

**City of Grambling
Grambling, Louisiana**

**Basic Financial Statements
And Independent Auditors' Report
As of and for the Year Ended December 31, 2010**

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 OCT 12 2011

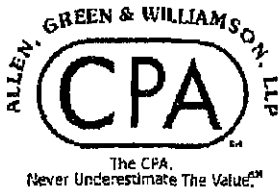
**City of Grambling
Table of Contents**

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-10
Basic Financial Statements	11
	<u>Statement</u>
Government-wide Financial Statements (GWFS)	
Statement of Net Assets	A 12
Statement of Activities	B 14-15
Fund Financial Statements (FFS)	16
Governmental Funds:	
Balance Sheet	C 17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	D 18
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances	E 19-20
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	F 21
Budgetary Comparison Schedule:	
General Fund	G-1 22
Health & Sanitation	G-2 23
Proprietary Fund – Maintenance Enterprise Fund:	
Statement of Net Assets	H 24
Statement of Revenues, Expenses, and Changes in Fund Net Assets	I 25
Statement of Cash Flows	J 26
Notes to the Basic Financial Statements	
Index	27
Notes	28-41

(Continued)

**City of Grambling
Table of Contents**

	<u>Page</u>
SUPPLEMENTAL INFORMATION REQUIRED BY U. S. DEPARTMENT OF AGRICULTURE	42
Proprietary Fund – Maintenance Enterprise Fund:	
Comparative Statement of Net Assets	Schedule 1 43
Proposed Budget 2011	Schedule 2 44
Schedule of Compensation Paid Council Members	Schedule 3 45
Schedule of Insurance Coverage	Schedule 4 46
Schedule of Breakdown of Utility Customers	Schedule 5 47
Schedule of Water & Sewer Rates	Schedule 6 48
SINGLE AUDIT INFORMATION	49
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>	50-51
Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With <u>OMB Circular A-133</u>	52-53
Schedule of Expenditures of Federal Awards	54
Notes to the Schedule of Expenditures of Federal Awards	55
Schedule of Findings and Questioned Costs	56-64
OTHER INFORMATION:	65
Summary Status of Prior Year Audit Findings	66-79
Corrective Action Plan for Current-Year Findings and Questioned Costs	80-86
(Concluded)	



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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Grambling as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, except for the effect of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding the operating revenue and accounts receivable for the enterprise fund, as described in the preceding paragraph, the financial statements referred to above presented fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 30, 2011, 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.

The Management's Discussion and Analysis 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information identified in the table of contents as supplemental information, which includes the schedule of expenditures of federal awards, which is required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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.

Also, the accompanying other information, as listed in the table of contents, is presented for the 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.

A handwritten signature in cursive script that reads "Allen, Green & Williamson, LLP".

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
August 30, 2011

REQUIRED SUPPLEMENTAL INFORMATION:

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

**City of Grambling
Management's Discussion and Analysis (MD&A)
For Year Ended December 31, 2010**

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, 2010.

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

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

Governmental activities reported a decrease in net assets of \$713,309 whereas business-type activities reported an increase of \$488,262. The decrease in the governmental funds was due mainly to reclassifying inter-company receivables from the Maintenance Fund as transfers out to the Maintenance Fund. The increase in the business-type activities was due mainly to reclassifying the inter-company payables as transfers in from other funds.

Total spending for our governmental activities was \$2,610,662. Most of the City's property and sales taxes were used to support the net cost (after deducting restricted grants and fees charged to users) of these two areas: general government of \$846,530 and public safety of \$1,484,707.

The General Fund's fund balance decreased by \$1,012,074 during 2010 as compared to a decrease in 2009 of \$432,606. The decrease is primarily due to the write-off of an intercompany receivable from the Maintenance Fund. The amount is reflected as a transfer out to the Maintenance Fund.

General Fund revenues increased in 2010 by \$223,463 or 15%. This increase is primarily due to refunds totaling approximately \$125,000 from federal and state taxing authorities for penalties and interest related to late filing of payroll tax returns and payments. The balance of the increase is comprised of various smaller operational changes.

General Fund 2010 expenditures increased \$132,649 or 7% over 2009. This overall increase is mainly due to increases in per diem payments to the Council due to special meetings, attorney fees, bank charges to retrieve lost records, and property insurance.

The Health and Sanitation Fund's fund balance increased \$50,671 as compared to an increase of \$120,033 in 2009. Health and Sanitation Fund's revenues were \$76,260 or 26% higher than 2009 revenues. This increase is due mainly to a \$67,836 increase in sales taxes.

Health and Sanitation Fund's 2010 expenditures increased by \$46,060 or 27% over 2009 expenditures. The increase in total expenditures was primarily due to increases in health insurance, vehicle insurance, and fuel costs.

The Debt Service Fund had a decrease in fund balance of \$20,250 in 2010 as compared to a net decrease in 2009 of \$28,476. Money to pay the debt service is transferred from the general fund.

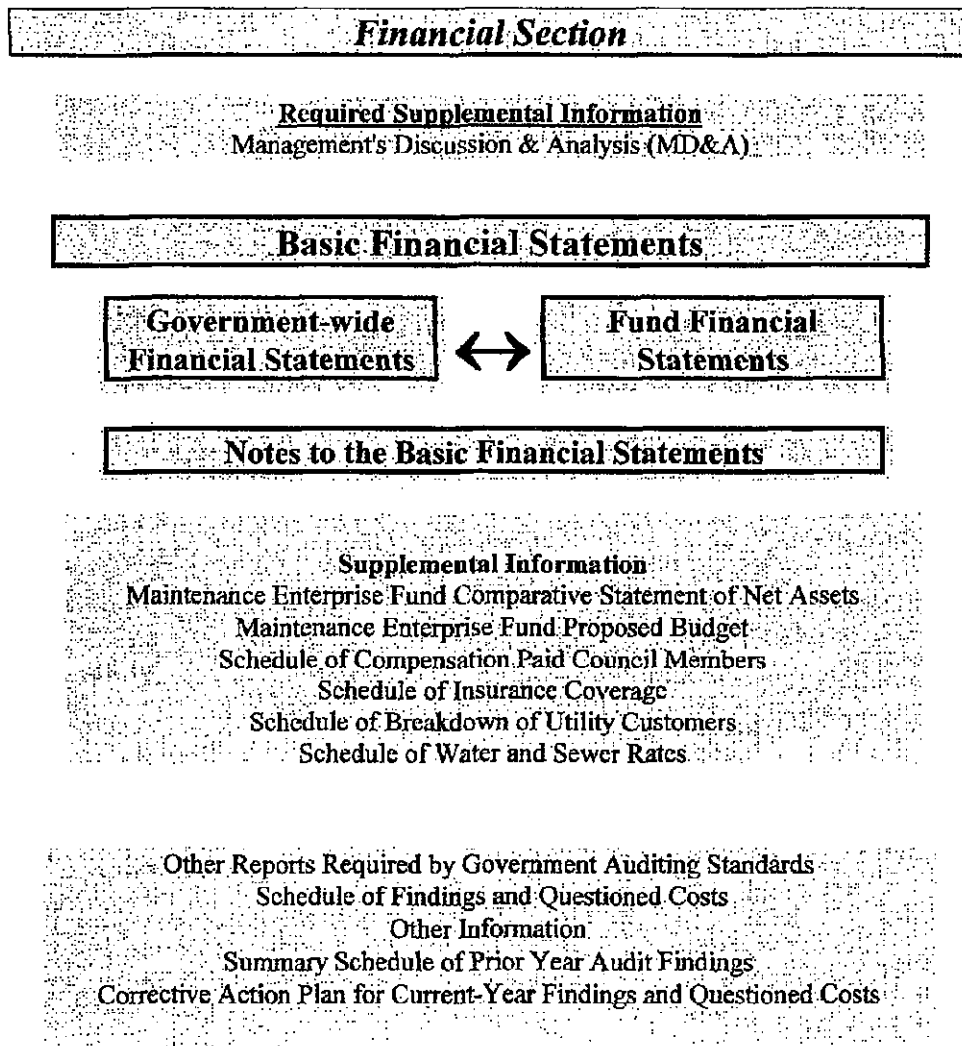
The Capital Project Fund had a decrease in fund balance of \$168,657. This fund accounted for the DEQ grant. The decrease is mainly due to writing off the intercompany receivable due from the Maintenance Fund.

**City of Grambling
Management's Discussion and Analysis (MD&A)
For Year Ended December 31, 2010**

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.

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



City of Grambling
Management's Discussion and Analysis (MD&A)
For Year Ended December 31, 2010

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

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

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

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

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

City of Grambling
Management's Discussion and Analysis (MD&A)
For Year Ended December 31, 2010

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

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

THE CITY AS A WHOLE

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

Table 1
Net Assets
December 31, 2010

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 1,065,352	\$2,055,297	\$ 422,551	\$(157,523)	\$1,487,903	\$1,897,774
Capital assets, net	2,690,590	2,342,647	1,799,449	2,049,773	4,490,039	4,392,420
Total assets	3,755,942	4,397,944	2,222,000	1,892,250	5,977,942	6,290,194
Current and other liabilities	244,357	144,415	212,662	201,741	457,019	346,156
Long-term liabilities	573,084	735,893	1,399,222	1,483,445	1,972,306	2,219,338
Total Liabilities	817,441	880,308	1,611,884	1,685,186	2,429,325	2,565,494
Net assets						
Invested in capital assets, net of related debt	2,147,888	1,635,041	405,833	567,732	2,553,721	2,202,773
Restricted	1,168,013	677,467	90,494	-	1,258,507	677,467
Unrestricted	(377,400)	1,205,128	113,789	(360,668)	(263,611)	844,460
Total net assets	\$ 2,938,501	\$3,517,636	\$ 610,116	\$ 207,064	\$3,548,617	\$3,724,700

City of Grambling
Management's Discussion and Analysis (MD&A)
For Year Ended December 31, 2010

Table 2
Changes in Net Assets
For the Year Ended December 31, 2010

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenue:						
Program revenues:						
Charges for services	\$ 157,354	\$ 271,374	\$ 652,398	\$ 619,298	\$ 809,752	\$ 890,672
Operating grants and contributions	-	85,471	-	-	-	85,471
Capital grants and contributions	655,559	364,164	-	50,000	655,559	414,164
General revenues:						
Ad valorem tax	441,736	662,461	65,112	65,049	506,848	727,510
Sales tax revenue	665,924	566,774	-	-	665,924	566,774
License and permits	185,115	69,239	-	-	185,115	69,239
Fines and forfeitures	227,673	2,934	-	-	227,673	2,934
Use of money & property	523	20,788	624	4,609	1,147	25,397
Intergovernmental revenue	103,464	-	-	-	103,464	-
Miscellaneous	256,361	319,360	24,127	7,211	280,488	326,571
Total revenues	2,693,709	2,362,565	742,261	746,167	3,435,970	3,108,732
Functions/Program expenses:						
Governmental activities:						
General Government	846,530	1,986,787	-	-	846,530	1,986,787
Public Safety	1,484,707	80,130	-	-	1,484,707	80,130
Health & Sanitation	140,088	66,817	-	-	140,088	66,817
Highway & Streets	113,098	90,861	-	-	113,098	90,861
Parks & Recreation	-	-	-	-	-	-
Interest Expense	26,239	37,449	-	-	26,239	37,449
Business-type activities:						
Utility enterprise	-	-	1,050,355	952,835	1,050,355	952,835
Total Functions/Program expenses	2,610,662	2,262,044	1,050,355	952,835	3,661,017	3,214,879
Increase (decrease) in net assets before transfers						
Transfers	(796,356)	(527,778)	796,356	527,778	-	-
Increase (decrease) in net assets	(713,309)	(427,257)	488,262	321,110	(225,047)	(106,147)
Net assets - beginning	3,517,637	3,944,893	207,064	(114,046)	3,724,701	3,830,847
Prior period adjustment	134,173	-	(85,210)	-	48,963	-
Net assets- ending	\$ 2,938,501	\$ 3,517,636	\$ 610,116	\$ 207,064	\$ 3,548,617	\$ 3,724,700

City of Grambling
Management's Discussion and Analysis (MD&A)
For Year Ended December 31, 2010

Governmental Activities

The cost of all governmental activities this year was \$2,610,662. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$1,797,749 because some of the cost was paid by those who directly benefited from the programs \$157,354 or by other governments and organizations that subsidized certain programs with grants and contributions \$655,559.

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, 2010

	Total Cost of Services				Net Cost of Services			
	Governmental Activities		Business-type Activities		Governmental Activities		Business-type Activities	
	2010	2009	2010	2009	2010	2009	2010	2009
General Government	\$ 846,530	\$1,986,787	\$ -	\$ -	\$ (846,530)	\$(1,957,204)	\$ -	\$ -
Public Safety	1,484,707	80,130	-	-	(1,484,707)	99,189	-	-
Health & Sanitation	140,088	66,817	-	-	672,825	445,290	-	-
Highway & Streets	113,098	90,861	-	-	(113,098)	(90,861)	-	-
Interest Expense	26,239	37,449	-	-	(26,239)	(37,449)	-	-
Business-type activities:								
Utility enterprise	-	-	1,050,355	952,835	-	-	(397,957)	(283,537)
Total Functions/Program Expenses	\$2,610,662	\$2,262,044	\$1,050,355	\$952,835	\$(1,797,749)	\$(1,541,035)	\$(397,957)	\$(283,537)

Business-type Activities

Revenues and expenses of the City's business-type activities (see Table 2) remained relatively stable for 2010 compared with 2009.

