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City of Grambling  
Grambling, Louisiana

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Release Date 9-29-04

**EDWARDS & WADE, CPAs**

A PROFESSIONAL CORPORATION  
206 REYNOLDS DRIVE, SUITE G-2 • RUSTON, LOUISIANA 71270

City of Grambling  
 Grambling, Louisiana  
 Financial Statements  
 For the Year Ended December 31, 2003

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# EDWARDS & WADE

Certified Public Accountants  
A Professional Accounting Corporation  
Members: AICPA / Society of LCPA's

## INDEPENDENT AUDITOR'S REPORT

City Council  
City of Grambling  
Grambling, Louisiana

We were engaged to audit the accompanying general purpose financial statements of City of Grambling, as of and for the year ended December 31, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of City of Grambling's management.

We were unable to obtain the necessary supporting documentation for the financial activities of the City of Grambling, nor were we able to satisfy ourselves as to those financial activities by other auditing procedures. Those financial activities are included in the governmental fund type, proprietary fund type, general fixed asset account group, and general long-term debt account group, and represent 100 percent and 100 percent of the assets and revenues, respectively, of the governmental fund type, proprietary fund type, and general fixed asset account group.

Since we did not audit the financial statements of City of Grambling referred to above, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on these general purpose financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2004, on our consideration of the City of Grambling's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As discussed in Note 14 to the financial statements, certain errors resulting in an understatement of construction in progress as of December 31, 2003, were discovered by the granting agency subsequent to the issuance of our report on those financial statements dated May 25, 2004. Accordingly, the accompanying December 31, 2003 financial statements have been restated to correct the error.

  
Ruston, Louisiana  
May 25, 2004  
August 25, 2004

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**CITY OF GRAMBLING**  
**Combined Balance Sheets - All Fund Types and Account Groups**  
**For the Year Ended December 31, 2003 and December 31, 2002**

	Governmental Funds			Proprietary Fund	Account Groups		Totals	
	General Fund	Special Revenue Fund	Debt Service Fund		Capital Projects Fund	Enterprise Fund	General Fixed Assets	Long-Term Obligations
							2003	2002
<b>Assets &amp; Other Debits</b>								
<b>Assets:</b>								
Cash and equivalents	\$548,619	\$270,264	\$14,045		(\$3,270)		\$829,658	\$664,636
Investments	259,106	202,512	89,245	\$4,271			555,134	548,532
Accounts receivables	199,406		677	154	108,933		309,170	217,025
Due from other funds	337,743	24,086		107,637	72,702		542,168	436,222
Restricted assets					471,696		471,696	536,777
Land, buildings, & equipment					7,179,010	\$1,600,069	8,779,079	8,564,244
Accumulated depreciation					(3,883,635)		(3,883,635)	(3,529,340)
Other debits:								
Amount available in debt service funds							31,241	76,643
Amount to be provided for retirement of general long-term obligations							67,546	
<b>Total Assets &amp; Other Debits</b>	<b>\$1,344,874</b>	<b>\$496,862</b>	<b>\$103,967</b>	<b>\$112,062</b>	<b>\$3,945,436</b>	<b>\$1,600,069</b>	<b>\$7,702,057</b>	<b>\$7,514,739</b>
<b>Liabilities and Fund Equity</b>								
<b>Liabilities:</b>								
Cash overdraft	\$18,722				\$50,492		\$69,214	
Accounts payable	22,069	\$3,240			20,931		46,240	\$68,394
Accrued and other liabilities	13,564	832			1,317		15,713	43,906
Current portion of bonds payable					162,965		162,965	165,000
Accrued interest payable					56,119		56,119	58,658
Customer deposits payable					72,150		72,150	72,175
Due to other funds	26,157	102,808	\$72,702		340,501		542,168	436,222
Notes payable	103,610	15,929			113,000		232,539	246,864
Revenue bonds payable					1,923,082		1,923,082	2,006,606
Compensated absences payable							98,787	76,643
<b>Total liabilities</b>	<b>184,122</b>	<b>122,809</b>	<b>72,702</b>	<b>0</b>	<b>2,740,557</b>	<b>0</b>	<b>3,218,977</b>	<b>3,174,468</b>



