

**City of Grambling
Grambling, Louisiana**

**Basic Financial Statements
And Independent Auditors' Report
As of and for the Year Ended December 31, 2004**

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 7-20-05



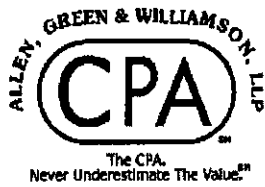
**City of Grambling
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INDEPENDENT AUDITORS' REPORT

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

Basic Financial Statements We have audited the accompanying *financial statements* of the governmental activities, the business-type activities and each major fund of the City of Grambling, Louisiana, as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the City of Grambling, Louisiana, as December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 14, the City has implemented a new financial reporting model as required by the provisions of GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for States and Local Governments, for the year ended December 31, 2004.

In accordance with Government Auditing Standards, we have also issued our report dated June 29, 2005, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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

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

Allen, Green + Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
June 29, 2005

REQUIRED SUPPLEMENTAL INFORMATION:

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

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

Our discussion and analysis of the City of Grambling's financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2004.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year was not prepared. Considering the financial resources necessary to prepare this information for the prior year, and that the GASB Statement No. 34 permits the omission of the comparative information in the first year of adoption of the new reporting model, the City has elected to exclude the information in this report. Subsequent reports will include the comparative information.

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

Governmental activities reported an increase in net assets of \$267,698 whereas business-type activities reported a decrease of \$604,572. The increase in the governmental funds was due mainly to a \$147,000 grant for a new fire truck, a significant increase in police fines, a significant increase in building permits and franchise fees, along with a significant reduction in the accrued time off liability and no transfer out expense for 2004 compared to \$337,000 of transfer out expense in 2003.

Total spending for our governmental activities was \$1,599,735. Most of the City's property and sales taxes were used to support the net cost (after deducting restricted grants and fees charged to users) of these three areas: general government of \$499,093, public safety of \$375,035, health and sanitation of \$119,821 and highways and streets \$119,910.

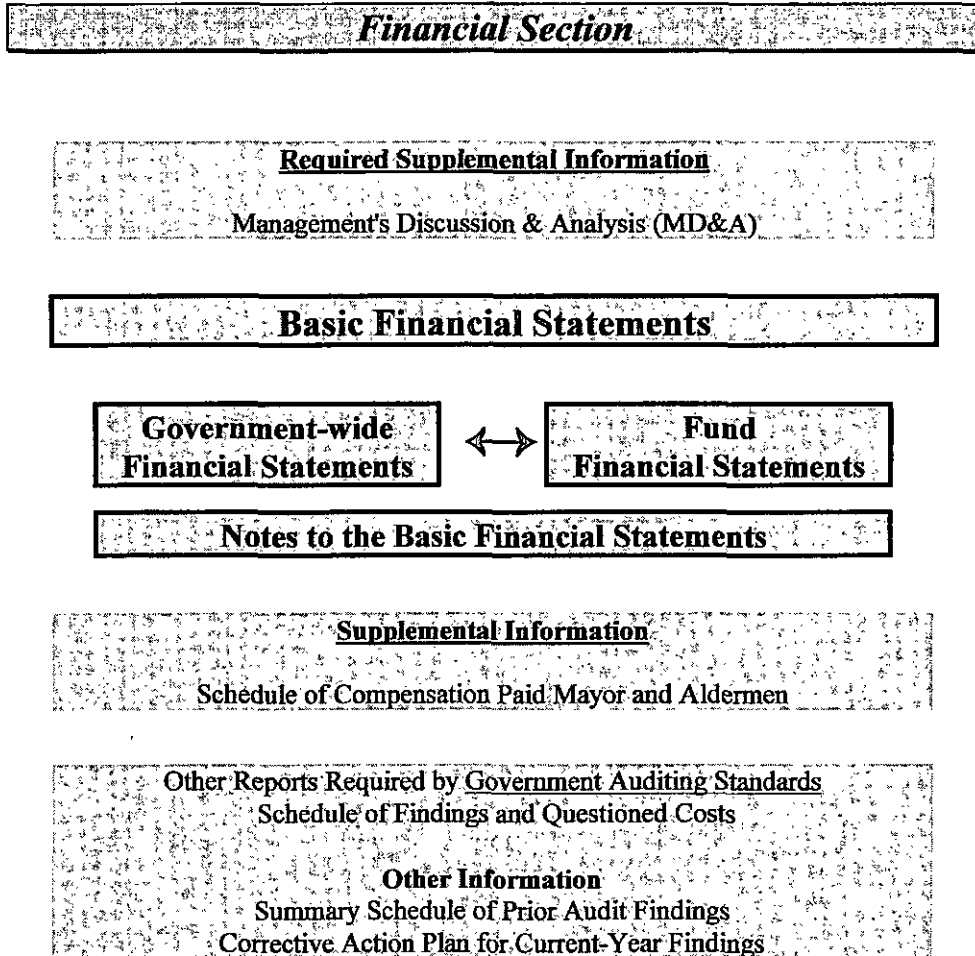
Our budgeted revenues for the 2004 year include a 25.5 percent increase in revenues and a 5.7 percent increase in budgeted expenses. These increases are due from the \$147,000 grant, budgeted increase in police fines, a \$40,000 budgeted increase in intergovernmental revenue from Lincoln Parish Police Jury, and transfers in from the maintenance fund. Expenses increase is due mostly to budgeting for past due Risk Management Insurance which had not been recorded or paid in 2003 along with increased utility expenses and professional fees.

USING THIS ANNUAL REPORT

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

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

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



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

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

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

Our analysis of the City as a whole begins with the government-wide financial statements. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities, which appear first in the City's financial statements, report information about the City as a whole and its activities in a way that helps answer this question. We prepare these statements to include *all* assets and liabilities, using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

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

relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in the reconciliations (Statements D and F).

Proprietary funds - When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's maintenance enterprise fund (a component of proprietary funds) are the same as business-type activities we report in the government-wide financial statements but provide more detail and additional information, such as cash flows, for proprietary funds.

THE CITY AS A WHOLE

Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the City's governmental and business-type activities.

Table 1
Net Assets
December 31, 2004

	Governmental Activities <u>2004</u>	Business-type Activities <u>2004</u>	Total <u>2004</u>
Current and other assets	\$2,262,786	(\$541,502)	\$1,721,284
Restricted assets	0	291,512	291,512
Capital assets, net	<u>1,450,034</u>	<u>2,220,921</u>	<u>3,670,955</u>
Total assets	3,712,820	1,970,931	5,683,751
Current and other liabilities	259,030	303,022	562,052
Long-term liabilities	<u>264,557</u>	<u>1,978,271</u>	<u>2,242,828</u>
Total Liabilities	523,587	2,281,293	2,804,880
Net assets			
Invested in capital assets, net of related debt	1,121,079	130,593	1,251,672
Restricted	516,139	291,512	807,651
Unrestricted	<u>1,552,015</u>	<u>(732,467)</u>	<u>819,548</u>
Total net assets	<u>\$3,189,233</u>	<u>\$ (310,362)</u>	<u>\$2,878,871</u>