THE CITY'S FUNDS

As the City completed the year, its governmental funds reported a combined fund balance of \$833,454 which is a decrease of \$1,150,310 in fund balance from last year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Original total budgeted expenditures in the General Fund were \$2,266,214. Amendments decreased total budgeted expenditures by \$477,840. These amendments were the result of changes to a variety of line items which the prior administration recommended.

City of Grambling
Management's Discussion and Analysis (MD&A)
For Year Ended December 31, 2010

Because the final amended amounts lacked appropriate basis, actual General Fund revenues were \$222,204 less than budgeted revenues while actual General Fund expenditures exceeded budgeted expenditures by \$1,010,005.

We are working to improve policies and procedures for budget preparation, adoption, and monitoring to ensure that the budget is being used effectively as the financial tool that is intended to be.

CAPITAL ASSETS

Capital Assets At December 31, 2010, the City had invested in the following capital assets:

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 42,902	\$ 42,902	\$ 16,526	\$ 16,526	\$ 59,428	\$ 59,428
Buildings	2,635,359	2,635,359	30,000	30,000	2,665,359	2,665,359
Vehicles	-	-	32,530	-	32,530	-
Equipment	1,463,587	1,463,587	-	-	1,463,587	1,463,587
Construction in Progress	510,999	-	-	-	510,999	-
Water/Sewer Equipment	-	-	1,094,125	1,124,075	1,094,125	1,124,075
Sewage Plant	-	-	3,052,736	3,052,736	3,052,736	3,052,736
Water System	-	-	1,749,680	1,749,680	1,749,680	1,749,680
Subtotal	4,652,847	4,141,848	5,975,597	5,973,017	10,628,444	10,114,865
Less Accumulated						
Depreciation	1,962,257	1,799,201	4,176,148	3,923,244	6,138,405	5,722,445
Total	<u>\$2,690,590</u>	<u>\$2,342,647</u>	<u>\$1,799,449</u>	<u>\$2,049,773</u>	<u>\$4,490,039</u>	<u>\$4,392,420</u>

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

DEBT ADMINISTRATION At December 31, 2010, the City's Maintenance Enterprise fund had \$1,393,616 in bonds payable outstanding and the Governmental funds had debt consisting of capital leases in the amount of \$58,906 and \$483,796 in certificate of indebtedness. For further details see Note 10 of the Notes to the Basic Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS Our elected and appointed officials and citizens consider many factors when setting the City's budget and tax rates. One of the most important factors affecting the budget is our ad valorem tax and sales tax collections. Approximately, 57% of total revenues in the general fund for 2010 are ad valorem tax and sales tax. We have budgeted very little change in ad valorem tax and sales tax revenues for the year ending December 31, 2011.

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

BASIC FINANCIAL STATEMENTS:

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

CITY OF GRAMBLING
STATEMENT OF NET ASSETS
December 31, 2010

Statement A

	GOVERNMENTAL	BUSINESS-TYPE	TOTAL
	ACTIVITIES	ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	\$ 261,600	\$ 52,516	\$ 314,116
Investments	508,427	0	508,427
Receivables, net of allowance	295,325	106,596	401,921
Internal balances	0	0	0
Restricted assets	0	261,397	261,397
Prepaid expenses	0	2,042	2,042
Bond issuance costs, net of amortization	0	0	0
Capital assets, net	2,690,590	1,799,449	4,490,039
TOTAL ASSETS	3,755,942	2,222,000	5,977,942
LIABILITIES			
Accounts payable	153,778	33,354	187,132
Accrued and other liabilities	50,785	5,779	56,564
Deferred revenue	27,335	2,626	29,961
Interest payable from restricted assets	12,459	48,402	58,861
Customer deposits payable from restricted assets	0	124,501	124,501
Long term liabilities			
Due within one year	138,897	96,187	235,084
Due in more than one year	434,187	1,303,035	1,737,222
TOTAL LIABILITIES	817,441	1,611,884	2,429,325
NET ASSETS			
Invested in capital assets, net of related debt	2,147,888	405,833	2,553,721
Restricted for Debt Retirement	47,528	90,494	138,022
Restricted for Health & Sanitation	739,519	0	739,519
Restricted for Capital Projects	380,966	0	380,966
Unrestricted	(377,400)	113,789	(263,611)
TOTAL NET ASSETS	\$ 2,938,501	\$ 610,116	\$ 3,548,617

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

City of Grambling

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CITY OF GRAMBLING
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2010

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Governmental Activities:				
General government	\$ 846,530	\$ 0	\$ 0	0
Public safety	1,484,707	0	0	0
Health and sanitation	140,088	157,354	0	655,559
Highways and streets	113,098	0	0	0
Interest expense	26,239	0	0	0
Total Governmental Activities	2,610,662	157,354	0	655,559
Business-Type Activities:				
Utility Enterprise	1,050,355	652,398	0	0
Total Business-Type Activities	1,050,355	652,398	0	0
Total	\$ 3,661,017	\$ 809,752	\$ 0	\$ 655,559

General revenues:

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

Total general revenues and transfers

Changes in net assets

Net assets - beginning,
as originally stated

Prior period adjustment

Net assets - beginning,
as restated

Net assets - ending

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

Statement B

<u>PRIMARY GOVERNMENT</u>		
<u>NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS</u>		
<u>Governmental</u>	<u>Business-Type</u>	
<u>Activities</u>	<u>Activities</u>	<u>TOTAL</u>
\$ (846,530)	\$ 0	\$ (846,530)
(1,484,707)		(1,484,707)
672,825		672,825
(113,098)		(113,098)
(26,239)		(26,239)
<u>(1,797,749)</u>	<u>0</u>	<u>(1,797,749)</u>
	(397,957)	(397,957)
	(397,957)	(397,957)
<u>\$ (1,797,749)</u>	<u>\$ (397,957)</u>	<u>\$ (2,195,706)</u>
441,736	65,112	506,848
665,924	0	665,924
185,115	0	185,115
227,673	0	227,673
523	624	1,147
103,464	0	103,464
256,361	24,127	280,488
<u>(796,356)</u>	<u>796,356</u>	<u>0</u>
<u>1,084,440</u>	<u>886,219</u>	<u>1,970,659</u>
<u>(713,309)</u>	<u>488,262</u>	<u>(225,047)</u>
3,517,637	207,064	3,724,701
<u>134,173</u>	<u>(85,210)</u>	<u>48,963</u>
<u>3,651,810</u>	<u>121,854</u>	<u>3,773,664</u>
<u>\$ 2,938,501</u>	<u>\$ 610,116</u>	<u>\$ 3,548,617</u>

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

CITY OF GRAMBLING
GOVERNMENTAL FUNDS
Balance Sheet
December 31, 2010

Statement C

	GENERAL	HEALTH & SANITATION	DEBT SERVICE	CAPITAL PROJECT	TOTAL
ASSETS					
Cash and cash equivalents	\$ 250,871	\$ 5,252	\$ 5,245	\$ 232	\$ 261,800
Investments	250,523	240,418	12,455	5,031	508,427
Receivables	231,606	63,719	0	0	295,325
Interfund receivables	88,336	525,016	29,828	403,125	1,046,305
Prepaid expenses	0	0	0	0	0
TOTAL ASSETS	821,336	834,405	47,528	408,388	2,111,657
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	148,540	5,238	0	0	153,778
Accrued and other liabilities	49,472	1,313	0	0	50,785
Deferred revenue	27,335	0	0	0	27,335
Interfund payables	930,548	88,335	0	27,422	1,046,305
TOTAL LIABILITIES	1,155,895	94,886	0	27,422	1,278,203
FUND BALANCES:					
Reserved for debt service	0	0	47,528	0	47,528
Unreserved, reported in:					
General Fund	(334,559)	0	0	0	(334,559)
Special Revenue Fund	0	739,519	0	0	739,519
Capital Projects Fund	0	0	0	380,966	380,966
TOTAL FUND BALANCES	(334,559)	739,519	47,528	380,966	833,454
TOTAL LIABILITIES AND FUND BALANCES	\$ 821,336	\$ 834,405	\$ 47,528	\$ 408,388	\$ 2,111,657

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, 2010

Statement D

Total fund balances - governmental funds \$ 833,454

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

Costs of capital assets	4,652,847	
Depreciation expense to date	<u>(1,962,257)</u>	
		2,690,590

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, 2010 are:

Bond payable	(483,796)	
Compensated absences	(30,382)	
Leases payable	(58,906)	
Interest payable	<u>(12,459)</u>	
		<u>(585,543)</u>

Net Assets \$ 2,938,501

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, 2010

Statement E

	GENERAL	HEALTH & SANITATION	DEBT SERVICE	CAPITAL PROJECT	TOTAL
REVENUES					
Local sources:					
Taxes	\$ 977,763	\$ 206,547	\$ 0	\$ 0	\$ 1,184,310
Licenses and permits	185,115	0	0	0	185,115
Intergovernmental revenues	103,464	0	0	655,559	759,023
Fines and forfeitures	227,673	0	0	0	227,673
Use of money and property	325	188	10	0	523
Miscellaneous revenues	256,361	157,354	0	0	413,715
Total revenues	1,750,701	364,089	10	655,559	2,770,359
EXPENDITURES					
Current:					
General government	595,654	9,590	275	171,982	777,501
Public Safety	1,461,572	0	0	0	1,461,572
Health and sanitation	0	136,243	0	0	136,243
Highways and streets	43,956	0	0	0	43,956
Debt service:					
Principal retirement	15,411	62,299	87,193	0	164,903
Interest and bank charges	900	5,724	22,515	0	29,139
Capital outlay	0	0	0	510,999	510,999
Total expenditures	2,117,493	213,856	109,983	682,981	3,124,313
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES					
	(366,792)	150,233	(109,973)	(27,422)	(353,954)
OTHER FINANCING SOURCES (USES)					
Transfers in	35,604	20,525	109,723	0	165,852
Transfers out	(680,886)	(120,087)	(20,000)	(141,235)	(962,208)
Proceeds of capital lease	0	0	0	0	0
TOTAL OTHER FINANCING SOURCES (USES)	(645,282)	(99,562)	89,723	(141,235)	(796,356)
NET CHANGE IN FUND BALANCES	\$ (1,012,074)	\$ 50,671	\$ (20,250)	\$ (168,657)	\$ (1,150,310)

(CONTINUED)

CITY OF GRAMBLING

GOVERNMENTAL FUNDS
 Combined Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 For the Year Ended December 31, 2010

Statement E

	<u>GENERAL</u>	<u>HEALTH & SANITATION</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECT</u>	<u>TOTAL</u>
FUND BALANCES - BEGINNING, AS ORIGINALLY STATED	\$ 475,891	\$ 737,108	\$ 86,969	\$ 549,623	\$ 1,849,591
PRIOR PERIOD ADJUSTMENT	<u>201,624</u>	<u>(48,260)</u>	<u>(19,191)</u>	<u>0</u>	<u>134,173</u>
FUND BALANCES - BEGINNING, AS RESTATED	<u>677,515</u>	<u>688,848</u>	<u>67,778</u>	<u>549,623</u>	<u>1,983,764</u>
FUND BALANCES - ENDING	<u>\$ (334,559)</u>	<u>\$ 739,519</u>	<u>\$ 47,528</u>	<u>\$ 380,966</u>	<u>\$ 833,454</u>

(CONCLUDED)

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, 2010

Statement F

Total net change in fund balances - governmental funds \$ (1,150,310)

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

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

Capital outlays	510,989	
Depreciation	<u>(163,056)</u>	347,943

Repayment of bonds and capital leases is an expenditure in the governmental funds, but reduces long-term liabilities in the Statement of Net Assets. 164,903

Compensated absences are recognized in the Statement of Net Assets as an increase to liabilities, but not in the Fund Financial Statements. (2,095)

Recognition of prior year deferred revenue for ad valorem tax. (76,650)

Interest on long-term debt in the Statement of Activities differs from the amount reporting in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 2,900

Change in net assets of governmental activities. \$ (713,309)

