroll checks, maintains leave records, signs checks, and resolves employee payroll inquiries.
- The City Accountant has access for all functions in the accounting system including access to the vendor master file, approves purchase orders, matches purchase orders to invoices and submits to Clerk for payment, reconciles the bank accounts, and has the authority to sign on some bank accounts.

Criteria

Proper internal control procedures separate the functions of custody, authorization, and recording.

Cause

In recent years, there has been conflict amongst the elected officials and between elected officials and employees. At times, as evidenced by litigation disclosure in the notes to the financial statements, the City Accountant and the City Clerk were removed by the Mayor from their office and thus their duties. Therefore, there are not always a sufficient number of employees present in the office to maintain the separation of duties.

Effect

There is opportunity for misappropriation of funds or fraudulent financial reporting. There is an insufficient audit trail to pinpoint a responsible person. For example, if cash were missing on a particular day and more than one person has had access to the cash drawer, it is difficult to identify with whom the error occurred.

**CITY OF GRAMBLING
GRAMBLING, LOUISIANA
SCHEDULE OF FINDINGS (Continued)**

2009-16 Segregation of Duties (Continued)

Recommendation

In small governmental entities it is often impossible and impracticable to effect a proper segregation of duties. However, except in cases where employees are absent, the City of Grambling has a sufficient number of employees to effect the proper segregation with some mitigating controls in place. In summary, we recommend the following:

- Limit access to the register to the cashier whenever possible. Document changes in access. Make use of tools that may be available on the register to document who the current user is.
- Assign to the Mayor the initial retrieval of the mail and opening of the mail. In the Mayor's absence, assign the duty to the Mayor Pro Tem. At this time, the Mayor should perform an initial review of the bank statements, vendor statements, and vendor invoices. The Mayor should initial and date each document as evidence of the review.
- Require the Mayor and Mayor Pro Tem to be the primary check signers. Others should only sign in cases of emergencies.
- Continue review by someone other than the cashier of the daily cash log.
- Assign preparation of the deposit to the City Clerk.
- Assign to the police department the duty of taking the deposit to the bank.
- Assign to the Mayor the duty of reviewing the bank reconciliations. Require the Mayor's initials and date as evidence of the review.
- Assign to the Mayor the duty of reviewing the payroll register. When timing permits, this review should be performed before payroll checks are printed. The Mayor should initial and date the register as evidence of the review.
- Assign to the Assistant City Clerk the duty of processing and mailing vendor payments and distributing payroll checks.
- Assign to the City Accountant the duty of submitting to the Mayor monthly general ledgers for review. The Mayor should initial and date the ledgers as evidence of the review.
- Require that a journal entry file be maintained including supporting documents. Require the approval of the Mayor for all general journal entries.

Corrective Action Plan and Responsible Person

See separate corrective action plan.

2009-17 Late Submission to LLA and USDA of Audit Report

First Reported

2005

Condition

The City's audit was due to the Louisiana Legislative Auditor by June 30, 2010. The audit was submitted in December 2010.

**CITY OF GRAMBLING
GRAMBLING, LOUISIANA
SCHEDULE OF FINDINGS (Continued)**

2009-17 Late Submission to LLA and USDA of Audit Report (Continued)

Criteria

IRS 24:513 required the City to submit the audited financial statements to the Louisiana Legislative Auditor by June 30, 2010.

The United States Department of Agriculture requires the audit for the City to be filed with the Department within 150 days after fiscal year end.

Cause

The Mayor and the Council disagreed on the selection of the audit firm. The following summarizes pertinent events:

- Hulsey, Harwood & Sheridan, LLC (HHS) was engaged to audit the financial statements September 1, 2010, eight months after year-end.
- HHS submitted a client assistance schedule on September 9, 2010.
- HHS performed preliminary procedures on September 7, 2010.
- HHS began fieldwork on October 19, 2010. This starting point was delayed waiting on the client's internal accountant to prepare entries to reclassify transactions that had been posted to miscellaneous revenue and expenditures due to his absence. See finding 2009-1.

Cause (continued)

The conditions described in the other findings resulted in required extended audit procedures and thus above-average audit time.

Effect

The City violated state law. Management and the Council lacked timely information to monitor operations of the City. Audit costs increased due to the higher risk associated with conditions cited in the other findings and due to inefficiencies that are inevitable when an audit cannot be completed in a logical order.

Recommendation

See finding 2009-1. We recommend that the City work aggressively to implement the above recommendations to ensure that the City is prepared for the audit of its 2010 fiscal year financial statements. The City's general ledgers should be maintained daily and reconciled to bank statements and other supporting documents on a monthly basis. If necessary, the City should consult outside accountants immediately for assistance in adjusting the books. The adjusted trial balances and other basic documents should be submitted to the auditor no later than March 31, 2011.

Corrective Action Plan and Responsible Person

See separate corrective action plan.