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

Table 2
Changes in Net Assets
For the Year Ended December 31, 2004

	Governmental Activities <u>2004</u>	Business-type Activities <u>2004</u>	Total <u>2004</u>
Revenue:			
Program revenues:			
Charges for services	\$ 255,185	\$ 435,376	\$ 690,561
Operating grants and contributions	205,115	25,000	230,115
General revenues:			
Ad valorem tax	400,446	38,514	438,960
Sales tax revenue	563,517	17,442	580,959
License and permits	131,556	0	131,556
Fines and forfeitures	14,950	0	14,950
Use of money & property	5,404	6,975	12,379
Miscellaneous	<u>56,385</u>	<u>2,588</u>	<u>58,973</u>
Total revenues	1,632,558	525,895	2,158,453
Functions/Program expenses:			
Governmental activities:			
General Government	499,093	0	499,093
Public Safety	734,449	0	734,449
Health & Sanitation	206,555	0	206,555
Highway & Streets	134,062	0	134,062
Parks & Recreation	1,633	0	1,633
Interest Expense	23,943	0	23,943
Business-type activities:			
Utility enterprise	<u>0</u>	<u>895,592</u>	<u>895,592</u>
Total Functions/Program expenses	<u>1,599,735</u>	<u>895,592</u>	<u>2,495,327</u>
Increase (decrease) in net assets before transfers	32,823	(369,697)	(336,874)
Transfers	<u>234,875</u>	<u>(234,875)</u>	<u>0</u>
Increase (decrease) in net assets	267,698	(604,572)	(336,874)
Net assets – beginning	<u>\$2,921,535</u>	<u>\$ 294,210</u>	<u>\$3,215,745</u>
Net assets- ending	<u>\$3,189,233</u>	<u>\$ (310,362)</u>	<u>\$2,878,871</u>

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

Governmental Activities

The cost of all governmental activities this year was \$1,599,735. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$963,963 because some of the cost was paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions. Transfers from the Maintenance Enterprise Fund of \$234,875 accounted for a significant part of the remaining revenue.

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

Table 3
Governmental Activities
For the Year Ended December 31, 2004

	Total Cost of Services Governmental Activities 2004	Total Cost of Services Business-type Activities 2004	Net Cost of Service Governmental Activities 2004	Net Cost of Service Business-type Activities 2004
Governmental Activities				
General Government	\$ 499,093	\$ 0	\$ 499,093	\$ 0
Public Safety	734,449	0	375,035	0
Health & Sanitation	206,555	0	119,821	0
Highway & Streets	134,062	0	119,910	0
Parks & Recreation	1,633	0	1,633	0
Interest Expense	23,943	0	23,943	0
Business-type activities:		0		0
Utility enterprise	0	895,592	0	435,216
Total Functions/ Program Expenses	<u>\$1,599,735</u>	<u>\$895,592</u>	<u>\$1,139,435</u>	<u>\$435,216</u>

Business-type Activities

Revenues and expenses of the City's business-type activities (see Table 2) remained relatively stable for 2004 compared with 2003.

THE CITY'S FUNDS

As the City completed the year, its governmental funds reported a combined fund balance of \$2,068,154, which is an increase of \$390,020 in fund balance from last year. This increase is due mainly to a \$147,000 grant for a new fire truck, a significant increase in police fines, a significant increase in building permits and franchise fees, along with a significant reduction in the accrued time off liability and no transfer out expense for 2004 compared to \$337,000 of transfer out expense in 2003.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues exceeded budgeted revenues by \$75,972. This variance is due mainly to an increase in the final amount of property tax received during 2004.

Overall actual expenditures were less than budgeted expenditures by \$107,182. The variance is due mainly to a decrease in capital outlay expenditures and expenses of operating general government.

CAPITAL ASSET

Capital Assets At December 31, 2004, the City had invested in the following capital assets:

	<u>Governmental</u> <u>Activities</u> <u>2004</u>	<u>Business-type</u> <u>Activities</u> <u>2004</u>	<u>Total</u> <u>2004</u>
Land	\$ 42,902	\$ 16,526	\$ 59,428
Buildings	909,704	30,000	939,704
Vehicles	0	12,758	12,758
Equipment	1,226,129	1,033,449	2,259,578
Sewage Plant	0	2,409,175	2,409,175
Water System	<u>0</u>	<u>1,566,193</u>	<u>1,566,193</u>
Subtotal	<u>2,178,735</u>	<u>5,068,101</u>	<u>7,246,836</u>
Less Accumulated Depreciation	<u>(728,701)</u>	<u>(2,847,180)</u>	<u>(3,575,881)</u>
Total	<u>\$1,450,034</u>	<u>\$2,220,921</u>	<u>\$3,670,955</u>

DEBT ADMINISTRATION At December 31, 2004, the City's Maintenance Enterprise fund had \$2,090,328 in bonds payable outstanding and the Governmental funds had debt consisting of capital leases in the amount of \$328,955. For further details see Note 13 of the Notes to the Basic Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS Our elected and appointed officials and citizens consider many factors when setting the City's budget and tax rates. One of the most important factors affecting the budget is our franchise and ad valorem tax collections. Approximately, 25% of total revenues in the general fund is franchise and ad valorem tax. We have budgeted very little change in franchise and ad valorem tax revenues for the year ending December 31, 2004.

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



City of Grambling

BASIC FINANCIAL STATEMENTS:

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

CITY OF GRAMBLING
STATEMENT OF NET ASSETS
December 31, 2004

Statement A

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL
ASSETS					
Cash and cash equivalents	\$ 897,790	\$ 82,662	\$	980,452	
Investments	511,198	0		511,198	
Receivables, net	188,198	26,350		214,548	
Internal balances	654,431	(654,431)		0	
Restricted assets	0	291,512		291,512	
Prepaid expenses	11,169	3,917		15,086	
Capital assets, net	<u>1,450,034</u>	<u>2,220,921</u>		<u>3,670,955</u>	
TOTAL ASSETS	<u>3,712,820</u>	<u>1,970,931</u>		<u>5,683,751</u>	
LIABILITIES					
Accounts payable	16,318	8,377		24,695	
Accrued and other liabilities	147,715	33,808		181,523	
Interest payable	13,028	62,082		75,110	
Customer deposits payable	0	81,661		81,661	
Current portion of bonds payable	0	0		0	
Long term liabilities					
Due within one year	81,969	117,094		199,063	
Due in more than one year	<u>264,557</u>	<u>1,978,271</u>		<u>2,242,828</u>	
TOTAL LIABILITIES	<u>523,587</u>	<u>2,281,293</u>		<u>2,804,880</u>	
NET ASSETS					
Invested in capital assets, net of related debt	1,121,079	130,593		1,251,672	
Restricted for Debt Retirement	32,198	291,512		323,710	
Restricted for Health & Sanitation	371,879	0		371,879	
Restricted for Capital Projects	112,062	0		112,062	
Unrestricted	<u>1,552,015</u>	<u>(732,467)</u>		<u>819,548</u>	
TOTAL NET ASSETS	<u>\$ 3,189,233</u>	<u>\$ (310,362)</u>		<u>\$ 2,878,871</u>	

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

CITY OF GRAMBLING
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2004

	PROGRAM REVENUES		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
FUNCTIONS/PROGRAMS			
Governmental Activities:			
General government	\$ 499,093	\$ 0	0
Public safety	734,449	212,414	147,000
Health and sanitation	206,555	42,771	43,963
Highways and streets	134,062	0	14,152
Parks and recreation	1,633	0	0
Interest expense	23,943	0	0
Total Governmental Activities	1,599,735	255,185	205,115
Business-Type Activities:			
Utility Enterprise	895,592	435,376	25,000
Total Business-Type Activities	895,592	435,376	25,000
Total	\$ 2,495,327	\$ 690,561	\$ 230,115

General revenues:

Taxes:

 Ad valorem taxes

 Sales tax revenue

 Licenses and permits

 Fines and forfeitures

 Use of money and property

 Miscellaneous

Transfers

Total general revenues and transfers

Changes in net assets

Net assets - beginning

Net assets - ending

Statement B

<u>PRIMARY GOVERNMENT</u>		
<u>NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS</u>		
<u>Governmental</u>	<u>Business-Type</u>	
<u>Activities</u>	<u>Activities</u>	<u>TOTAL</u>
\$ (499,093)	\$ 0	\$ (499,093)
(375,035)		(375,035)
(119,821)		(119,821)
(119,910)		(119,910)
(1,633)		(1,633)
<u>(23,943)</u>		<u>(23,943)</u>
<u>(1,139,435)</u>	<u>0</u>	<u>(1,139,435)</u>
	<u>(435,216)</u>	<u>(435,216)</u>
	<u>(435,216)</u>	<u>(435,216)</u>
	<u>(1,139,435)</u>	<u>(1,574,651)</u>
400,446	38,514	438,960
563,517	17,442	580,959
131,556		131,556
14,950		14,950
5,404	6,975	12,379
56,385	2,588	58,973
<u>234,875</u>	<u>(234,875)</u>	<u>0</u>
<u>1,407,133</u>	<u>(169,356)</u>	<u>1,237,777</u>
267,698	(604,572)	(336,874)
<u>2,921,535</u>	<u>294,210</u>	<u>3,215,745</u>
<u>\$ 3,189,233</u>	<u>\$ (310,362)</u>	<u>\$ 2,878,871</u>

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

City of Grambling

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

CITY OF GRAMBLING
GOVERNMENTAL FUNDS
Balance Sheet
December 31, 2004

Statement C

	<u>GENERAL</u>	<u>HEALTH & SANITATION</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECT</u>	<u>TOTAL</u>
ASSETS					
Cash and cash equivalents	\$ 739,523	\$ 139,952	\$ 14,002	\$ 4,313	\$ 897,790
Investments	215,960	205,018	90,220	0	511,198
Receivables	187,408	0	678	112	188,198
Interfund receivables	570,747	174,086	0	107,637	852,470
Prepaid expenses	9,966	1,203	0	0	11,169
TOTAL ASSETS	<u>1,723,604</u>	<u>520,259</u>	<u>104,900</u>	<u>112,062</u>	<u>2,460,825</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	15,402	916	0	0	16,318
Accrued and other liabilities	126,499	38,787	0	0	165,286
Interest payable	3,531	9,497	0	0	13,028
Interfund payables	26,157	99,180	72,702	0	198,039
TOTAL LIABILITIES	<u>171,589</u>	<u>148,380</u>	<u>72,702</u>	<u>0</u>	<u>392,671</u>
FUND BALANCES:					
Reserved for debt service	0	0	32,198	0	32,198
Unreserved, reported in:					
General Fund	1,552,015	0	0	0	1,552,015
Special Revenue Fund	0	371,879	0	0	371,879
Capital Projects Fund	0	0	0	112,062	112,062
TOTAL FUND BALANCES	<u>1,552,015</u>	<u>371,879</u>	<u>32,198</u>	<u>112,062</u>	<u>2,068,154</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,723,604</u>	<u>\$ 520,259</u>	<u>\$ 104,900</u>	<u>\$ 112,062</u>	<u>\$ 2,460,825</u>

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

CITY OF GRAMBLING

**Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Assets
December 31, 2004**

Statement D

Total fund balances - governmental funds	\$	2,068,154
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The cost of capital assets (land, buildings, furniture and equipment and infrastructure) purchased or constructed is reported as an expenditure in governmental funds. The Statement of Net Assets includes those capital assets among the assets of the Town as a whole. The cost of those capital assets is allocated over their estimated useful lives (as depreciation expense) to the various programs reported as governmental activities in the Statement of Activities. Because depreciation expense does not affect financial resources, it is not reported in governmental funds.

Costs of capital assets	2,178,735	
Depreciation expense to date	<u>(728,701)</u>	
		1,450,034

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

Balances at December 31, 2004 are:

Long-term liabilities		
Leases payable	<u>(328,955)</u>	
		<u>(328,955)</u>

Net Assets	\$	<u>3,189,233</u>
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THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

CITY OF GRAMBLING
GOVERNMENTAL FUNDS
Combined Statement of Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended December 31, 2004

Statement E

	GENERAL	HEALTH & SANITATION	DEBT SERVICE	CAPITAL PROJECT	TOTAL
REVENUES					
Local sources:					
Taxes	\$ 760,972	\$ 202,698	\$ 293	\$ 0	\$ 963,963
Licenses and permits	131,556	0	0	0	131,556
Intergovernmental revenues	73,042	0	0	0	73,042
Fines and forfeitures	212,437	0	0	0	212,437
Use of money and property	0	4,430	974	0	5,404
Miscellaneous revenues	192,190	53,966	0	0	246,156
Total revenues	1,370,197	261,094	1,267	0	1,632,558
EXPENDITURES					
Current:					
General government	477,051	0	336	0	477,387
Public Safety	653,136	0	0	0	653,136
Health and sanitation	0	205,727	0	0	205,727
Highways and streets	26,859	0	0	0	26,859
Parks and recreation	1,633	0	0	0	1,633
Debt service:					
Principal retirement	31,588	28,962	0	0	60,550
Interest and bank charges	11,202	12,741	0	0	23,943
Capital outlay	355,378	6,838	0	0	362,216
Total expenditures	1,556,847	254,268	336	0	1,811,451
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	(186,650)	6,826	931	0	(178,893)
OTHER FINANCING SOURCES (USES)					
Transfers in	243,875	0	0	0	243,875
Transfers out	0	(9,000)	0	0	(9,000)
Proceeds from capital leases	269,966	0	0	0	269,966
TOTAL OTHER FINANCING SOURCES (USES)	513,841	(9,000)	0	0	504,841
NET CHANGE IN FUND BALANCES	\$ 327,191	\$ (2,174)	\$ 931	\$ 0	\$ 325,948

CITY OF GRAMBLING

GOVERNMENTAL FUNDS
Combined Statement of Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended December 31, 2004

Statement E

	<u>GENERAL</u>	<u>HEALTH & SANITATION</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECT</u>	<u>TOTAL</u>
FUND BALANCES - BEGINNING	\$ 1,160,752	\$ 374,053	\$ 31,267	\$ 112,062	\$ 1,678,134
PRIOR PERIOD ADJUSTMENT	<u>64,072</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>64,072</u>
FUND BALANCES - BEGINNING, AS RESTATED	<u>1,224,824</u>	<u>374,053</u>	<u>31,267</u>	<u>112,062</u>	<u>1,742,206</u>
FUND BALANCES - ENDING	<u>\$ 1,552,015</u>	<u>\$ 371,879</u>	<u>\$ 32,198</u>	<u>\$ 112,062</u>	<u>\$ 2,068,154</u>

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

CITY OF GRAMBLING

**Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities
For the Year Ended December 31, 2004**

Statement F

Total net change in fund balances - governmental funds	\$	325,948
 Amounts reported for governmental activities in the Statement of Activities are different because:		
 <i>Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the period:</i>		
Capital outlays	\$ 362,216	
Depreciation	(211,050)	151,166
 <i>Repayment of capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.</i>		
		60,550
 <i>Proceeds from capital leases are income in the governmental funds but reduce liabilities in the statement of net assets.</i>		
		<u>(269,966)</u>
 <i>Change in net assets of governmental activities.</i>	 \$	 <u>267,698</u>