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, 2010

Statement G-1

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
BUDGETARY FUND BALANCES, Beginning	\$ 677,515	\$ 677,515	\$ 677,515	0
Resources (inflows)				
Local sources:				
Taxes	1,011,845	1,059,485	977,763	(81,722)
Licenses and permits	129,055	188,688	185,115	(3,573)
Intergovernmental revenues	45,650	135,516	103,464	(32,052)
Fines and forfeitures	198,150	252,687	227,673	(25,014)
Miscellaneous revenues	159,505	172,133	256,686	84,553
Transfers from other funds	1,000,000	200,000	35,604	(164,396)
Amounts available for appropriations	3,221,720	2,686,024	2,463,820	(222,204)
Charges to appropriations (outflows)				
Current:				
General government	647,901	542,588	595,654	(53,066)
Public Safety	1,387,353	1,164,328	1,461,572	(297,244)
Highways and streets	2,760	12,507	43,956	(31,449)
Parks and recreation	0	0	0	0
Debt service:				
Principal retirement	0	0	15,411	(15,411)
Interest and bank charges	700	0	900	(900)
Capital outlay	44,500	34,065	0	34,065
Transfers	183,000	34,886	680,886	(646,000)
Total charges to appropriations	2,266,214	1,788,374	2,798,379	(1,010,005)
BUDGETARY FUND BALANCES, ENDING	\$ 955,506	\$ 897,650	\$ (334,559)	\$ (1,232,209)

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, 2010

Statement G-2

	<u>ORIGINAL</u> <u>BUDGET</u>	<u>FINAL</u> <u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u> <u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
BUDGETARY FUND BALANCES, Beginning Resources (inflows)	\$ 688,848	\$ 688,848	\$ 688,848	0
Local sources:				
Taxes	215,885	215,885	206,547	(9,338)
Use of money and property	1,225	0	188	188
Fines and forfeitures	2,775	0	0	0
Miscellaneous revenues	149,920	148,500	157,354	8,854
Transfers from other funds	<u>0</u>	<u>0</u>	<u>20,525</u>	<u>20,525</u>
Amounts available for appropriations	<u>1,058,653</u>	<u>1,053,233</u>	<u>1,073,462</u>	<u>20,229</u>
Charges to appropriations (outflows)				
Current:				
General government	0	0	9,590	(9,590)
Health and sanitation	156,680	173,244	136,243	37,001
Debt service:				
Principal retirement	0	0	62,299	(62,299)
Interest and bank charges	0	0	5,724	(5,724)
Capital outlay	35,692	39,693	0	39,693
Transfers	<u>165,500</u>	<u>150,000</u>	<u>120,087</u>	<u>29,913</u>
Total charges to appropriations	<u>357,872</u>	<u>362,937</u>	<u>333,943</u>	<u>28,994</u>
BUDGETARY FUND BALANCES, ENDING	<u>\$ 700,781</u>	<u>\$ 690,296</u>	<u>\$ 739,519</u>	<u>49,223</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, 2010

Statement H

ASSETS	
Cash and cash equivalents	\$ 52,516
Receivables, net of allowance of \$26,809	106,596
Interfund receivable	0
Prepaid expenses	2,042
Restricted assets	
Cash	133,172
Investments	<u>128,225</u>
 Total current assets	 422,551
 Capital assets, net	 <u>1,799,449</u>
 TOTAL ASSETS	 <u>2,222,000</u>
 LIABILITIES	
Accounts payable	33,354
Accrued and other liabilities	5,779
Interfund payable	0
Deferred revenue	2,626
Interest payable from restricted assets	46,402
Customer deposits payable from restricted assets	124,501
Current portion of long term debt	<u>96,187</u>
 Total current liabilities	 <u>308,849</u>
 Long term liabilities:	
Capital lease	0
Revenue bonds payable	<u>1,303,035</u>
 Total long term liabilities	 <u>1,303,035</u>
 TOTAL LIABILITIES	 <u>1,611,884</u>
 NET ASSETS	
Invested in capital assets, net of related debt	405,833
Restricted - Expendable	90,494
Unrestricted	<u>113,789</u>
 TOTAL NET ASSETS	 <u>\$ 610,116</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, 2010

	Statement I
OPERATING REVENUES	
Water sales	\$ 398,273
Water connection charges	1,678
Sewer fees	<u>252,447</u>
Total operating revenues	<u>652,398</u>
OPERATING EXPENSES	
Water department	734,337
Sewer department	<u>256,058</u>
Total operating expenses	<u>990,395</u>
OPERATING INCOME (LOSS)	<u>(337,997)</u>
NONOPERATING REVENUES (EXPENSES)	
Miscellaneous	24,127
Interest income	624
Ad valorem tax revenues	65,112
Intergovernmental revenue	0
Sales tax revenues	0
Interest expense	<u>(59,960)</u>
Total nonoperating revenues (expenses)	<u>29,903</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(308,094)</u>
TRANSFERS IN/OUT	
Transfers in	852,485
Transfers out	<u>(56,129)</u>
Total transfers in/out	<u>796,356</u>
CHANGE IN NET ASSETS	<u>488,262</u>
NET ASSETS - BEGINNING, AS ORIGINALLY STATED	207,064
Prior period adjustment	<u>(85,210)</u>
NET ASSETS - BEGINNING, AS RESTATED	<u>121,854</u>
NET ASSETS - ENDING	<u>\$ 610,116</u>

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

CITY OF GRAMBLING

PROPRIETARY FUND - MAINTENANCE ENTERPRISE FUND
Statement of Cash Flows
For the Year Ended December 31, 2010

Statement J

CASH FLOW FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 639,183
Payments to employees	(295,374)
Payments to others	<u>(1,137,237)</u>
Net cash provided (used) for operating activities	<u>(793,428)</u>
CASH FLOW (USES) FROM NONCAPITAL FINANCING ACTIVITIES:	
Ad valorem tax receipts	65,112
Transfers	796,356
Other miscellaneous receipts	<u>31,635</u>
Net cash provided (used) for noncapital financing activities	<u>893,103</u>
CASH FLOW (USES) FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of capital assets	(2,580)
Principal payments on notes and bonds	(86,270)
Interest paid on bonds	<u>(69,966)</u>
Net cash provided (used) for capital and related financing activities	<u>(158,816)</u>
CASH FLOW FROM INVESTING ACTIVITIES	
Earnings on investments	<u>541</u>
Net increase (decrease) in cash and cash equivalents	(58,600)
CASH AND CASH EQUIVALENTS - BEGINNING	<u>244,288</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>185,688</u>
RECONCILIATION TO FINANCIAL STATEMENTS	
Cash and cash equivalents	52,516
Restricted cash	<u>133,172</u>
	<u>185,688</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	(337,997)
Adjustments to reconcile operating income to net cash provided (used) for operating activities:	
Depreciation	252,904
(Increase) decrease in accounts interfund receivables	339,967
(Increase) decrease in accounts receivable	(8,334)
Increase (decrease) in accounts payable	21,924
Increase (decrease) in wages payable	(4,873)
Increase (decrease) in compensated absences	2,047
Increase (decrease) in interfund payables	(1,055,435)
Increase (decrease) in deferred revenue	(4,881)
Increase (decrease) in customer deposits	<u>1,250</u>
Net cash provided (used) by operating activities	<u>\$ (793,428)</u>

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

City of Grambling
Notes to the Basic Financial Statements
December 31, 2010

INDEX

	<u>Page</u>
NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	28
A. REPORTING ENTITY.....	28
B. FUND ACCOUNTING.....	28
Governmental Funds	29
Proprietary Fund.....	29
C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING	29
Government-Wide Financial Statements (GWFS)	29
Fund Financial Statements (FFS)	29
Proprietary Funds	30
D. BUDGET PRACTICES.....	30
E. CASH AND CASH EQUIVALENTS.....	31
F. INVESTMENTS.....	31
G. CAPITAL ASSETS	32
H. LONG-TERM DEBT	32
I. COMPENSATED ABSENCES	33
J. RESTRICTED ASSETS.....	33
K. RISK MANAGEMENT	33
L. RESTRICTED NET ASSETS	33
M. FUND BALANCES OF FUND FINANCIAL STATEMENTS	33
N. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES.....	33
O. USE OF ESTIMATES.....	33
P. ELIMINATION AND RECLASSIFICATIONS	34
Q. SALES TAX.....	34
NOTE 2- BUDGET TO GAAP RECONCILIATION.....	34
NOTE 3- DEPOSITS AND INVESTMENTS	34
NOTE 4 - LEVIED TAXES	35
NOTE 5 - RECEIVABLES	36
NOTE 6 - INTERFUND ASSETS/LIABILITIES (FFS LEVEL ONLY).....	36
NOTE 7 - ACCRUED AND OTHER LIABILITIES.....	37
NOTE 8 - CAPITAL ASSETS	37
NOTE 9 - PENSION AND RETIREMENT PLAN	38
NOTE 10 - CHANGES IN LONG-TERM OBLIGATIONS	39
NOTE 11 - LITIGATION AND CLAIMS	41
NOTE 12 - SUBSEQUENT EVENTS	41
NOTE 13 - PRIOR PERIOD ADJUSTMENTS.....	41
NOTE 14 - GENERAL FUND DEFICIT.....	41

City of Grambling
Notes to the Basic Financial Statements
December 31, 2010

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

A. REPORTING ENTITY The City of Grambling was founded in 1959 under the provisions of the "Lawrason Act" (Louisiana Revised Statutes (R.S.) 33:321-481) of the constitution of the state of Louisiana. The City is located in the parish of Lincoln and has a population of approximately 4,693. The City is governed by the mayor and five-member council. The mayor and council members serve four-year terms which expire on December 31, 2010.

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

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

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

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

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

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

City of Grambling
Notes to the Basic Financial Statements
December 31, 2010

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

Governmental Funds

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

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

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

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

Proprietary Fund

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

Fund Financial Statements (FFS)

Governmental Funds The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when

City of Grambling
Notes to the Basic Financial Statements
December 31, 2010

susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on long-term debt which is recognized when due. Compensated absences and claims and judgments are reported in a governmental fund only if the claims are due and payable.

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

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

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

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

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

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

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

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

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

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

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

City of Grambling
Notes to the Basic Financial Statements
December 31, 2010

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

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

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

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

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

Definitions:

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

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

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

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LA-R.S. 33.2955.

City of Grambling
Notes to the Basic Financial Statements
December 31, 2010

LAMP is a 2a7-like investment pool.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

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

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

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

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

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

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

In 2010, the City implemented GASB 51, Accounting and Financial Reporting for Intangibles Assets. The City had no intangibles that met the capitalization threshold as of December 31, 2009, therefore no restatement was required.

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.

City of Grambling
Notes to the Basic Financial Statements
December 31, 2010

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

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

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

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

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

K. RISK MANAGEMENT The City is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. To handle such risk of loss, the City maintains commercial insurance policies covering its automobiles, professional liability, general liability, and surety bond coverage. There were no significant reductions in insurance coverage during the year ended December 31, 2010.

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

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

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

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

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

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

City of Grambling
Notes to the Basic Financial Statements
December 31, 2010

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. The revenue from the Lincoln Parish Sales and Use Tax Commission is for general operating expenses of the City. The Police Jury Tax Revenue is dedicated to Health and Sanitation.

NOTE 2 - BUDGET TO GAAP RECONCILIATION

<u>Sources/inflows of resources:</u>	<u>General</u>	<u>Health & Sanitation</u>
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule-Statement G	\$2,463,820	\$1,073,462
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	(677,515)	(688,848)
Transfers in from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(35,604)</u>	<u>(20,525)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances – governmental funds-Statement E	<u>1,750,701</u>	<u>364,089</u>
 <u>Charges to appropriations/outflows</u>		
Actual amounts (budgetary basis) "charges to appropriations" from the budgetary comparison schedule-Statement G	2,798,379	333,943
Purchase of capital asset by capital lease not expenditure for budget purposes	-	-
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(680,886)</u>	<u>(120,087)</u>
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds- Statement E	<u>\$2,117,493</u>	<u>\$ 213,856</u>

NOTE 3 - DEPOSITS & INVESTMENTS At December 31, 2010, the City had the following investments:

<u>Type of investment</u>	<u>Carrying Amount Fair Value</u>
Investments not subject to categorization:	
External investment pool (LAMP)	\$424,016
Certificates of Deposit	<u>84,411</u>
Total investments	<u>\$508,427</u>

City of Grambling
Notes to the Basic Financial Statements
December 31, 2010

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

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

Custodial Credit-Deposits: At year end, The City's carrying amount of deposits was \$659,924 (Statement A-Cash and cash equivalents of \$314,116, restricted assets of \$261,397 and certificates of Deposit classified as investments of \$84,411). In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of December 31, 2010, the City's bank balance was \$665,095 of which \$665,095 was covered by federal depository insurance or by collateral held by the City's agent but not in the City's name.

Custodial Credit Risk-Investments: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore no disclosure is required.