**CITY OF GRAMBLING
GRAMBLING, LOUISIANA
SCHEDULE OF FINDINGS (Continued)**

2009-18 Unauthorized Withdrawals

First Reported

2009

Condition

Mayor Andrus alleges that the following payments were unauthorized and violate the Lawrason Act:

<u>Check Info</u>	<u>Date</u>	<u>Amount</u>	<u>Payee/description</u>
Cashier check (\$11,937.55)	1/22/2009	\$ 892.50	City Accountant salary authorized by Council
Cashier check (\$11,937.55)	1/22/2009	\$5,791.55	Rick Candler Litigation
Cashier check (\$11,937.55)	1/22/2009	\$5,253.50	Roosevelt Bryant
Cashier check	1/22/2009	\$1,451.30	City Accountant salary authorized by Council

They did not believe they were acting outside the law. The Council approved the payments during a December 17, 2008 special meeting. During 2010, current Mayor Edward Jones, responded to an investigation by the Louisiana Board of Ethics regarding the matter. The Board concluded that the Council had not violated the state ethics law. Mayor Jones was Councilman and Mayor Pro Tem at the time of the payments in question. Mayor Andrus left the meeting during an Executive Session during the December 17, 2008 meeting. At that time the Council declared that the Mayor Pro Tem would act as Mayor in the Mayor's absence to enable the meeting to continue.

Criteria

LSA-RS 33:404 states in part "The Mayor shall have the following powers, duties, and responsibilities:" "(8) To sign warrants drawn on the treasury for money..."

Cause

See condition.

Effect

The City may have expended unauthorized funds.

Recommendation

We recommend that the City seek legal counsel's opinion.

Corrective Action Plan and Responsible Person

See separate corrective action plan.

**CITY OF GRAMBLING
GRAMBLING, LOUISIANA
SCHEDULE OF FINDINGS (Continued)**

2009-19 Budget was Improperly Adopted

First Reported

2009

Condition

Mayor Andrus alleges the following:

1. On June 4, 2009, the Mayor presented a budget to the Council. The Council voted not to adopt the budget because the accountant had not assisted with the preparation of the budget.
2. On June 4, 2009, the Council approved a salary increase. The Mayor alleges that a budget amendment must be adopted.
3. On September 21, 2009, Mayor Andrus vetoed the budget and the salary increases.

Criteria

Mayor Andrus alleges that the Lawrason Act requires budget actions for the above decisions.

Cause

Conflict existed between the Mayor and the Council.

Effect

The City may have violated state law.

Recommendation

We recommend that the City seek the advice of legal counsel.

Corrective Action Plan and Responsible Person

See separate corrective action plan.



Grambling City Hall

2045 EAST MARTIN LUTHER KING AVENUE · P.O. BOX 109 GRAMBLING, LOUISIANA · PHONE (318) 247-6120 · FAX (318) 247-0940

MAYOR

Edward R. Jones

January 13, 2011

COUNCIL MEMBERS

Birdex Copeland, Jr.
Yanise Days
Cathy Holmes
Cullen Jackson
Roy L. Jackson

MUNICIPAL CLERK

Pamela Stringfellow

Hulsey, Harwood & Sheridan, LLC
Certified Public Accountants
1900 Roselawn Avenue
Monroe, Louisiana 71201

As a result of the 2010 election for the City of Grambling, I am the newly-elected Mayor, effective January 1, 2011. The audit for the year 2009 was the responsibility of the previous mayor, Martha Woodard Andrus, whose term expired December 31, 2010. Nevertheless, it has now become my legal responsibility to complete this audit.

As a prelude to addressing the findings (deficiencies) within this audit, I have made several staff changes and procedural changes; moreover, I have engaged an accounting firm to assist in this corrective process.

Furthermore, I will institute all indicated corrective action measures in an effort to rectify the aforementioned findings (deficiencies) by performing a thorough evaluation of policies and procedures and internal controls with the exception of the following:

- Due to time constraints the mayor will not be able to retrieve and open all mail; however, he will open and initial all bank statements. Retrieval and opening of other mail will be conducted by the Administrative Assistant, Assistant Clerk, or Municipal Clerk.
- Because the Mayor Pro Tem is not directly involved in the daily operation, checks will primarily be signed by the Mayor and the Municipal Clerk.

In conclusion, the Mayor, the Administrative Office, and staff will aggressively assess, review, oversee and take the corrective measures to eliminate these deficiencies.

Sincerely,
/Edward R. Jones/
Mayor

**CITY OF GRAMBLING
GRAMBLING, LOUISIANA**

**STATUS OF PRIOR AUDIT FINDINGS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2009**

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken Yes, No, Partially	Planned Corrective Action/Partial Corrective Action Taken
08-F1	2006	Material journal entries not recorded	No	See Finding 2009-1
08-F2	2005	Louisiana Local Government Budget Act	No	See Finding 2009-3
08-F3	2005	Late submission of the audit report to the USDA	No	See Finding 2009-17
08-F4	2007	Late submission of the audit report to the Louisiana Legislative Auditor	No	See Finding 2009-17
08-F5	2007	Bank reconciliations	No	See Finding 2009-4
08-F6	2008	Cash deposits of police fines	No	See Finding 2009-4
08-F7	2006	Cash deposits of water and garbage receipts	No	See Finding 2009-4
08-F8	2007	Internal control over vendor payments	No	See Finding 2009-6
08-F9	2007	Payroll expenses	No	See Finding 2009-11
08-F10	2007	Capital asset management	No	See Finding 2009-12
08-F11	2007	Information system controls	No	See Finding 2009-2
08-F12	2008	Manual journal entries	No	See Finding 2009-1
08-F13	2008	Federal withholding taxes	Yes	
08-F14	2008	Subsidiary ledger of ad valorem taxes paid not updated	No	See Finding 2009-7
08-F15	2008	Police department tickets	No	See Finding 2009-9
08-F16	2008	Adjustments to utility bills	No	See Finding 2009-2
08-F17	2008	Internal control over vendor disbursements.	No	See Finding 2009-6