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

CITY OF GRAMBLING

GENERAL FUND
Budgetary Comparison Schedule

For the Year Ended December 31, 2004

Statement G-1

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
BUDGETARY FUND BALANCES, Beginning	\$ 1,224,824	\$ 1,224,824	\$ 1,224,824	0
Resources (inflows)				
Local sources:				
Taxes	691,400	691,400	760,972	69,572
Licenses and permits	134,500	134,500	131,556	(2,944)
Intergovernmental revenues	73,000	73,000	73,042	42
Fines and forfeitures	214,000	214,000	212,437	(1,563)
Miscellaneous revenues	175,200	175,200	192,190	16,990
Transfers from other funds	250,000	250,000	243,875	(6,125)
Amounts available for appropriations	<u>2,762,924</u>	<u>2,762,924</u>	<u>2,838,896</u>	<u>75,972</u>
Charges to appropriations (outflows)				
Current:				
General government	502,800	502,800	477,051	25,749
Public Safety	596,615	596,615	653,136	(56,521)
Highways and streets	14,000	14,000	26,859	(12,859)
Parks and recreation	30	30	1,633	(1,603)
Debt service:				
Principal retirement	0	0	31,588	(31,588)
Interest expense	30	30	11,202	(11,172)
Capital outlay	249,000	249,000	85,412	163,588
Transfers	0	0	0	0
Total charges to appropriations	<u>1,362,475</u>	<u>1,362,475</u>	<u>1,286,881</u>	<u>75,594</u>
BUDGETARY FUND BALANCES, ENDING	\$ <u>1,400,449</u>	\$ <u>1,400,449</u>	\$ <u>1,552,015</u>	<u>151,566</u>

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

CITY OF GRAMBLING

**HEALTH AND SANITATION
Budgetary Comparison Schedule**

For the Year Ended December 31, 2004

Statement G-2

	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>BUDGET</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>FAVORABLE</u>
				<u>(UNFAVORABLE)</u>
BUDGETARY FUND BALANCES, Beginning	\$ 374,053	\$ 374,053	\$ 374,053	0
Resources (inflows)				
Local sources:				
Taxes	210,000	210,000	202,698	(7,302)
Use of money and property	3,700	3,700	4,430	730
Miscellaneous revenues	54,000	54,000	53,966	(34)
Transfers from other funds	50,000	50,000	0	(50,000)
	<u>691,753</u>	<u>691,753</u>	<u>635,147</u>	<u>(56,606)</u>
Amounts available for appropriations				
Charges to appropriations (outflows)				
Current:				
Health and sanitation	207,600	207,600	205,727	1,873
Debt service:				
Principal retirement	0	0	28,962	(28,962)
Interest expense	0	0	12,741	(12,741)
Capital outlay	22,800	22,800	6,838	15,962
Transfers	79,000	79,000	9,000	(70,000)
	<u>309,400</u>	<u>309,400</u>	<u>263,268</u>	<u>46,132</u>
Total charges to appropriations				
BUDGETARY FUND BALANCES, ENDING	\$ <u>382,353</u>	\$ <u>382,353</u>	\$ <u>371,879</u>	<u>(10,474)</u>

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

CITY OF GRAMBLING
PROPRIETARY FUND - MAINTENANCE ENTERPRISE FUND
Statement of Net Assets
December 31, 2004

Statement H

ASSETS	
Cash and cash equivalents	\$ 82,662
Receivables, net	26,350
Interfund receivable	72,702
Prepaid expenses	3,917
Capital assets, net	2,220,921
Restricted assets	<u>291,512</u>
TOTAL ASSETS	<u>2,698,064</u>
LIABILITIES	
Account payable	8,377
Accrued and other liabilities	33,808
Interfund payable	727,133
Interest payable	62,082
Customer deposits payable	81,661
Current portion of bonds payable	117,094
Notes payable	93,000
Revenue bonds payable	<u>1,885,271</u>
TOTAL LIABILITIES	<u>3,008,426</u>
NET ASSETS	
Invested in capital assets, net of related debt	130,593
Restricted for Debt Retirement	291,512
Unrestricted	<u>(732,467)</u>
TOTAL NET ASSETS	<u>\$ (310,362)</u>

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

CITY OF GRAMBLING

PROPRIETARY FUND -MAINTENANCE ENTERPRISE FUND
 Statement of Revenues, Expenses,
 and Changes in Fund Net Assets
 For the Year Ended December 31, 2004

Statement I

OPERATING REVENUES	
Water sales	\$ 171,028
Water connection charges	4,490
Sewer fees	<u>259,858</u>
 Total operating revenues	 <u>435,376</u>
OPERATING EXPENSES	
Water department	585,653
Sewer department	<u>215,105</u>
 Total operating expenses	 <u>800,758</u>
OPERATING INCOME (LOSS)	<u>(365,382)</u>
NONOPERATING REVENUES (EXPENSES)	
Miscellaneous	2,588
Interest income	6,975
Grant income	25,000
Ad valorem tax revenues	38,514
Sales tax revenues	17,442
Interest expense	<u>(94,834)</u>
 Total nonoperating revenues (expenses)	 <u>(4,315)</u>
 INCOME (LOSS) BEFORE TRANSFERS	 <u>(369,697)</u>
TRANSFERS IN/OUT	
Transfers in	0
Transfers out	<u>(234,875)</u>
 Total transfers in/out	 <u>(234,875)</u>
 CHANGE IN NET ASSETS	 <u>(604,572)</u>
NET ASSETS - BEGINNING, as originally stated	1,204,880
 PRIOR PERIOD ADJUSTMENT	 <u>(910,670)</u>
NET ASSETS - BEGINNING, as restated	<u>294,210</u>
 NET ASSETS - ENDING	 <u>\$ (310,362)</u>

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

CITY OF GRAMBLING

**PROPRIETARY FUND - ENTERPRISE FUND
Statement of Cash Flows
For the Year Ended December 31, 2004**

Statement J

CASH FLOW FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 507,425
Payments to employees	(152,586)
Payments to others	<u>(41,521)</u>
Net cash provided (used) for operating activities	<u>313,318</u>
CASH FLOW (USES) FROM NONCAPITAL FINANCING ACTIVITIES:	
Grant receipts	50,000
Transfers out	(234,875)
Sales tax receipts	17,442
Ad valorem tax receipts	33,558
(Increase) decrease in restricted assets - deposits	61,159
Other miscellaneous receipts	<u>2,588</u>
Net cash provided (used) for noncapital financing activities	<u>(70,128)</u>
CASH FLOW (USES) FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets	(35,175)
Principal payments on notes and bonds	(108,719)
Interest paid on bonds	<u>(88,871)</u>
Net cash provided (used) for capital and related financing activities	<u>(232,765)</u>
CASH FLOW FROM INVESTING ACTIVITIES	
Earnings on investments	<u>6,975</u>
Net increase (decrease) in cash and cash equivalents	17,400
CASH AND CASH EQUIVALENTS - BEGINNING	<u>65,262</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 82,662</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (365,382)
Adjustments to reconcile operating income to net cash provided (used) for operating activities:	
Depreciation	198,960
(Increase) decrease in accounts receivable	62,538
(Increase) decrease in prepaid expenses	(3,917)
Increase (decrease) in accounts payable	(12,554)
Increase (decrease) in accrued and other liabilities	37,530
Increase (decrease) in interfund payables	386,632
Increase (decrease) in customer deposits	<u>9,511</u>
Net cash provided (used) by operating activities	<u>\$ 313,318</u>

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

City of Grambling
Notes to the Basic Financial Statements

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City of Grambling
Notes to the Basic Financial Statements

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

A. REPORTING ENTITY The City of Grambling was founded in 1959 under the provisions of the "Lawrason Act" (Louisiana Revised Statutes (R.S.) 33:321-481) of the constitution of the state of Louisiana. The City is located in the parish of Lincoln and has a population of approximately 4,763. The City is governed by the mayor and five-member council. The mayor and council members serve four-year terms which expire on December 31, 2006.

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

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

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

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

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

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

City of Grambling
Notes to the Basic Financial Statements

Governmental Funds

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

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

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

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

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

Fund Financial Statements (FFS)

Governmental Funds The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured

City of Grambling
Notes to the Basic Financial Statements

principal and interest on long-term debt which is recognized when due. Compensated absences and claims and judgments are reported in a governmental fund only if the claims are due and payable.