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

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

	<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Expiration Date</u>
Public streets	6.50	5.51	2019
Water system	5.00	4.24	2016
Police department	5.50	4.66	2019
Public improvement (35%) and fire department (65%)	32.00	27.12	2019
General Alimony Constitutional	7.00	6.00	Statutory

Property Tax Calendar

Lien Date	No set date
Levy Date	October 31, 2010
Due Date	December 31, 2010
Collection Dates	November 1 through June 30

City of Grambling
Notes to the Basic Financial Statements
December 31, 2010

NOTE 5 - RECEIVABLES The following is a summary of receivables at December 31, 2010:

Class of Receivable	General Fund	Health & Sanitation Fund	Maintenance Fund	Total
Taxes:				
Property taxes	\$ 214,190	\$ -	\$ 20,979	\$ 235,169
Sales and use	38,758	36,156	-	74,914
Intergovernmental revenue:				
User fees	-	34,394	112,426	146,820
Franchise Fees	10,307	-	-	10,307
Bingo Fee	22,423	-	-	22,423
Gross Receivables	<u>\$ 285,678</u>	<u>\$ 70,550</u>	<u>\$ 133,405</u>	<u>\$ 489,633</u>
Less allowance for uncollectibles	54,072	6,831	26,809	87,712
	<u>\$ 231,606</u>	<u>\$ 63,719</u>	<u>\$ 106,596</u>	<u>\$ 401,921</u>

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

Individual balances due from/to other funds at December 31, 2010 are as follows:

Receivable Fund	Amount	Payable Fund	Amount
General	\$ 88,336	Health & Sanitation	\$ 88,336
Capital Projects	403,125	General Fund	403,125
Debt Service Fund	29,828	General Fund	29,828
Health & Sanitation	497,594	General Fund	497,594
Health & Sanitation	27,422	Capital Projects	27,422
Total	<u>\$ 1,046,305</u>	Total	<u>\$ 1,046,305</u>

The General Fund receivable is for payroll and operating expenses which are paid by the general fund and reimbursed by Health and Sanitation. The Capital Projects receivable is for construction projects costs that the General Fund has not transferred the cash yet. The Debt Service Fund receivable is for ad valorem revenue to be transferred. The Health and Sanitation receivable is for garbage collection fees deposited in the General Fund and not transferred yet, plus intercompany transfers of cash from Health and Sanitation to the General Fund.

City of Grambling
Notes to the Basic Financial Statements
December 31, 2010

Transfers during the year ended December 31, 2010 were as follows:

	Transfer From Other Funds	Transfer to Other Funds
General Fund	\$ 35,604	\$ 680,886
Health and Sanitation	20,525	120,087
Maintenance Fund	852,485	56,129
Capital Project Fund	-	141,235
Debt Service Fund	109,723	20,000
Total	<u>\$ 1,018,337</u>	<u>\$ 1,018,337</u>

The Maintenance Fund's due to and due from other funds were changed to transfers in and out as the Maintenance Fund does not have the funds nor will it have the funds to repay their obligations.

NOTE 7 - ACCRUED AND OTHER LIABILITIES The payables at December 31, 2010 are as follows:

Payable category	General Fund	Health & Sanitation	Maintenance Enterprise	Total
Wages	\$ 44,342	\$ 1,313	\$ 5,779	\$ 51,434
Other	5,130	-	-	5,130
Total	<u>\$ 49,472</u>	<u>\$ 1,313</u>	<u>\$ 5,779</u>	<u>\$ 56,564</u>

NOTE 8 - CAPITAL ASSETS The following presents the changes in capital assets for the year ended December 31, 2010:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Nondepreciable assets:				
Land	\$ 42,902	\$ -	\$ -	\$ 42,902
Construction in progress	-	510,999	-	510,999
Total nondepreciable assets	<u>42,902</u>	<u>510,999</u>	<u>-</u>	<u>553,901</u>
Depreciable Assets:				
Buildings and improvements	2,635,359	-	-	2,635,359
Furniture and equipment	1,463,587	-	-	1,463,587
Total depreciable assets	<u>4,098,946</u>	<u>-</u>	<u>-</u>	<u>4,098,946</u>
Less: accumulated depreciation				
Buildings and improvements	586,872	64,201	-	651,073
Furniture and equipment	1,212,329	98,855	-	1,311,184
Total accumulated depreciation	<u>1,799,201</u>	<u>163,056</u>	<u>-</u>	<u>1,962,257</u>
Net depreciable capital assets	<u>2,299,745</u>	<u>(163,056)</u>	<u>-</u>	<u>2,136,689</u>
Governmental activities capital assets, net	<u>\$ 2,342,647</u>	<u>\$ 347,943</u>	<u>\$ -</u>	<u>\$ 2,690,590</u>

City of Grambling
Notes to the Basic Financial Statements
December 31, 2010

Depreciation expense for 2010 was charged to governmental activities as follows:

General government	\$ 67,092
Public safety	23,135
Health and sanitation	3,687
Highways and streets	69,142
Total	<u>\$ 163,056</u>

A summary of plant and equipment changes in the Maintenance Enterprise Fund for 2010 are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Nondepreciable assets:				
Land	\$ 16,526	\$ -	\$ -	\$ 16,526
Depreciable Assets:				
Buildings and improvements	30,000	-	-	30,000
Sewage plant	3,052,736	-	-	3,052,736
Water system	1,749,680	-	-	1,749,680
Water/Sewer equipment	1,094,125	-	-	1,094,125
Vehicles	29,950	2,580	-	32,530
Total depreciable assets:	5,956,491	2,580	-	5,959,071
Less: accumulated depreciation				
Buildings and improvements	22,500	1,500	-	24,000
Sewage plant	1,844,786	152,637	-	1,997,423
Water system	971,638	87,486	-	1,059,124
Water/Sewer equipment	1,063,637	7,585	-	1,071,222
Vehicles	20,683	3,696	-	24,379
Total accumulated depreciation	3,923,244	252,904	-	4,176,148
Net depreciable capital assets	2,033,247	(250,324)	-	1,782,923
Enterprise fund capital assets, net	\$ 2,049,773	\$ (250,324)	\$ -	\$ 1,799,449

NOTE 9 - PENSION AND RETIREMENT PLAN The City established a Simple IRA plan to be effective October 4, 2002. All city employees are eligible to participate in the plan. The plan is a defined contribution plan administered by Morgan Keegan & Co., Inc. Under the plan, the City matches each employee's salary reduction for contributions to the plan up to 5% for that calendar year. The funds are immediately vested when paid into the plan. The plan is based on the IRS Code and must comply with all IRS Code requirements. The City of Grambling's contributions to the system for the year ending December 31, 2010 were \$9,998.64 and employees contributed \$10,200.24.

City of Grambling
Notes to the Basic Financial Statements
December 31, 2010

NOTE 10 - CHANGES IN LONG-TERM OBLIGATIONS The following is a summary of long-term obligation transactions for the year ended December 31, 2010:

	Governmental Funds				Maintenance - Enterprise Fund			
	Compensated Absences	Capital Leases	Certificate of Indebtedness	Total	Compensated Absences	Capital Leases	Bonds Payable	Total
Balance, beginning	\$ 28,287	\$ 136,615	\$ 570,990	\$ 735,892	\$ 3,560	\$ 1,884	\$ 1,478,002	\$ 1,483,446
Additions	26,032	-	-	26,032	6,897	-	-	6,897
Retirements	23,937	77,709	87,194	188,840	4,851	1,884	84,386	91,121
Balance, ending	30,382	58,906	483,796	573,084	5,606	-	1,393,616	1,399,222
Due within one year	\$ 24,004	\$ 28,827	\$ 86,066	\$ 138,897	\$ 5,606	\$ -	\$ 90,581	\$ 96,187

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

Bonded debt payable at December 31, 2010 is comprised of the following individual issues:

\$850,000 - Certificate of Indebtedness, Series 2005 – the principal is due in annual installments beginning June 30, 2005 and due each year through 2015, with an interest rate of 4.25%. The funds were used for a new fire station. Debt retirement payments are made from the Debt Service Fund. \$ 483,796

\$1,250,000 - Utilities Revenue Bonds, Series 1995 – the remaining principal is due in annual installments with an interest rate of 5.125%. The funds were used for the water system. Debt retirement payments are made from the Maintenance Enterprise Fund. 1,039,830

\$1,170,000 - 1993 Utilities Revenue Bond, Series 1993 – the remaining principal is due in annual installments through March, 2015, with an interest rate of 2.95%. The funds were used for the sewer system. Debt retirement payments are made from the Maintenance Enterprise Fund. 353,786

Total \$ 1,877,412

City of Grambling
Notes to the Basic Financial Statements
December 31, 2010

As shown on Statement C, \$47,528 is available in the Debt Service Fund to service the bonded debt on the Certificate of Indebtedness, Series 2005. The annual requirements to amortize all outstanding bonded debt at December 31, 2010 are as follows:

Debt Service fund:

Year	Principal	Interest	Total
2011	\$ 86,066	\$ 23,642	\$ 109,708
2012	90,347	19,361	109,708
2013	94,841	14,867	109,708
2014	99,558	10,150	109,708
2015	112,984	10,407	123,391
Total	<u>\$ 483,796</u>	<u>\$ 78,427</u>	<u>\$ 562,223</u>

Of the restricted cash and investments on Statement H, \$136,896 is restricted for debt service on the bonded debt. The annual requirements to amortize all outstanding bonded debt at December 31, 2010 are as follows:

Year	Principal	Interest	Total
2011	\$ 90,581	\$ 69,476	\$ 160,057
2012	91,681	54,924	146,605
2013	92,840	53,065	145,905
2014	99,061	51,844	150,905
2015	94,134	50,557	144,691
2016-2020	148,577	224,067	372,644
2021-2025	192,778	179,867	372,645
2026-2030	250,128	122,517	372,645
2031-2035	324,154	47,505	371,659
2036	9,682	80	9,762
Total	<u>\$ 1,393,616</u>	<u>\$ 853,902</u>	<u>\$ 2,247,518</u>

Under the terms of the bond indentures on the outstanding Utility Revenue Bonds, Series, 1993 and the Utility Revenue Bonds, Series, 1995, the following requirements are stated:

Sinking Fund-A monthly payment equal to 1/12 of the current year principal and interest installment must be made from the Water Revenue Account into the Sinking Fund Account. This requirement was not met as of December 31, 2010.

Reserve Fund-The Reserve Fund is required by the Authorizing Resolution to be funded to an amount equal to the scheduled maximum principal and interest requirements in any succeeding bond year. This amount is \$160,057 as of 12/31/10. This requirement was not met as of December 31, 2010.

Replacement Fund-A replacement fund balance of \$75,000 is required to be maintained to care for extensions, additions, renewals and replacements necessary to properly operate the wastewater treatment plant. This requirement was met as of December 31, 2010.

City of Grambling
Notes to the Basic Financial Statements
December 31, 2010

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 (Health & Sanitation Fund).

At December 31, 2010, the City had the following assets under capital lease:

Asset	Cost	Accumulated Depreciation	Net Book Value
Garbage Truck #2	\$ 144,397	\$ 86,637	\$ 57,760

The following is a schedule of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments, as of December 31, 2010:

Fiscal year:	Health & Sanitation
2011	\$ 31,380
2012	31,384
Total lease payments	62,764
Less amounts representing interest	3,858
Present value of net minimum lease payments	\$ 58,906

NOTE 11-LITIGATION AND CLAIMS At December 31, 2010 there were still several suits unsettled concerning the Mayor, the Council and various employees of the City. As a new Mayor took office January 1, 2011, these suits will probably expire with no further action. The current Mayor and Council do not feel that there is any significant liability that the City has regarding these old legal proceedings. The trial of the former Assistant City Clerk for alleged theft in 2009 is scheduled to begin in September 2011.

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

Construction Commitments As of December 31, 2010, the City had construction commitments of \$72,001 to be paid in 2011.

NOTE 12 - SUBSEQUENT EVENTS On June 27, 2011 the City received tentative approval from the Louisiana Department of Environmental Quality for a \$536,700 loan. The funds would be used to renovate the City sewer pond and would be paid back over a twenty year period.

NOTE 13 - PRIOR PERIOD ADJUSTMENTS The governmental fund financial statements include prior period adjustments increasing the fund balance by \$134,173. The general fund balance increased \$201,624, the health & sanitation fund balance decreased by \$48,260, and the debt service fund balance decreased \$19,191 due to prior period corrections of accounts receivable and due to/due from balances. The maintenance fund balance was decreased \$85,210 to record payables for prior year expenses paid by the general fund.

NOTE 14 – GENERAL FUND DEFICIT The general fund has a deficit fund balance at the end of the fiscal year primarily because the general fund had to make a transfer to the maintenance fund to cover costs which were not covered by collections for water and sewer services. To correct this situation, the water department will collect on all due and outstanding water bills. The City will also increase the water and sewer rates effective January 2012.