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

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

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

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

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

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

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

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

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

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

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

City of Grambling
Notes to the Basic Financial Statements

proposed amendments, makes necessary changes, and formally adopts the amendments. The adoption of amendments is included in the City's minutes published in the official journal. The budget is established and controlled by the mayor and council members at the fund level of expenditure. Unexpended appropriations lapse at year-end and must be reappropriated for the following year to be expended. All changes in the budget must be approved by the mayor and the council members. The City does not use encumbrance accounting in its accounting system.

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

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

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

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

Definitions:

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

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

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

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

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

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

City of Grambling
Notes to the Basic Financial Statements

The LAMP may invest in U. S. Government Securities. The LAMP is designed to comply with restriction on investment by municipalities, parishes, and other types of political subdivisions imposed under Louisiana Revised Statute 33:2955.

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

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

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

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

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

I. COMPENSATED ABSENCES The City of Grambling's recognition and measurement criteria for compensated absences follow:

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

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

City of Grambling
Notes to the Basic Financial Statements

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

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

K. RISK MANAGEMENT The City is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. To handle such risk of loss, the City maintains commercial insurance policies covering its automobiles, professional liability, general liability, and surety bond coverage. There were no significant reductions in insurance coverage during the year ended December 31, 2004.

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

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

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

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

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

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

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

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

City of Grambling
Notes to the Basic Financial Statements

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY The Maintenance Enterprise Fund has a deficit net asset at December 31, 2004 of \$310,362. The City is working on reducing expenses to eliminate this deficit.

NOTE 3 - DEPOSITS At December 31, 2004, the City had cash and cash equivalents, net of cash overdrafts (book balances) as follows:

Demand deposits	\$1,115,134
Petty cash	130
Time deposits (included in investments)	<u>306,316</u>
Total	<u>\$1,421,580</u>

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. Cash and cash equivalents (bank balances) at December 31, 2004, are secured as follows:

Bank balances	<u>\$1,334,368</u>
Federal deposit insurance	\$ 405,327
Pledged securities (uncollateralized)	<u>929,041</u>
Total	<u>\$1,334,368</u>

Because the pledged securities are held by a custodial bank in the name of the fiscal agent bank rather than in the name of the City, they are considered uncollateralized (Category 3) under the provisions of GASB Codification C20.106; however, 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.

NOTE 4 - INVESTMENTS Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the City or its agent in the City's name.
2. Uninsured or unregistered, with securities held by the counter party's trust department or agent in the City's name.
3. Uninsured and unregistered, with securities held by the counter party, or by its trust department or agent but not in the City's name.

At year end, the City investment balances were as follows:

<u>Type of investment</u>	<u>Carrying Amount</u> <u>Fair Value</u>
Investments not subject to categorization:	
External investment pool (LAMP)	<u>\$361,582</u>
Total investments	<u>\$361,582</u>

City of Grambling
Notes to the Basic Financial Statements

NOTE 5 - LEVIED TAXES The City levies property taxes on real and business property located within the City's boundaries. Property taxes are levied by the City on property values assessed by the Lincoln Parish Tax Assessor and approved by the state of Louisiana Tax Commission. The Lincoln Parish Tax Assessor prepares tax statements for the City.

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

	<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Expiration Date</u>
Public improvement bond	7.08	7.08	2009
Public streets	6.50	6.50	2009
Water system	5.00	5.00	2006
Police department	5.50	5.50	2009
Fire department	32.00	32.00	2009

Property Tax

Lien Date	No set date
Levy Date	October 31, 2004
Due Date	December 31, 2004
Collection Dates	November 1 through June 30

NOTE 6 - RECEIVABLES The following is a summary of receivables at December 31, 2004:

<u>Class of Receivable</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Fund</u>	<u>Maintenance Fund</u>	<u>Total</u>
Taxes:					
Property taxes,	\$140,488	\$464		\$ 8,100	\$149,052
Sales and use	29,023				29,023
State revenue					
User fees				16,813	16,813
Franchise Fees	15,135				15,135
Other	<u>2,762</u>	<u>214</u>	<u>\$112</u>	<u>1,437</u>	<u>4,525</u>
Total	<u>\$187,408</u>	<u>\$678</u>	<u>\$112</u>	<u>\$26,350</u>	<u>\$214,548</u>

These receivables are expected to be collected in full; therefore, no allowance for doubtful accounts was established.

City of Grambling
Notes to the Basic Financial Statements

NOTE 7- INTERFUND ASSETS/LIABILITIES (FFS LEVEL ONLY)

Individual balances due from/to other funds at December 31, 2004, are as follows:

<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	\$570,747	Maintenance	\$471,567
		Health & Sanitation	99,180
Health & Sanitation	174,086	Maintenance	174,086
Capital Projects	107,637	General	26,157
		Maintenance	81,480
Maintenance	<u>72,702</u>	Debt Service	<u>72,702</u>
Total	<u>\$925,172</u>	Total	<u>\$925,172</u>

The purpose of the interfund assets/liabilities was to cover the cost of payroll and other costs until taxes are received. The maintenance fund payables are not expected to be repaid within one year.

Transfers during the year ended December 31, 2004 were as follows:

	<u>Transfer From Other Funds</u>	<u>Transfer to Other Funds</u>
General Fund	\$243,875	
Health and Sanitation Fund	0	9,000
Maintenance Fund	0	<u>234,875</u>
Total	<u>\$243,875</u>	<u>\$243,875</u>

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

NOTE 8- ACCOUNTS, SALARIES, AND OTHER PAYABLES The payables at June 30, 2004, are as follows:

	<u>General Fund</u>	<u>Health & Sanitation Fund</u>	<u>Maintenance Enterprise Fund</u>	<u>Total</u>
Wages payable	\$ 42,157	\$ 5,308	\$ 6,038	\$ 53,503
Insurance payable	75,554	33,479	27,770	136,803
State grant payable	<u>8,788</u>	<u>0</u>	<u>0</u>	<u>8,788</u>
Total	<u>\$126,499</u>	<u>\$38,787</u>	<u>\$33,808</u>	<u>\$199,094</u>

City of Grambling
Notes to the Basic Financial Statements

NOTE 9 - CAPITAL ASSETS The following presents the changes in general fixed assets for the year ended December 31, 2004:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Land	\$ 42,902	\$ 0	\$0	\$ 42,902
Depreciable Assets				
Buildings and improvements	909,704	0	0	909,704
Furniture and equipment	<u>863,913</u>	<u>362,216</u>	<u>0</u>	<u>1,226,129</u>
Total assets	1,816,519	362,216	0	2,178,735
Less: accumulated depreciation	<u>(517,651)</u>	<u>(211,050)</u>	<u>0</u>	<u>(728,701)</u>
Net capital assets	<u>\$1,298,868</u>	<u>\$151,166</u>	<u>\$0</u>	<u>\$1,450,034</u>

Prior year balances were adjusted by the City for additions and deletions from prior years while compiling a comprehensive listing for capital assets. Also, assets which had a monetary value of less than \$1,000 were not included on the asset listing as of December 31, 2004.