City of Grambling

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

CITY OF GRAMBLING
PROPRIETARY FUND TYPE - MAINTENANCE ENTERPRISE FUND
Comparative Statement of Net Assets
December 31, 2010 and 2009

Schedule 1

	2010	2009
	MAINTENANCE	MAINTENANCE
	FUND	FUND
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 52,516	\$ 118,255
Receivables, net of allowance of \$26,809 and \$805	106,596	98,262
Interfund receivable	0	339,967
Prepaid expenses	2,042	2,042
Capital assets, net	1,799,449	2,049,773
Restricted Assets:		
Cash	133,172	206,164
Investments	128,225	48,011
TOTAL ASSETS	<u>2,222,000</u>	<u>2,862,474</u>
LIABILITIES		
Accounts payable	33,354	11,430
Accrued and other liabilities	5,779	12,057
Deferred revenue	2,826	0
Interfund payable	0	970,225
Interest payable from restricted assets	46,402	56,408
Customer deposits payable from restricted assets	124,501	123,251
Current portion of bonds payable	96,187	89,444
Notes payable	0	0
Revenue bonds payable	1,303,035	1,392,596
TOTAL LIABILITIES	<u>1,611,884</u>	<u>2,655,411</u>
NET ASSETS		
Invested in capital assets, net of related debt	405,833	567,733
Restricted for Debt Retirement	90,494	87,573
Unrestricted	113,789	(448,242)
Total Net Assets	<u>\$ 610,116</u>	<u>\$ 207,064</u>

CITY OF GRAMBLING
 PROPRIETARY FUND - MAINTENANCE ENTERPRISE FUND
 Proposed Budget - 2011
 For the Year Ended December 31, 2010

Schedule 2

OPERATING REVENUES	
Water sales	\$ 271,556
Water connection charges	3,052
Sewer fees	<u>381,254</u>
Total operating revenues	<u>655,862</u>
OPERATING EXPENSES	
Water department	509,247
Sewer department	<u>186,742</u>
Total operating expenses	<u>695,989</u>
OPERATING INCOME (LOSS)	<u>(40,127)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	528
Ad valorem tax revenues	64,874
Sales tax revenues	27,850
Other income	17,032
Interest expense	<u>0</u>
Total nonoperating revenues (expenses)	<u>110,284</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>70,157</u>
TRANSFERS IN	
Transfers in	0
Transfers out	<u>(50,000)</u>
Total transfers	<u>(50,000)</u>
CHANGE IN NET ASSETS	20,157
NET ASSETS - BEGINNING	<u>(122,757)</u>
NET ASSETS - ENDING	<u>\$ (102,600)</u>

City of Grambling
Schedule of Compensation Paid Council Members
For the Year Ended December 31, 2010

Schedule 3

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

<u>Board Member</u>	<u>Term Expiration</u>	<u>Compensation Paid</u>
Edward Jones	12/31/2010	\$20,300
Alvin Bradley	12/31/2010	10,850
Toby Bryan	12/31/2010	11,200
Roosevelt Bryant, Jr.	12/31/2010	11,200
Roy Jackson	12/31/2010	<u>11,200</u>
Total		<u>\$64,750</u>

**City of Grambling
Schedule of Insurance Coverage
As of December 31, 2010**

Schedule 4

<u>Type of Coverage</u>	<u>Name of Insurer</u>	<u>Policy Number</u>	<u>Amount of Coverage</u>	<u>Deductible</u>	<u>Expiration Date</u>
Commercial property	Underwriters at Lloyd of London	APPUC101805	Building: \$2,198,000	\$ 2,500	7/30/2011
			Personal Property: \$540,000	2,500	7/30/2011
Automobile	Agency Management Corporation	5CA8938	Based on individual Vehicle	500	3/13/2011
Fidelity Bond	Traveler's Casualty	103093269	\$15,000	NONE	2/11/2013
		104436852	5,000	500	
		103093272	10,000	NONE	

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

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

City of Grambling
Schedule of Breakdown of Utility Customers
For the Year Ended December 31, 2010

Schedule 5

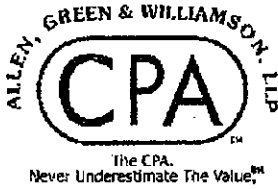
Commercial	82
Residential	<u>1,080</u>
Total Customers	<u>1,162</u>

City of Grambling
Schedule of Water & Sewer Rates
As of and For the Year Ended December 31, 2010

Schedule 6

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

SINGLE AUDIT INFORMATION



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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 Ed Jones,
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, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 30, 2011. Our report was qualified for operating revenues and accounts receivable in the Enterprise Fund. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 10-F3, 10-F7, and 10-F8 to be material weaknesses.

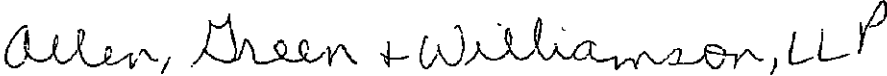
A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 10-F4 and 10-F6 to be significant deficiencies.

Compliance and Other Matters

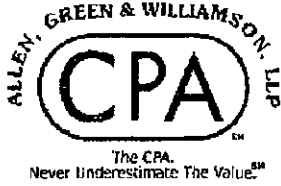
As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 10-F1, 10-F2, and 10-F5.

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

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


ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
August 30, 2011



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(Retired) 1963 - 2000

Report on Compliance With Requirements That Could Have A Direct And Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

INDEPENDENT AUDITORS' REPORT

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

Compliance

We have audited the compliance of the City of Grambling, with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010. The City's major federal program is identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 10-F9, 10-F10, and 10-F11.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration on internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 10-F9, 10-F10, and 10-F11. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report is intended solely for the information and use of the Board, management, others within the entity, 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
August 30, 2011

City of Grambling
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2010

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM NAME	CFDA Number	Pass-Through Grantor No.	Expenditures
CASH FEDERAL AWARDS			
Environmental Protection Agency Passed through LA Dept. of Environmental Quality DEQ - Captitalization Grants for Clean Water - ARRA	66.458	N/A	\$ 490,199
Environmental Protection Agency U.S. Department of Homeland Security Passed through the Governor's Office of Homeland Security & Emergency Preparedness FEMA - Hazard Mitigation Grant United States Department of Homeland Security	97.039	N/A	17,995
TOTAL FEDERAL AWARDS			<u><u>\$ 508,194</u></u>

City of Grambling
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2010

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

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

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

Intergovernmental revenues - general fund	\$ 17,995
Intergovernmental revenues - capital project fund	<u>490,199</u>
Total	<u><u>\$508,194</u></u>

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

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

City of Grambling
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2010

PART I - Summary of the Auditors' Results

Financial Statement Audit

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

Three significant deficiencies were considered to be material weaknesses.

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

Audit of Federal Awards

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

CFDA #66.458 DEQ Capitalization Grants for Clean Water - ARRA

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

City of Grambling
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2010

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

Reference # and title: **10-F1** **Louisiana Local Government Budget Act**

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

Criteria or specific requirement: LSA-R.S.39:1307 states in part that the public notice advertising the public hearing and adoption of the budget for a municipality must include a statement that the budget is available for public inspection. LSA-R.S.39:1306 states that the proposed budget be made available for public inspection no later than 15 days prior to the beginning of each fiscal year. LSA-R.S.39:1311 also states that if actual revenues are less than budgeted revenues by 5% or more or actual expenses are over budget by 5% or more, the governing body must adopt budget amendments to address the differences.

Condition found: The public notice published concerning the public hearing and adoption of the 2010 proposed budget did not include a statement that the proposed budget was available for public inspection. The General Fund actual revenues were 9% less than the final amended budget and the General Fund expenditures were 56% greater than the final amended budget.

Possible asserted effect (cause and effect):

Cause: The City did not include all necessary elements as required by state law in their public notice. Also, the City did not have adequate financial records available to amend the budget properly before the end of the calendar year.

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

Recommendation to prevent future occurrences: The City should follow all provisions of the Local Government Budget Act of the State of Louisiana. The City should maintain adequate financial records throughout the year so that proper and necessary budget amendments can be made before year end and avoid exceeding the 5% rule.

Reference # and title: **10-F2** **Late Submission of the Audit Report to the USDA**

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

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

Condition found: The City did not file the audit within the 150 days as required.

Possible asserted effect (cause and effect):

Cause: The accounting firm hired by the City did not have the financial records complete in time for the audit to be performed timely.

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

City of Grambling
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2010

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

Recommendation to prevent future occurrences: In the future the City should maintain adequate accounting records necessary for the audit to be completed on time.

Reference # and title: **10-F3** **Capital Asset Management**

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

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

Condition found: The fee accountants maintain the capital asset and depreciation schedule. Two vehicles purchased during the year were not on the depreciation schedule, nor was the costs involved with the sewer renovation recorded as construction in progress. An annual physical inventory was not taken.

Possible asserted effect (cause and effect):

Cause: There is a lack of understanding by City personnel concerning capital assets.

Effect: The City's capital asset listing was not complete.

Recommendation to prevent future occurrences: A physical inventory should be taken and any assets not found removed from the depreciation schedule. Fee accountants should provide training to the City's staff regarding capital assets, and procedures established to ensure that all additions and deletions are properly recorded as well as any construction in progress.

Reference # and title: **10-F4** **Police Department Ticket Books and Fines**

Entity-Wide or program /department specific: This finding is specific to the Police Department.

Criteria or specific requirement: Ticket books issued to the police officers should be properly accounted for. In addition the Clerk of Courts report of fines collected for each month should be reconciled to the police fines revenue recorded in the general ledger each month.

Condition found: When someone other than the Clerk of Court issues a ticket book to an officer they do not write the officer's name on the book. Therefore when the empty book is returned to the Clerk of Court, she has no way of matching that book to her issued book log. This prevents her from performing any type of reconciliation to account for all the tickets that have been issued. There is no reconciliation of fines revenue posted to the clerk of court's system to the revenue posted in the general ledger for fines. A sample of 42 tickets written during the year was tested by tracing the fee to the standard fee schedule and tracing the collection to a bank deposit and proper recording in the general ledger. 6 of the tickets tested could not be traced to a bank deposit or recording in the general ledger.

City of Grambling
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2010

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

Possible asserted effect (cause and effect):

Cause: No procedures have been established for a situation where someone other than the Clerk of Court issues a ticket book. Deposits were difficult to trace to a deposit and recording in the general ledger because at the end of the day z tapes were cut off at a different time than the deposit.

Effect: There are insufficient controls over ticket books and fines.

Recommendation to prevent future occurrences: The receiving officer's name should be written on each ticket book issued along with the range of tickets in the book. In addition, at the end of each month, the Clerk of Courts report of fines collected and posted should be reconciled to the recorded fines revenue in the general ledger.

Reference # and title: **10-F5** **Late Submission of Audit Report to Legislative Auditor**

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

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

Condition found: The City requested an extension of time by the Legislative Auditor's Office and an extension was approved to September 30, 2011.

Possible asserted effect (cause and effect):

Cause: The fee accountants for the City were unable to complete their work in time for the audit to be performed timely due to the condition of the City's financial records and the former City Accountant being dismissed January 1, 2011.

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

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

Reference # and title: **10-F6** **Adjustments to Utility Bills/Reconnect Fees**

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

Criteria or specific requirement: Good internal controls require that adjustments to customer's bills be properly approved and adequate records kept. In addition, reconnect fees should be charged to customers who have had their water service disconnected due to failure to pay and adequate records kept to ensure that the reconnect fees are charged and received.

City of Grambling
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2010

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

Condition found: The City had a computer report of adjustments made to customer's accounts during the year, however there was no support for these adjustments. The personnel who had made these adjustments in the 2010 year had been dismissed as of January 1, 2011 and the new personnel had no knowledge of these adjustments nor could they find any support for the adjustments at City Hall. In addition, there was no way to determine if a reconnect fee had been paid by a customer before his or her service was reconnected. Reconnect fees are not added in the computerized billing system and are only recorded in total on the cash register daily z tapes.

Possible asserted effect (cause and effect):

Cause: Some records could not be located.

Effect: The City did not have effective internal controls over utility adjustments and reconnect fees.

Recommendation to prevent future occurrences: The City should establish procedures to ensure that all adjustments are properly approved by the Mayor and that adequate records supporting these adjustments are maintained. In addition, procedures should be established to ensure that reconnect fees are charged when a customer's water is reconnected and adequate records maintained to prove that the fee was paid prior to service being reconnected.

Reference # and title: **10-F7** **Utility System Crash**

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

Criteria or specific requirement: Good internal controls require that computerized systems such as the Utility Department Billing System be properly backed up and a recovery plan in place to ensure that any data loss resulting from a computer system crash is minimal.

Condition found: In the 2010 calendar year, the Utility Billing System crashed as the result of a virus. There was no back-up system in place and all data records were lost.

Possible asserted effect (cause and effect):

Cause: The City had allowed its' contract for a back-up system to expire.

Effect: The City lost all data relative to each customer's account.

Recommendation to prevent future occurrences: The City should purchase a back-up system and establish daily procedures to prevent loss of data in the future.

Reference # and title: **10-F8** **General Accounting**

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

City of Grambling
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2010

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

Criteria or specific requirement: Good internal controls require that all manual journal entries be properly maintained along with the supporting documentation for each. Each manual journal entry should show the preparer, the reason for the entry and the period it is posted to. Although QuickBooks has a record of the manual journal entries posted, a hard copy including the supporting documentation should be kept as a permanent record of the City's finances. In addition, some sort of review procedure should be initiated so that there are proper checks and balances in this area.

Proper internal controls also require that all bank accounts be reconciled timely, hourly employees should clock out for lunch and clock back in after lunch, support for all employee deductions should be kept in the employee's file, and purchase orders should be dated before invoice dates.

As for revenue receipts, the daily deposits should be for the same amount as the daily z tape from the cash register and the break out of water, sewer, penalties, etc. shown on the water revenue daily summary report should be the same as the break out on the z tape.

Adequate supporting documentation should be kept for all property tax payments received by the cashier and these payments should be posted timely to the property tax sub-ledger. Monthly financial reports to the Council should be prepared after the bank accounts are reconciled and all inter-fund entries made to ensure that revenue and expenses are in the correct funds.

The City should assign someone to keep up with all grants received and their associated expenditures and prepare the year end Schedule of Expenditures of Federal Awards.

Condition found: The City's Accountant had made numerous manual journal entries in 2010 but had not printed them or kept a file with the supporting documentation. The reasonableness and necessity of these manual journal entries could not be determined. As for bank reconciliations, none had been performed timely and a third party CPA firm was hired after the end of the fiscal year to perform the reconciliations. Hourly employees of the maintenance department were not clocking out and in for lunch. Employees who did not clock out had their daily time reduced to the nearest whole number to compensate for a lunch break. Therefore, the actual time paid per the check stub did not equal the hours shown on the time sheets. In addition, there was missing support for wage garnishments, credit union deductions and child support. There were three exceptions noted where the PO was dated after the invoice date.

In testing 194 utility payments, none of the receipts amounts shown on the daily summary from the Utility Billing System tie to the amounts shown as deposited per the daily cash register z tapes because monies were collected after the cash register cleared at 4:00 pm. Also the revenue distribution as shown on the daily summary sheets, do not tie to the distribution shown on the z tapes.

In testing 5 days of property tax receipts, there was one day of support that was unable to be produced by the City and one day's receipts that were not deposited timely. There were two of the five days where the amounts shown as received did not match the deposit and the daily Z tape due to monies collected after the cash register cleared at 4:00 pm.

City of Grambling
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2010

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

We reviewed the June 2010 financials presented to the Council and noted several errors. All expenses were being paid out of the General Fund and as of June 30, 2010 none of the transfers had been made to the Health and Sanitation or Maintenance Funds. The financials as presented did not reflect the true status of each fund of the City. Also at that time, none of the bank recons had been performed so there was no assurance that all revenue and expenses had been reflected.

Finally, the City was not able to provide us with a list of grants received or detail of grant expenditures by grant.

Possible asserted effect (cause and effect):

Cause: The City's Accountant of the City was not knowledgeable of governmental accounting standards, did not perform the required bank reconciliations, did not prepare the required inter fund transfer or due to/due from entries and did not have the proper internal controls and procedures in place to safe guard the City's assets.

Effect: The City did not have accurate and timely accounting records throughout the year and the Council was not provided with the information necessary to manage the City in an efficient manner. The City had to spend unbudgeted funds to hire an outside CPA firm in 2011 to get the City's books for 2010 ready for the required audit.

Recommendation to prevent future occurrences: The City should hire a qualified accountant or a qualified fee accountant to keep their financial records and ensure that the proper internal controls are followed.

City of Grambling
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2010

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

Reference # and title: **10-F9** **Cash Management**

Federal program and specific federal award identification: This finding relates to Capitalization Grants for Clean Water State Revolving Funds, CFDA#66.458 ARRA, from federal agency, Environmental Protection Agency passed through the State of Louisiana.

Criteria or specific requirement: Federal guidelines for these funds require that those entities which receive advances from the pass through agency minimize the time between the receipt of the funds and the disbursement of funds for program expenses. AGW considers within three days as being a timely disbursement of advanced funds.

Condition found: In testing three receipts of federal funds none of the claimed disbursements to the vendors were made timely. There was at least a week between the receipt date and the date of the vendor checks.

Possible asserted effect (cause and effect):

Cause: There did not appear to be any controls in place to assure that funds were expended in a timely manner after receipt.

Effect: The City is not properly following the guidelines for the disbursement of advanced federal funds.

Recommendation to prevent future occurrences: The City should prepare disbursement checks to the appropriate vendors within three days of receiving the funds from the state.

Reference # and title: **10-F10** **Separate Accounting for ARRA funds**

Federal program and specific federal award identification: This finding relates to Capitalization Grants for Clean Water State Revolving Funds, CFDA#66.458 ARRA, from federal agency, Environmental Protection Agency passed through the State of Louisiana.

Criteria or specific requirement: Federal guidelines for these American Recovery and Reinvestment funds require that the ARRA funds received and disbursed be accounted for separately in the City's financial records.

Condition found: The ARRA funding revenue was recorded in the same revenue account as state appropriation funds and not identified separately. The ARRA expenditures were combined with other capital projects expenditures and not reported separately.

Possible asserted effect (cause and effect):

Cause: The City did not know that the ARRA funds needed to be tracked separately.

Effect: The City did not follow the guidelines for the ARRA funding requiring a separate accounting from their other monies.

City of Grambling
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2010

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

Recommendation to prevent future occurrences: The City should set up separate revenue and expense accounts for any future ARRA funds received.

Reference # and title: **10-F11** **Capital Asset Management**

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

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

Condition found: The fee accountants maintain the capital asset and depreciation schedule. Two vehicles purchased during the year were not on the depreciation schedule, nor was the costs involved with the sewer renovation recorded as construction in progress. An annual physical inventory was not taken.

Possible asserted effect (cause and effect):

Cause: There is a lack of understanding by City personnel concerning capital assets.

Effect: The City's capital asset listing was not complete.

Recommendation to prevent future occurrences: A physical inventory should be taken and any assets not found removed from the depreciation schedule. Fee accountants should provide training to the City's staff regarding capital assets, and procedures established to ensure that all additions and deletions are properly recorded as well as any construction in progress.

Other Information

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

City of Grambling
Summary Status of Prior Audit Findings
For the Year Ended December 31, 2010

Reference # and Title: **09-F1** **General Accounting Issues**

Origination Date: 2006.

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

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

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

The following general accounting issues were noted:

1. The City was slow to provide requested data. Some requested documents were never provided. We provided the City with a list of data that would be needed for us to begin the audit. We explained that audit cost is driven by the time required to complete the audit. We explained that it was imperative that all of the requested data be readily available when we arrived to work. This would allow us to be immediately productive and ensure that the City's staff was available to answer audit inquiries and to pull additional data that would be necessary based on the results of our initial procedures.
2. When we receive the trial balances, there were \$675,976 and \$108,498 posted to miscellaneous revenue and expenditure accounts in the General fund, respectively. The City Accountant provided journal entries for the majority of the transactions but it was months after the audit should have begun.
3. The City did not account for transactions in the appropriate funds. The General Fund checking account was used for most deposits and checks. For some transactions, the City Accountant used the class function in Quickbooks software to identify the appropriate fund. However, for transactions totaling \$1,440,557.60, no class was recorded.
4. The City levied taxes for capital outlay, fire protection, police protection, public improvement bonds, maintenance of public streets, and maintenance of the water system. However, no special revenue funds were established. All ad valorem tax revenue was recorded in the General Fund.
5. Numerous invoices and other documents could not be located for examination by the auditor.

City of Grambling
Summary Status of Prior Audit Findings
For the Year Ended December 31, 2010

6. The interfund activity that was posted did not balance. The following represents the unadjusted balances in interfund balance sheet accounts.

	<u>Unadjusted</u>		<u>Adjusted</u>	
	<u>Due From</u>	<u>Due To</u>	<u>Due From</u>	<u>Due To</u>
General Fund	\$ (193,127)	\$ 1,091,611	\$ 829,982	\$ 1,164,224
Health and Sanitation Fund	547,655	-	390,313	-
Debt Service Fund	-	-	29,828	-
Capital Projects Fund	383,235	66,665	611,024	66,665
Maintenance Fund	258,314	(75,524)	339,967	970,225
	<u>\$ 996,077</u>	<u>\$ 1,082,752</u>	<u>\$ 2,201,114</u>	<u>\$ 2,201,114</u>
Difference		<u>\$ 86,675</u>		<u>\$ -</u>
	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ -	\$ -	\$ -
Health and Sanitation Fund	260	-	-	-
Debt Service Fund	-	20,000	-	-
Capital Projects Fund	-	-	-	-
Maintenance Fund	-	-	-	-
	<u>\$ 260</u>	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ -</u>
		<u>\$ 19,740</u>		

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

Corrective action planned: See management's response to 10-F8 attached.

Reference # and Title: **09-F2** **Enterprise Fund**

Origination Date: 2006.

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

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

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

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

City of Grambling
Summary Status of Prior Audit Findings
For the Year Ended December 31, 2010

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

Corrective action planned: See management's response to 10-F6 and 10-F7 attached.

Reference # and Title: **09-F3** **Budgets**

Origination Date: 2005.

Condition:

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

1. The City must use the uniform chart of accounts developed by the Louisiana Legislative Auditor.
2. The Mayor must prepare a budget for the general fund and all special revenue funds. The budget should include a budget message and a statement for the general fund and each special revenue fund showing the estimated fund

City of Grambling
Summary Status of Prior Audit Findings
For the Year Ended December 31, 2010

balances at the beginning of the year, estimates of all revenues and expenditures for the year, and estimated fund balances at the end of the year. The budget cannot present a negative fund balance.

3. The budget must be accompanied by the appropriate budget adoption instrument which must define the authority of the officers of the City to make changes without approval by the Council. The Lawrason Act requires the budget to be adopted and amended by ordinance.
4. The budget must be submitted to the Council and made available to the public no later than fifteen days prior to the beginning of the year. The City must follow requirements to allow public participation in the budget adoption process.
5. Certified copies of the budget and the adoption instrument and budget amendments must be retained by the Mayor.
6. The Mayor must propose a budget amendment to the Council when it becomes apparent that an unfavorable budget variance will exceed five percent or more. Budget amendments are not required for special revenue funds with proposed expenditures of less than \$500,000.

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

The following summarizes the issues we noted regarding budget:

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

Corrective action planned: See management's response to 10-F1 attached.

Reference # and Title: **09-F4** **Cash**

Origination Date: 2006

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

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

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

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

City of Grambling
Summary Status of Prior Audit Findings
For the Year Ended December 31, 2010

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

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

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

Corrective action planned: See management's response to 10-F8 attached.

Reference # and Title: **09-F5** **Louisiana Compliance Questionnaire**

Origination Date: 2009

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

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

Corrective action taken: The new Mayor signed the questionnaire for the current year ended December 31, 2010.

Reference # and Title: **09-F6** **Nonpavroll Expenditures, Expenses, and Disbursements**

Origination Date: 2007

Condition: Basic internal control procedures include:

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

City of Grambling
Summary Status of Prior Audit Findings
For the Year Ended December 31, 2010

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

LRS 42:1113 prohibits transactions with related parties.

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

1. We systematically selected an initial sample of 60 disbursements for testing. The following is a summary of the results of that test:

- a. For fourteen of the transactions, proper support was not available.
- b. Six of the transactions were not properly coded.
- c. Thirteen items were not supported by a purchase requisition in accordance with City policy.
- d. Four items were not supported by a purchase order in accordance with City policy.
- e. For eighteen items, the purchase order on file was incomplete.
- f. For five items, the purchase order was not approved.
- g. For five items, the invoice preceded the purchase order.

2. Due to the City's apparent failure to post transactions in the proper funds, we selected an additional sample of sixty disbursement transactions for testing. Twenty-one out of sixty items were not supported by invoices or other appropriate support.

3. While performing our procedures, we noted a check in the general ledger issued to Martha Andrus on April 20, 2009, in the amount of \$1,281.91. The check was not a payroll check but was coded to salaries. The City was unable to produce support for the check.

4. We noted a check posted to miscellaneous expenditures in the general ledger issued to Elizabeth Jones in the amount of \$32,623.54. The memo on the check was "business car expense". This check among others was previously submitted to the City Attorney by City officials for review. The checks appear to have been signed by Mayor Andrus. Mayor Andrus asserts that she did not sign the checks. The City Attorney hired a forensic document examiner who reached the conclusion that the checks were signed by Mayor Andrus. The following is a list of the checks:

32338	1/31/2009	Elizabeth Jones	\$ 2,492.50
32387	2/19/2009	Elizabeth Jones	2,223.06
32587	2/25/2009	Northern Louisiana Medical Center	147.25
32596	2/25/2009	Elizabeth Jones	861.00
32611	3/3/2009	Body Central, Jacksonville, FL.	566.16
32614	3/3/2009	Elizabeth Jones	32,623.54
32617	3/5/2009	Elizabeth Jones	9,234.00
			<u>\$48,147.51</u>

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

6. During the year ended December 31, 2009, the City paid \$222,505.90 for 2008 payroll taxes withheld and accrued that had not been remitted to the appropriate authorities.