Depreciation expense was charged to governmental activities as follows:

General government	\$ 21,706
Public safety	81,313
Health and sanitation	828
Highways and streets	<u>\$107,203</u>
Total	<u>\$211,050</u>

A summary of plant and equipment used in the Maintenance Enterprise Fund follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 16,526	\$ 0	\$0	\$ 16,526
Depreciable Assets				
Buildings and improvements	30,000	0	0	30,000
Sewage plant	2,409,175	0	0	2,409,175
Water system	1,531,018	35,175	0	1,566,193
Water/Sewer equipment	1,033,449	0	0	1,033,449
Vehicles	12,758	0	0	12,758
Total assets	<u>5,032,926</u>	<u>35,175</u>	<u>0</u>	<u>5,068,101</u>
Less: accumulated depreciation	<u>(2,648,219)</u>	<u>(198,961)</u>	<u>0</u>	<u>(2,847,180)</u>
Net capital assets	<u>\$2,384,707</u>	<u>(\$163,786)</u>	<u>\$0</u>	<u>\$2,220,921</u>

Prior year balances were adjusted by the City for additions and deletions from prior years while compiling a comprehensive listing for capital assets. Also, assets which had a monetary value of less than \$1,000 were not included on the asset listing as of December 31, 2004 as in prior years.

City of Grambling
Notes to the Basic Financial Statements

NOTE 10 - PENSION AND RETIREMENT PLAN The City established a Simple IRA plan to be effective October 4, 2002. All city employees are eligible to participate in the plan. The plan is a defined contribution plan administered by Morgan Keegan & Co., Inc. Under the plan, the City matches each employee's salary reduction for contributions to the plan up to 3% for that calendar year. The funds are immediately vested when paid into the plan. The plan is based on the IRS Code and must comply with all IRS Code requirements. The City of Grambling's contributions to the system for the years ending December 31, 2004 and 2003, were \$4,565 and \$5,921, respectively, equal to the required contributions for each year.

NOTE 11 - BUDGETARY COMPARISON STATEMENT RECONCILIATION

	<u>General Fund</u>	<u>Health & Sanitation Fund</u>
Amounts available for appropriation per Budgetary Comparison Statement	\$2,838,896	\$635,147
Less budgeting fund balances, beginning	(1,224,824)	(374,053)
Less transfers from other funds	<u>(243,875)</u>	<u>0</u>
Revenues per Statement of Revenues, Expenditures and changes in Fund Balances	<u>\$1,370,197</u>	<u>\$261,094</u>
Charges to appropriation per Budgetary Comparison Statement	\$1,286,881	\$263,268
Less transfers to other funds	0	(9,000)
Plus capital assets purchased with capital lease	<u>269,966</u>	<u>0</u>
Expenditures per Statement of Revenues, Expenditures and changes in Fund Balances	<u>\$1,556,847</u>	<u>\$254,268</u>

NOTE 12 - CHANGES IN LONG-TERM OBLIGATIONS The following is a summary of long-term obligation transactions for the year ended December 31, 2004:

	<u>Governmental Funds</u>			<u>Maintenance - Enterprise Fund</u>		
	<u>Compensated Absences</u>	<u>Capital Leases</u>	<u>Total</u>	<u>Compensated Absences</u>	<u>Bonds Payable</u>	<u>Total</u>
Balance, beginning	\$93,750	\$119,540	\$213,290	\$ 5,037	\$2,179,047	\$2,184,084
Additions	19,217	269,965	289,182	0	0	0
Retirements	<u>95,396</u>	<u>60,550</u>	<u>155,946</u>	<u>0</u>	<u>88,719</u>	<u>88,719</u>
Balance, ending	<u>\$17,571</u>	<u>\$328,955</u>	<u>\$346,526</u>	<u>\$5,037</u>	<u>\$2,090,328</u>	<u>\$2,095,365</u>
Amounts due in one year	<u>\$17,571</u>	<u>\$ 64,398</u>	<u>\$81,969</u>	<u>\$5,037</u>	<u>\$112,057</u>	<u>\$117,094</u>

Compensated absences were adjusted in 2004 due to the amounts in the computer system being inflated as a result of the accrual rate being incorrect and also, the amounts allowed to accumulate for each employee were in excess of the City's policy. Compensated absences are paid from Governmental Funds (General Fund & Health & Sanitation) and the Maintenance Enterprise Fund.

City of Grambling
Notes to the Basic Financial Statements

Bonded debt payable at December 31, 2004 is comprised of the following individual issues:

Revenue bonds:

\$150,000 - Certificate of Indebtedness, Series 2001 – the remaining principal is due in annual installments of \$21,000 to \$25,000 through February, 2008, with an interest rate of 5.65%. Debt retirement payments are made from the Maintenance Enterprise Fund.	\$ 93,000
\$1,250,000 – Utilities Revenue Bonds, Series 1995 – the remaining principal is due in annual installments of \$15,000 to \$72,000 through 2035, with the balance of \$12,305 being paid in 2036, with an interest rate of 5.125. Debt retirement payments are made from the Maintenance Enterprise Fund.	1,152,542
\$380,000 -1970 Water Sewer Bonds Junior Lien Revenue Bonds – the remaining principal is due in annual installments of \$21,000 to \$25,000 through 2009, with the balance of \$11,000 being paid in 2010, with an interest rate of 5.375%. Debt retirement payments are made from the Maintenance Enterprise Fund.	126,000
\$1,170,000 - 1993 Utilities Revenue Bond, Series 1993 – the remaining principal is due in annual installments of \$55,000 to \$75,000 through March, 2015, with an interest rate of 2.95%. Debt retirement payments are made from the Maintenance Enterprise Fund.	<u>718,786</u>
Total revenue bonds	<u>\$2,090,328</u>

As shown on Statement H, \$291,512 is available in the Maintenance Enterprise Fund to service the bonded debt. The annual requirements to amortize all outstanding bonded debt at December 31, 2004 are as follows:

Maintenance Enterprise Fund:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 112,057	\$ 59,472	\$ 171,530
2006	120,862	58,667	179,529
2007	123,710	57,819	181,529
2008	126,603	56,926	183,529
2009	108,544	55,984	164,528
2010-2014	469,699	263,945	733,644
2015-2019	209,822	231,608	441,430
2020-2024	182,993	189,651	372,644
2025-2029	237,433	135,212	372,645
2030-2034	308,067	64,577	372,644
2035-2036	90,538	2,770	93,307
Total	<u>\$2,090,328</u>	<u>\$1,176,631</u>	<u>\$3,266,959</u>

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

City of Grambling
Notes to the Basic Financial Statements

At December 31, 2004, the City had the following assets under capital lease:

<u>Asset</u>	<u>Cost</u>
Fire Truck	\$ 91,575
New Holland Tractor	15,929
Garbage Truck	206,790
Police Automobile	12,035
Ford Expedition	23,200
Crown Victoria	19,988
Crown Victoria	<u>19,988</u>
Total	<u>\$389,500</u>

The following is a schedule of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments, as of June 30, 2004:

General Fund:	
Fiscal year:	<u>Amount</u>
2005	\$ 82,231
2006	79,678
2007	67,251
2008	53,629
2009	52,954
2010	<u>52,954</u>
Total lease payments	388,697
Less amounts representing interest	<u>59,741</u>
Present value of net minimum lease payments	<u>\$328,956</u>

NOTE 13 - LITIGATION AND CLAIMS At December 31, 2004, the City is involved in several lawsuits. In the opinion of the City's legal counsel, the outcome of any remaining lawsuits will not materially affect the financial statements.

NOTE 14 - NEW FINANCIAL REPORTING MODEL The Governmental Accounting Standards Board (GASB) issued Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments in June 1999. The Statement, commonly referred to as the new reporting model, retained much of the reporting under the present reporting model, with modifications, and added new information. The two most significant additions are the Management's Discussion and Analysis and the Government-Wide Financial Statements (GWFS). The most apparent modification to the format of the old reporting model that is being carried forward will be the display of major funds in the Fund Financial Statements (FFS), rather than the traditional fund-type display.