**City of Grambling
Summary Status of Prior Audit Findings
For the Year Ended December 31, 2010**

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

Corrective action planned: See management's response to 10-F8 attached.

Reference # and Title: **09-F7** **Ad Valorem Tax Revenue**

Origination Date: 2008

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

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

City of Grambling
Summary Status of Prior Audit Findings
For the Year Ended December 31, 2010

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

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

1. All taxes were deposited in the General Fund bank account. Also see finding 2009-1. No journal entries were made to distribute the revenue.
2. The City was unable to produce a schedule of unpaid taxes as of December 31, 2009.
3. Though a tax sale was held in June 2010 to collect unpaid taxes, the City has not established an allowance for doubtful accounts.
4. We obtained a tax assessment payment register for 2009 tax payments generated by the software used to track ad valorem taxes. We intended to use the report to help us test revenue and receivables. However, it was determined that the payment dates entered were incorrect rendering the report useless.
5. While investigating issues surrounding the former assistant clerk, the City noted that ad valorem tax payments may have been misappropriated. The City had no way of knowing who had paid and who had not. So, notices were mailed to all citizens whom the software indicated had not paid. Several citizens claimed they had paid and some citizens provided proof. The records were adjusted for those that came in.

Corrective action planned: See management's response to 10-F8 attached.

Reference # and Title: **09-F8** **Occupational License Tax Revenue**

Origination Date: 2008

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

The following issues were noted with respect to occupational licenses:

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

Corrective action taken: The City contracted with LAMATS, a subsidiary of the Louisiana Municipal Association, to handle their occupational license billing and collections.

City of Grambling
Summary Status of Prior Audit Findings
For the Year Ended December 31, 2010

Reference # and Title: **09-F9** **Fines Revenue**

Origination Date: 2008

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

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

Corrective action planned: See management's response to 10-F4 attached.

Reference # and Title: **09-F10** **Sales Tax Revenue**

Origination Date: 2009

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

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

Corrective action taken: The City recorded all sales tax revenue for the 2010 year.

Reference # and Title: **09-F11** **Payroll Expenditures**

Origination Date: 2008

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

The following issues were noted with respect to payroll expenditures:

1. The City's 2009 Form W-3 reported salaries of \$1,172,857.07 while the total of the City's 2009 Forms 941 was \$1,160,315.48. The difference is due to the City Accountant's salary. During the time period that he was not allowed in his office, the Council issued checks to him outside of the payroll system. When he was allowed to return to his office, those checks were entered into the payroll system and included in his Form W-2 and thus in Form W-3. However, there is no evidence that Form 941 for the first quarter was amended to reflect the change.
2. During the year ended December 31, 2009, all payroll checks were issued from the General Fund. No reimbursements or interfund entries were made from other funds to record the expenditures in the proper funds.

City of Grambling
Summary Status of Prior Audit Findings
For the Year Ended December 31, 2010

3. See finding 2009-6. A regular check was issued to Martha Andrus and coded to salaries expense. The City could not produce any support for the check.
4. We selected for testing the payroll checks issued December 18, 2009. There were fifty five items. The following summarizes the results of our testing:
 - a. Pay rates were documented via a spreadsheet approved by the council or a memo approved by the Chief of Police and/or the minutes of Council meetings. None of the tested personnel files included the documentation of authorized pay rates.
 - b. For seventeen checks, the expenditure appeared to be posted to the wrong fund or class.
 - c. For twenty-five checks, the expenditure appeared to be posted to the incorrect expenditure account.
 - d. For eight checks, we could not locate appropriate documentation of the person in the personnel file.

Corrective action taken: The City took appropriate action to clear these issues.

Reference # and Title: **09-F12** **Capital Assets**

Origination Date: 2007

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

We noted the following issues related to capital assets:

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

Corrective action planned: See management's response to 10-F3 attached.

**City of Grambling
Summary Status of Prior Audit Findings
For the Year Ended December 31, 2010**

Reference # and Title: **09-F13** **Debt**

Origination Date: 2007

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

The following issues were noted related to debt:

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

Corrective action planned: See management's response to 10-F8 attached.

Reference # and Title: **09-F14** **Grant Revenues**

Origination Date: 2008

Condition: See 2009-1.

We noted the following issues with respect to grants:

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

City of Grambling
Summary Status of Prior Audit Findings
For the Year Ended December 31, 2010

reports previously filed. The program is so old that no one wants to take responsibility for resolving the discrepancies and closing out the program.

Corrective action taken: The City is working with H.E.R.D. to close out the project.

Reference # and Title: **09-F15** **Possible Fraud and/or Theft**

Origination Date: 2008

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

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

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

Corrective action taken: The City was advised by its attorney not to pursue legal action against Ms. Rabon due to cost. New internal controls were put into place to prevent and/or detect fraud or theft.

City of Grambling
Summary Status of Prior Audit Findings
For the Year Ended December 31, 2010

Reference # and Title: **09-F16** **Segregation of Duties**

Origination Date: 2008

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

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

Cash Receipts

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

Cash Disbursements

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

Corrective action taken: The Mayor initiated procedures to reduce the risks in this area.

Reference # and Title: **09-F17** **Late Submission to LLA and USDA of Audit Report**

Origination Date: 2005

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

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

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

Corrective action planned: See management's response to 10-F2 and 10-F5.

**City of Grambling
Summary Status of Prior Audit Findings
For the Year Ended December 31, 2010**

Reference # and Title: **09-F18** **Unauthorized Withdrawals**

Origination Date: 2009

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

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

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

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

Corrective action taken: The Board of Ethics issued a favorable opinion to the Council on this matter.

Reference # and Title: **09-F19** **Budget was Improperly Adopted**

Origination Date: 2009

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

Mayor Andrus alleges the following:

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

Corrective action planned: See management's response to 10-F1 attached.

City of Grambling
Corrective Action Plan for Current-year Findings and Questioned Costs
For the Year Ended December 31, 2010

Reference # and title: **10-F1** **Louisiana Local Government Budget Act**

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

Condition: LSA-R.S.39:1307 states in part that the public notice advertising the public hearing and adoption of the budget for a municipality must include a statement that the budget is available for public inspection. LSA-R.S.39:1306 states that the proposed budget be made available for public inspection no later than 15 days prior to the beginning of each fiscal year. LSA-R.S.39:1311 also states that if actual revenues are less than budgeted revenues by 5% or more or actual expenses are over budget by 5% or more, the governing body must adopt budget amendments to address the differences.

The public notice published concerning the public hearing and adoption of the 2010 proposed budget did not include a statement that the proposed budget was available for public inspection. The General Fund actual revenues were 9% less than the final amended budget and the General Fund expenditures were 56% greater than the final amended budget.

Corrective action planned: The City of Grambling will ensure that the public notice concerning the public hearing and adoption of the 2011 proposed budget includes the statement that the proposed budget will be available for public inspection. The City will also maintain adequate financial records to properly amend the budget.

Person responsible for the above corrective actions:

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

Anticipated completion date: Immediately.

Reference # and title: **10-F2** **Late Submission of the Audit Report to the USDA**

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

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

The City did not file the audit within the 150 days as required.

Corrective action planned: The City of Grambling will ensure in the future that the audit is filed within the 150 days as required by USDA.

Person responsible for the above corrective actions:

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

Anticipated completion date: Immediately.

City of Grambling
Corrective Action Plan for Current-year Findings and Questioned Costs
For the Year Ended December 31, 2010

Reference # and title: **10-F3** **Capital Asset Management**

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

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

The fee accountants maintain the capital asset and depreciation schedule. Two vehicles purchased during the year were not on the depreciation schedule, nor was the costs involved with the sewer renovation recorded as construction in progress. An annual physical inventory was not taken.

Corrective action planned: In the future the City will keep a physical inventory removing any unfound assets from the depreciation schedule. The staff will be trained to complete the task.

Person responsible for the above corrective actions:

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

Anticipated completion date: *Immediately.*

Reference # and title: **10-F4** **Police Department Ticket Books and Fines**

Entity-Wide or program /department specific: This finding is specific to the Police Department.

Condition: Ticket books issued to the police officers should be properly accounted for. In addition the Clerk of Courts report of fines collected for each month should be reconciled to the police fines revenue recorded in the general ledger each month.

When someone other than the Clerk of Court issues a ticket book to an officer they do not write the officer's name on the book. Therefore when the empty book is returned to the Clerk of Court, she has no way of matching that book to her issued book log. This prevents her from performing any type of reconciliation to account for all the tickets that have been issued. There is no reconciliation of fines revenue posted to the clerk of court's system to the revenue posted in the general ledger for fines. A sample of 42 tickets written during the year was tested by tracing the fee to the standard fee schedule and tracing the collection to a bank deposit and proper recording in the general ledger. 6 of the tickets tested could not be traced to a bank deposit or recording in the general ledger.

Corrective action planned: The City will ensure that the receiver's name, along with the range of tickets will be written in the book at the end of each month; in addition, the Clerk of Courts' report of fines collected and posted will be reconciled to the recorded fines revenue in the general ledger.

Person responsible for the above corrective actions:

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

Anticipated completion date: *Immediately.*

City of Grambling
Corrective Action Plan for Current-year Findings and Questioned Costs
For the Year Ended December 31, 2010

Reference # and title: **10-F5** **Late Submission of Audit Report to Legislative Auditor**

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

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

The City requested an extension of time by the Legislative Auditor's Office and an extension was approved to September 30, 2011.

Corrective action planned: The City has hired an accounting firm to ensure that all financial records are up-to-date so that the audit can be completed in a timely manner.

Person responsible for the above corrective actions:

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

Anticipated completion date: Immediately.

Reference # and title: **10-F6** **Adjustments to Utility Bills/Reconnect Fees**

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

Condition: Good internal controls require that adjustments to customer's bills be properly approved and adequate records kept. In addition, reconnect fees should be charged to customers who have had their water service disconnected due to failure to pay and adequate records kept to ensure that the reconnect fees are charged and received.

The City had a computer report of adjustments made to customer's accounts during the year, however there was no support for these adjustments. The personnel who had made these adjustments in the 2010 year had been dismissed as of January 1, 2011 and the new personnel had no knowledge of these adjustments nor could they find any support for the adjustments at City Hall. In addition, there was no way to determine if a reconnect fee had been paid by a customer before his or her service was reconnected. Reconnect fees are not added in the computerized billing system and are only recorded in total on the cash register daily z tapes.

Corrective action planned: The City has now established procedures to ensure that all utility adjustments and payments are properly recorded and approved by the Mayor.

Person responsible for the above corrective actions:

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

Anticipated completion date: Immediately.

City of Grambling
Corrective Action Plan for Current-year Findings and Questioned Costs
For the Year Ended December 31, 2010

Reference # and title: **10-F7** **Utility System Crash**

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

Condition: Good internal controls require that computerized systems such as the Utility Department Billing System be properly backed up and a recovery plan in place to ensure that any data loss resulting from a computer system crash is minimal.

In the 2010 calendar year, the Utility Billing System crashed as the result of a virus. There was no back-up system in place and all data records were lost.

Corrective action planned: The City has now purchased a back-up system, and daily procedures are now in place to prevent loss of data.

Person responsible for the above corrective actions:

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

Anticipated completion date: Immediately.

Reference # and title: **10-F8** **General Accounting**

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

Condition: Good internal controls require that all manual journal entries be properly maintained along with the supporting documentation for each. Each manual journal entry should show the preparer, the reason for the entry and the period it is posted to. Although QuickBooks has a record of the manual journal entries posted, a hard copy including the supporting documentation should be kept as a permanent record of the City's finances. In addition, some sort of review procedure should be initiated so that there are proper checks and balances in this area.

Proper internal controls also require that all bank accounts be reconciled timely, hourly employees should clock out for lunch and clock back in after lunch, support for all employee deductions should be kept in the employee's file, and purchase orders should be dated before invoice dates.

As for revenue receipts, the daily deposits should be for the same amount as the daily z tape from the cash register and the break out of water, sewer, penalties, etc. shown on the water revenue daily summary report should be the same as the break out on the z tape.

Adequate supporting documentation should be kept for all property tax payments received by the cashier and these payments should be posted timely to the property tax sub-ledger. Monthly financial reports to the Council should be prepared after the bank accounts are reconciled and all inter-fund entries made to ensure that revenue and expenses are in the correct funds.

The City should assign someone to keep up with all grants received and their associated expenditures and prepare the year end Schedule of Expenditures of Federal Awards.

The City's Accountant had made numerous manual journal entries in 2010 but had not printed them or kept a file with the supporting documentation. The reasonableness and necessity of these manual journal entries could not be determined. As for bank reconciliations, none had been performed timely and a third party CPA firm was hired after

City of Grambling
Corrective Action Plan for Current-year Findings and Questioned Costs
For the Year Ended December 31, 2010

the end of the fiscal year to perform the reconciliations. Hourly employees of the maintenance department were not clocking out and in for lunch. Employees who did not clock out had their daily time reduced to the nearest whole number to compensate for a lunch break. Therefore, the actual time paid per the check stub did not equal the hours shown on the time sheets. In addition, there was missing support for wage garnishments, credit union deductions and child support. There were three exceptions noted where the PO was dated after the invoice date.