NOTE 15 – PRIOR PERIOD ADJUSTMENT The beginning fund balance of the general fund was increased \$64,072 to adjust for an understatement of cash at December 31, 2003. The beginning equity of the maintenance enterprise fund was reduced (\$910,670) to write off capital assets.

City of Grambling

SUPPLEMENTAL INFORMATION

City of Grambling

**Schedule of Compensation Paid Council Members
For the Year Ended December 31, 2004**

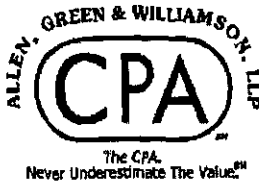
The schedule of per diem paid council members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Compensation of council members is included in legislative expenditures of the General Fund

Arthur Smith, President	\$ 4,050
Alvin Bradley, Sr.	4,050
Shawn Robinson, Sr.	4,050
Edward Jones	4,050
Toby Bryan	<u>4,050</u>
Total	<u>\$20,250</u>

City of Grambling

**OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

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



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(Retired)

1963 - 2000

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

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

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of the City of Grambling, (the City) as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 29, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on internal control over financial reporting. However, we noted certain matters involving internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 04-F2, 04-F3, and 04-F4.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

Management Letter Items

We noted matters involving internal control over financial reporting, which we have reported to the management of the City in a separate letter dated June 29, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 04-F1.

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

Allen, Green + Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
June 29, 2005

City of Grambling
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2004

Reference # and title: **04-F1** **Asset Management Law**

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

Condition found: The City did not maintain a comprehensive inventory of fixed assets during the year. The list was completed after year end.

Possible asserted effect (cause and effect):

Cause: There was a low priority placed on the fixed assets inventory.

Effect: The City was in violation of LSA-R.S. 24:515(B) and has inadequate internal control over safeguarding of fixed assets.

Recommendations to prevent future occurrences: Now that the City has a comprehensive list, the City should update its fixed asset listing at least quarterly, and an annual physical inventory should be taken.

Reference # and title: **04-F2** **Inadequate Documentation of Vendor Expenses**

Criteria or specific requirement: Expenses should be documented with original invoices or other documentation to provide support for the expenses. Effective internal control should provide for documentation of approval of the invoice for payment.

Condition found: The following was noted from a test of 38 vendor disbursements:

- The canceled check was not provided for one check.
- One check did not contain the appropriate number of signatures. Two signatures are required for all checks except individual payroll checks.
- One invoice was not supported by a purchase order.
- Three invoices were not properly approved by appropriate personnel for payment.
- Four checks were not supported by proper documentation.
- Two checks were not paid timely.

Possible asserted effect (cause and effect):

Cause: Unknown.

Effect: Some payments are being made without proper documentation.

Recommendations to prevent future occurrences: All invoices should be paid timely. Original documentation should be obtained and kept on file for all disbursements.

City of Grambling
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2004

Reference # and title: **04-F3** **Payroll Expenses**

Criteria or specific requirement: All employees should have an I-9 in their personnel file. All personnel files should have documentation showing the employee's rate of pay. All time records should be signed by both the employee and the employee's supervisor.

Condition found: The following was noted from a test of 26 payroll disbursements:

- Twenty-four personnel files did not have I-9's in them.
- Two time sheets were not signed by the employee's supervisor.
- Ten personnel files did not have documentation of the employee's rate of pay.
- Nineteen time sheets were not signed by the employee.

Possible asserted effect (cause and effect):

Cause: Unknown.

Effect: Some personnel files did not contain the proper documentation in them.

Recommendations to prevent future occurrences: All employees should have an I-9 in their personnel file and their personnel file should have documentation as to the employee's rate of pay. Also, all employee time records should be signed by both the employee and the employee's supervisor.

Reference # and title: **04-F4** **Issuance of 1099's**

Criteria or specific requirement: Instructions for filing 1099's states that anyone, except a corporation, who receives more than \$600 for services or other income payments must have a 1099 filed by the payer.

Condition found: The City is not issuing 1099's to all individuals as defined by IRS laws and regulations.

Possible asserted effect (cause and effect):

Cause: The City did not have a proper system to identify who should receive 1099's.

Effect: Not all individuals who should have received 1099's from the City did receive 1099's. The City is not complying with IRS laws and regulations in some instances.

Recommendations to prevent future occurrences: The City should set up a system to identify all individuals who should receive 1099's.

City of Grambling

Other Information

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

City of Grambling
Summary Schedule of Prior Audit Findings
December 31, 2004

Reference # and title: **03-F1 **Purchase order procedures not consistently applied****

Initially occurred: December 31, 2003

Condition found: The purchase order procedures of the City are not consistently applied to expenditures. Our tests revealed some instances that no purchase orders were prepared or purchase orders were prepared after the expenditure was incurred and paid. Also, during our tests, there were expenditures that were not timely paid.

Corrective action taken: The City is consistent with established procedures for purchases. For example, purchase requisitions are approved before purchases are made. We are enforcing the unauthorized purchase policy in the employee handbook. Accounts are being paid on time.

Reference # and title: **03-F2 **Delinquent property tax notices****

Initially occurred: December 31, 2003

Condition found: The City has delinquent property tax notices that extended beyond the legal due date for collection.

Corrective action taken: The City conducted a property sale and cleared the tax roll.

Reference # and title: **03-F3 **Donation of Public Funds****

Initially occurred: December 31, 2003

Condition found: The City purchased Christmas decorations using public funds. These payments are in direct violation of Article VII, Section 14 of the LA Constitution of 1974. Things of value shall not be loaned, pledged, or donated to or for any person, association, or corporation.

Corrective action taken: The City no longer purchases Christmas lights or any other items not allowed. A special committee and banking system is used for purchases of this sort and the funds are raised by the committee.

Reference # and title: **03-F4 **Violation of Budget Act****

Initially occurred: December 31, 2003

Condition found: LRS 39:1305 budget preparation includes "total of proposed expenditures shall not exceed the total of estimated funds available for the ensuing fiscal year." For the Maintenance proprietary fund, the city's budgeted expenditures exceeded the total of estimated funds available for the year ended December 31, 2003.

Corrective action taken: The 2004 published budget did not include the maintenance proprietary fund as per LA law. The published budget was within 5 percent of actual for 2004.

City of Grambling
Summary Schedule of Prior Audit Findings
December 31, 2004

Reference # and title: **03-F5** **Budget variances greater than 5 percent**

Initially occurred: December 31, 2003

Condition found: For the year ended December 31, 2003 actual expenditures exceeded budgeted expenditures by more than 5 percent for the special revenue fund. According to LRS 39:1310, failing to amend the budget when necessary is a violation of the local government budget act.

Corrective action taken: The budget was amended as needed during the year.

Reference # and title: **03-F6** **Violation of Fixed Asset Law**

Initially occurred: December 31, 2003

Condition found: The City could not provide a listing of assets. According to LRS 24:513(A), the city should maintain records of all assets which were purchased or otherwise acquired, and for which the city is accountable. The records shall include information as to the date of purchase, initial cost, the disposition, if any, the purpose of such disposition, and the recipient of the assets disposed of. All current year additions and deletions could not be verified by the city. The city did not authorize in the minutes the purchase of all new assets.

Corrective action planned: See 04-F1.

Reference # and title: **03-F7** **The City did not prepare monthly financial statements**

Initially occurred: December 31, 2003

Condition found: According to LRS 33:425, municipalities are required to prepare monthly financial statements and present them to the governing body. The effect of this happening is inaccurate decisions made concerning available funds.

Corrective action taken: The City now receives monthly financials with variances from budget.

Reference # and title: **03-F8** **Lack of adequate collateralization**

Initially occurred: December 31, 2003

Condition found: The City did not have adequate collateralization for its bank accounts at year end nor did the City authorize in the minutes the closing of one of its CDs.

Corrective action taken: Sabine Bank and Regions Bank have provided the City with current listing of securities.

City of Grambling
Summary Schedule of Prior Audit Findings
December 31, 2004

Reference # and title: **03-F9** **Overall internal control for the City is inadequate**

Initially occurred: December 31, 2003

Condition found: By trying to test several revenues and disbursements to original documents for support, we determined the overall internal control for the City is inadequate. The following are examples of the City's poor internal control:

- A. Receipts are posted from a handwritten ledger to the general ledger by monthly totals.
- B. The accounting system being used by the City does not provide the information needed to produce accurate financial statements, to properly account for receipts and disbursements, or to provide a useful audit trail.
- C. There were several checks tested during our test of disbursements that did not have supporting documentation or invoices. Many checks were not used in numerical sequence. For grants, selected LaPIP grant disbursements could not be supported.
- D. Records to document whether employees earn or take vacation leave or sick leave are not maintained properly.
- E. All customer utility deposits were not entered into the city's utility system.
- F. The City billed for 2002 and 2003 safe drinking water fees in December, 2003. Also, these fees were included in the same account as water revenue. The amount to remit to the state could not be determined.
- G. Large adjustments were posted to customer utility accounts for leaks with no supporting documentation.
- H. During our test of utility fund activity, we discovered that some employee accounts had high amounts in arrears. The City is collecting the current bill amount plus an additional amount for the arrears be not enough to decrease the arrears quickly. Also, one employee's account was found not to have been billed for the past 3 months.
- I. Paycheck information (such as payee, amount, and check number) per cancelled check did not agree to the information entered in the general ledger. Also, form 941s did not agree in total to the W-3 and W-2s or the general ledger.

Corrective action taken:

- A. Receipts are posted directly to Quick Books.
- B. New Quick Books supplies all of the above information.
- C. Checks are backed with supporting documents and used in sequence.
- D. Now maintained by Quick Books system and supported by timesheets.
- E. Utility deposits are entered into the system. Also, a new billing system has been installed.
- F. We now have a safe drinking water revenue account and an expense account.
- G. Supporting documentation is kept for all adjustments.
- H. Adjustments have been made for any past due bills to be current.
- I. The new Quick Books system and consultant accountant balanced for 2004.

All internal controls were reviewed and new controls were established.

City of Grambling
Summary Schedule of Prior Audit Findings
December 31, 2004

Reference # and title: **03-F10** **Inadequate funds retained in reserve accounts**

Initially occurred: December 31, 2003

Condition found: The City does not have adequate funds retained in reserve accounts of cash and equivalents and investments to fund the reserve requirements according to the loan contracts and the meter deposits held for utility customers.

Corrective action taken: Normal reserves plus LAMP investments will cover all deposits.

City of Grambling
Corrective Action Plan for Current -Year Findings and Questioned Costs
For the Year Ended December 31, 2004

Reference # and title: **04-F1** **Asset Management Law**

Condition: The City did not maintain a comprehensive inventory of fixed assets during the year. The list was completed after year end.

Corrective action planned: The city will maintain a complete listing on excel of all fixed assets and update as necessary.

Person responsible for the above corrective actions:

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

Anticipated completion date: Immediately.

Reference # and title: **04-F2** **Inadequate Documentation for Vendor Expenses**

Condition found: Expenses should be documented with original invoices or other documentation to provide support for the expenses. Effective internal control should provide for documentation of approval of the invoice for payment. The following was noted from a test of 38 vendor disbursements:

- The canceled check was not provided for one check.
- One check did not contain the appropriate number of signatures. Two signatures are required for all checks except individual payroll checks.
- One invoice was not supported by a purchase order.
- Three invoices were not properly approved by appropriate personnel for payment.
- Four checks were not supported by proper documentation.
- Two checks were not paid timely.

Corrective action planned: The city will restructure internal controls to make sure that checks are signed, supported with proper documentation and all bills are paid in a timely manner.

Person responsible for the above corrective actions:

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

Anticipated completion date: Immediately.

City of Grambling
Corrective Action Plan for Current -Year Findings and Questioned Costs
For the Year Ended December 31, 2004

Reference # and title: **04-F3** **Payroll Expenses**

Condition found: All employees should have an I-9 in their personnel file. All personnel files should have documentation showing the employees rate of pay. All time records should be signed by both the employee and the employee's supervisor. The following was noted from a test of 26 payroll disbursements:

- Twenty-four personnel files did not have I-9's in them.
- Two time sheets were not signed by the employee's supervisor.
- Ten personnel files did not have documentation of the employee's rate of pay.
- Nineteen time sheets were not signed by the employee

Corrective action planned: I-9's are being prepared on all employees, time sheets are being checked for proper signatures and pay scales (rate of pay) will be established and adopted by the Council.

Person responsible for the above corrective actions:

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

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

Anticipated completion date: August 4, 2005.

Reference # and title: **04-F4** **Issuance of 1099's**

Condition found: Instructions for filing 1099's state that anyone, except a corporation who receives more than \$600 for services or other income payments must have a 1099 filed by the payer. The City is not issuing 1099's to all individuals as defined by IRS laws and regulations.

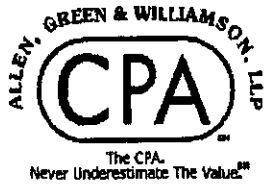
Corrective action planned: We will make all efforts to obtain social security numbers and federal ID numbers of all vendors due a 1099 and issue same.

Person responsible for the above corrective actions:

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

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

Anticipated completion date: December 31, 2005.



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1963 - 2000

Management Letter

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

In planning and performing our audit of the governmental activities, the business-type activities and each major fund of the City of Grambling, as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements, we considered the City's internal control to plan our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control.

However, during our audit, we noted certain matters involving internal control and other operational matters that is presented for your consideration. This letter does not affect our report dated June 29, 2005 on the financial statements of the City. We will review the status of these comments during our next audit engagement. Our comments and recommendations, which have been discussed with appropriate members of management, are intended to improve internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

04-M1 Interest Yield on Bank Funds

Comment: The City has funds invested in non interest yielding bank accounts.

Recommendation: The City should investigate other possible investments in which to place funds in which the rate of return on investment is greater than now being received for bank accounts.

Management's response: The City will investigate other investment opportunities to increase interest returns.

04-M2 Documentation for vendor invoices

Comment: We reviewed the vendor checks and invoices for the month of September 2004. We noted that some of the checks did not have adequate supporting documentation. Some of the checks had copies or faxes of the original invoice. We also noted that one check did not have any supporting documentation.

Recommendation: The City should establish procedures to ensure that all disbursements contain the proper documentation before payment is made.

Management's response: The City will restructure the front office to establish procedures to ensure that all disbursements contain the proper supporting documentation before payments are made. This will include the use of original invoices only.

04-M3 **Donations of Public Funds**

Comment: In reading the board minutes, we noted the City made several small donations of public funds to private organizations.

Recommendation: The City should consult with the city attorney when considering the donations of public funds to ensure compliance with Article 7, Section 14 of the Louisiana constitution.

Management's response: The City will absolutely refrain from donations of public funds unless completely in compliance with Article 7, Section 14 of the Louisiana Constitution.

04-M4 **Local Government Budget Act**

Comment: The City published the notice stating that the proposed budget was available for public inspection; however, the notice was published six days prior to the date of the first public hearing, not the ten days required by law.

Recommendation: The City should ensure the newspaper advertisement for the public hearing regarding the budget is published ten or more days before the date of the public hearing.

Management's response: The City will make sure the budget is published ten or more days before the public hearing.

* * * * *

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

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

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

Allen, Green + Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
June 29, 2005