In testing 194 utility payments, none of the receipts amounts shown on the daily summary from the Utility Billing System tie to the amounts shown as deposited per the daily cash register z tapes because monies were collected after the cash register cleared at 4:00 pm. Also the revenue distribution as shown on the daily summary sheets, do not tie to the distribution shown on the z tapes.

In testing 5 days of property tax receipts, there was one day of support that was unable to be produced by the City and one day's receipts that were not deposited timely. There were two of the five days where the amounts shown as received did not match the deposit and the daily Z tape due to monies collected after the cash register cleared at 4:00 pm.

We reviewed the June 2010 financials presented to the Council and noted several errors. All expenses were being paid out of the General Fund and as of June 30, 2010 none of the transfers had been made to the Health and Sanitation or Maintenance Funds. The financials as presented did not reflect the true status of each fund of the City. Also at that time, none of the bank recons had been performed so there was no assurance that all revenue and expenses had been reflected.

Finally, the City was not able to provide us with a list of grants received or detail of grant expenditures by grant.

Corrective action planned: As of January 2011, the City has an accounting firm to keep its financial records and to ensure that the proper internal controls are followed.

Person responsible for the above corrective actions:

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

Anticipated completion date: Immediately.

Reference # and title: **10-F9** **Cash Management**

Federal program and specific federal award identification: This finding relates to Capitalization Grants for Clean Water State Revolving Funds, CFDA#66.458 ARRA, from federal agency, Environmental Protection Agency passed through the State of Louisiana.

Condition: Federal guidelines for these funds require that those entities which receive advances from the pass through agency minimize the time between the receipt of the funds and the disbursement of funds for program expenses. AGW considers within three days as being a timely disbursement of advanced funds.

In testing three receipts of federal funds none of the claimed disbursements to the vendors were made timely. There was at least a week between the receipt date and the date of the vendor checks.

City of Grambling
Corrective Action Plan for Current-year Findings and Questioned Costs
For the Year Ended December 31, 2010

Corrective action planned: The City will follow the guidelines for the disbursement of advanced federal funds.

Person responsible for the above corrective actions:

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

Anticipated completion date: Immediately.

Reference # and title: 10-F10 Separate Accounting for ARRA funds

Federal program and specific federal award identification: This finding relates to Capitalization Grants for Clean Water State Revolving Funds, CFDA#66.458 ARRA, from federal agency, Environmental Protection Agency passed through the State of Louisiana.

Condition: Federal guidelines for these American Recovery and Reinvestment funds require that the ARRA funds received and disbursed be accounted for separately in the City's financial records.

The ARRA funding revenue was recorded in the same revenue account as state appropriation funds and not identified separately. The ARRA expenditures were combined with other capital projects expenditures and not reported separately.

Person responsible for the above corrective actions:

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

Corrective action planned: The City will follow the guidelines for the ARRA funding requiring a separate accounting from other monies received by the City.

Anticipated completion date: Immediately.

Reference # and title: 10-F11 Capital Asset Management

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

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

The fee accountants maintain the capital asset and depreciation schedule. Two vehicles purchased during the year were not on the depreciation schedule, nor was the costs involved with the sewer renovation recorded as construction in progress. An annual physical inventory was not taken.

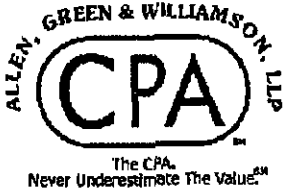
Corrective action planned: The City will ensure that the capital asset listing is complete.

City of Grambling
Corrective Action Plan for Current-year Findings and Questioned Costs
For the Year Ended December 31, 2010

Person responsible for the above corrective actions:

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

Anticipated completion date: Immediately.



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(Retired) 1963 - 2000

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures included in the *Louisiana Government Audit Guide* and enumerated below as they are a required part of the audit engagement. We are required to perform each procedure and report the results, including any exceptions. Management is required to provide a corrective action plan that addresses all exceptions noted. For any procedures that do not apply, we have marked "not applicable."

Management of the City of Grambling is responsible for its financial records, establishing internal controls over financial reporting, and compliance with applicable laws and regulations. These procedures were agreed to by management of the City of Grambling and the Legislative Auditor, State of Louisiana, solely to assist the users in assessing certain controls and in evaluating management's assertions about the City of Grambling's compliance with certain laws and regulations during the year ended December 31, 2010 included in the *Louisiana Attestation Questionnaire*.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Financial Management

1. Determine if management (chief executive and board members) was presented with timely and accurate monthly financial statements, including budget-to-actual comparisons on funds (General Fund, Special Revenue Fund, Utility Fund, etc.) of the entity, during the year under examination.

Comment: The accounting department of the City did not furnish the Town Council with timely and correct accounting information each month during the year ended December 31, 2010.

Management response: This finding occurred under the former Mayor's administration. The new administration is currently working with the City's accountants to provide the Mayor and the council with accurate monthly financial statements.

2. If management was deficit spending during the period under examination, determine if there is a formal/written plan to eliminate the deficit spending and whether management is monitoring the plan.

Comment: Deficit spending occurred in the general, debt service, and capital project funds. The City does not have a formal/written plan to eliminate the deficit spending.

Management response: Once the City accountants have completely assessed the City financial status, a plan will be implemented to eliminate the deficient spending.

3. Determine if there are adequate written policies and procedures for the financial/business functions of the City (e.g. budgeting, receipts, purchasing, disbursements, payroll, etc.)

Comment: No exceptions noted.

Credit Cards

1. Obtain from management a listing of all active credit cards (and bank debit cards if applicable) for the period under examination, including the card numbers and the names of the persons who maintained possession of the cards.

[Note: There are three types of credit cards: (1) general (e.g., VISA, MasterCard, etc.), (2) store (e.g., Wal Mart, Office Depot, Sam's Club, etc.); and (3) gasoline (e.g., Fuelman, Exxon, etc.)].

Comment: No exceptions noted.

2. Obtain and evaluate the adequacy of the entity's written policies and procedures for credit cards (and debit cards if applicable).

Comment: No exceptions noted.

3. Obtain the monthly statements for all credit cards (general, stores, and gasoline) used during the period under examination and select for detailed review, the two largest (dollar amount) statements for each card. (Note: For a debit card, select the two monthly bank statements with the largest dollar amount of debit charges):

A. Obtain the entity's supporting documentation for the purchases/charges shown on the selected monthly statements:

- Determine if each purchase is supported by:
 - An original itemized receipt (i.e., identifies precisely what was purchased)

- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating)
 - Other documentation as may be required by policy (e.g., purchase order, authorization, etc.)
 - Determine if each purchase is:
 - Reasonable in amount
 - For an appropriate and necessary business purpose relative to the entity
 - Determine if any purchases were made for personal purposes, and if so, determine the date(s) of reimbursement.
 - Determine if any purchases effectively circumvented the entity's normal procurement/purchasing process and/or the Louisiana Public Bid Law (i.e., large or recurring purchases requiring the solicitation of bids or quotes).
- B. Determine if there was any duplication of expenses by comparing all travel and related purchases to the appropriate person's expense reimbursement report(s).
- C. Determine if each monthly credit card statement (including supporting documentation) was reviewed and approved, in writing, by someone other than the person making the purchases. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality.)]
- D. Determine if finance charges and/or late fees were assessed on the monthly statements.

Comment: In reviewing credit card expenditures, it was noted there was one purchase order which was dated after the purchase.

Management response: The current administration has implemented measures for assuring that support documentation will be attached to all purchase statements.

Travel and Expense Reimbursement

1. Obtain and evaluate the adequacy of the entity's written policies and procedures for travel and expense reimbursement.

Comment: No exceptions noted.

2. Obtain a listing of all travel and related expense reimbursements during the period under examination and select for review, the one person who was reimbursed the most money:

- A. Obtain all of the expense reimbursement reports of the selected person, including the supporting documentation, and choose the three largest expense reports to review in detail (Note: Choose 100% for review if there are less than three expense reports.):

- Determine if each expenditure is:
 - Reimbursed in accordance with written policy (e.g., rates established for meals, mileage, lodging, etc.)
 - Reasonable in amount
 - For an appropriate and necessary business purpose relative to the travel
 - Determine if each expenditure is supported by:
 - An original itemized receipt (i.e., identifies precisely what was purchased) [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) generally does not require a receipt.]
 - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating)
 - Other documentation as may be required by policy (e.g., authorization for travel, conference brochure, certificate of attendance, etc.)
 - Determine if any of the expenditures were for personal purposes (e.g., extended hotel stays before or after training class, meals for spouses, entertainment, etc.).
 - Determine if each expense report (including documentation) was reviewed and approved, in writing, by someone other than the person receiving reimbursement.
- B. Determine if there was any duplication of expenses by comparing the expense reports to charges/purchases made on credit card(s).

Comment: No exceptions noted.

Contracts

1. Obtain and evaluate the adequacy of the entity's written policies and procedures for contracts/contracting, including leasing.

Comment: No exceptions noted.

2. Determine if the entity has centralized control and oversight of contracts to ensure that services/deliverables received and payments made comply with the terms and conditions of the contracts.

Comment: No exceptions noted.

3. Review accounting records (e.g., general ledgers, accounts payable reports, etc.) for the period under examination to identify individuals/businesses being paid for contracted services (e.g., professional, technical, etc.). Select the five "vendors" that were paid the most money during the period and determine if there is a formal/written contract that supports the services arrangement and payments.

Comment: No exceptions noted.

4. Obtain a listing of all active contracts and the expenditures made during the period under examination. Select for detailed review, the largest (dollar amount) contract in each of the following categories that was entered into during the period.

- (1) Services
- (2) Materials and supplies
- (3) Public works

A. Obtain the selected contracts and the related paid invoices and:

- Determine if the contract is a related party transaction.
- Determine if the transaction is subject to the Louisiana Public Bid Law:
 - If yes, determine if the entity complied with all requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder, etc.)
 - If no, determine if the entity provided an open and competitive atmosphere (a good business practice) for the transaction/work.
- Determine if the contract was awarded under the *request for proposals* (RFP) method. If so, obtain all proposals and the evaluation/scoring documents to determine if the contract was awarded to the most responsible offeror whose proposal was the most advantageous taking into consideration price and other evaluation factors set forth in the *request for proposals*.
- Determine if the procurement was made “off” state contract (as opposed to following the competitive bidding requirements of the Louisiana Public Bid Law). If so, determine if the board formally adopted the use of the Louisiana Procurement Code (R.S. 39:1551-1755), the set of laws that govern most state agencies’ purchases of certain services, materials and supplies, and major repairs.
- Determine if the procurement related to homeland security and was made from federal General Services Administration (GSA) supply schedules. If so, determine if the entity (1) utilized a Louisiana licensed distributor; (2) used the competitive ordering procedures of the federal GSA; and (3) received prior approval from the director of the State Office of Homeland Security and Emergency Preparedness, or his designee.
- Determine if the entity “piggybacked” onto another agency’s contract. If so, determine if there is documentation on file that clearly demonstrates the contract was a previously bid, viable contract and the price paid by the entity was the same as that contract’s bid price.
- Determine if the contract was amended. If so, determine whether the original contract contemplated or provided for such an amendment. Furthermore, determine if the amendment is outside the scope of the original contract, and if so, whether it should have been separately bid and contracted.
- Determine if the invoices received and payments made during the period complied with the terms and conditions of the contract.

- Determine if there is written evidence that the entity's legal advisor reviewed the contract and advised entering into the contract.
- Determine if there is documentation of board approval, if required.

Comment: No exceptions noted.

Payroll and Personnel

1. Obtain and evaluate the adequacy of the entity's written policies and procedures for payroll and personnel.

Comment: No exceptions noted.

2. Obtain a listing of employment contracts/agreements in force during the period under examination. Select the largest (dollar amount) employment contract and determine if all payments issued during the period under examination were done in strict accordance with the terms and conditions of the contract.

Comment: Not applicable.

3. Select the attendance and leave records for one pay period and:

- Determine if all employees are documenting their daily attendance and leave (e.g., vacation, sick, etc.). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
- Determine if supervisors are approving, in writing, the attendance and leave of all employees.
- Determine if the entity is maintaining accurate written leave records (e.g., hours earned, hours used, and balance available) on all eligible employees.

4. Select the five highest paid employees and determine if changes made to their hourly pay rates/salaries during the period under examination were approved in writing and in accordance with policy.

Comment: No exceptions noted.

5. Select the five largest termination payments (e.g., vacation, sick, compensatory time, etc.) made during the period under examination. Determine if the payments were supported by adequate documentation, made in strict accordance with policy and/or contract, and properly approved.

Comment: Not applicable.

6. Determine if any employees were also being paid as contract labor during the period of the examination.

Comment: No exceptions noted.

We were not engaged to perform, and did not perform, an audit, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of the City of Grambling and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. 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
August 31, 2011