City of Grambling  
 Combined Statement of Revenue, Expenditures, and  
 Changes in Fund Balances - Governmental Funds  
 For the year ended December 31, 2003

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Totals	
					2003	2002
Revenues						
Taxes:						
Ad valorem	\$134,955		\$270		\$135,225	\$113,435
Sales and use	361,806				361,806	347,521
Other taxes, penalties, interest, etc.					0	495
Fire taxes	226,332				226,332	225,376
Licenses and permits	118,216				118,216	112,044
Intergovernmental revenues	41,827	\$171,778		\$26,157	239,762	190,910
Fines and forfeitures	195,144	3,706			198,850	81,830
Use of money and property		4,821	978	14	5,813	0
Other revenues	120,889	65,201			186,090	68,229
Total Revenues	1,199,169	245,506	1,248	26,171	1,472,094	1,139,840
Expenditures						
General government	266,680				266,680	231,725
Public safety	550,824				550,824	517,493
Health and sanitation		195,113			195,113	135,660
Highways and street	17,096				17,096	20,929
Parks and recreation	4,893				4,893	1,700
Debt service			9,783		9,783	315
Capital outlay	28,239	17,747			45,986	0
Total Expenditures	867,732	212,860	9,783	0	1,090,375	907,822
Excess of Revenues over Expenditures	331,437	32,646	(8,535)	26,171	381,719	232,018

City of Grambling  
 Combined Statement of Revenue, Expenditures, and  
 Changes in Fund Balances - Governmental Funds  
 For the year ended December 31, 2003

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Totals	
					2003	2002
Other Financing Source (Use)						
Operating transfers in	340,000				340,000	0
Operating transfers out	<u>(337,026)</u>	<u>(30,000)</u>			<u>(367,026)</u>	<u>(192,488)</u>
Total Other Financing Source (Use)	<u>2,974</u>	<u>(30,000)</u>	<u>0</u>	<u>0</u>	<u>(27,026)</u>	<u>(192,488)</u>
Excess of Revenues and Other Financing Source over Expenditures and Other Financing (Use)	334,411	2,646	(8,535)	26,171	354,693	39,530
Fund Balance, Beginning	<u>826,341</u>	<u>371,407</u>	<u>39,800</u>	<u>85,891</u>	<u>1,323,439</u>	<u>1,283,910</u>
Fund Balance, Ending	<u>\$1,160,752</u>	<u>\$374,053</u>	<u>\$31,265</u>	<u>\$112,062</u>	<u>\$1,678,132</u>	<u>\$1,323,440</u>

The accompanying notes are an integral part of this statement.

City of Grambling  
 Combined Statement of Revenue, Expenditures, and  
 Changes in Fund Balances - Budget (GAAP Basis) and Actual -  
 General and Special Revenue Funds  
 For the year ended December 31, 2003

	General Fund		Variance Favorable (Unfavorable)	Special Revenue Fund		Variance Favorable (Unfavorable)
	Budget	Actual		Budget	Actual	
<b>Revenues</b>						
Taxes:						
Ad valorem	\$123,000	\$134,955	\$11,955			0
Sales and use	331,339	361,806	30,467			0
Other taxes, penalties, interest, etc.	2,414		(2,414)			0
Fire taxes	226,000	226,332	332			0
Licenses and permits	116,639	118,216	1,577			0
Intergovernmental revenues	27,134	41,827	14,693	\$171,971	\$171,778	(\$193)
Fines and forfeitures	187,415	195,144	7,729	4,043	3,706	(337)
Other revenues	37,476	147,046	109,570	65,918	65,201	(717)
<b>Total Revenues</b>	<b>1,051,417</b>	<b>1,225,326</b>	<b>173,909</b>	<b>241,932</b>	<b>240,685</b>	<b>(1,247)</b>
<b>Expenditures</b>						
General government	243,698	266,680	(22,982)			0
Public safety	586,385	550,824	35,561			0
Health and sanitation	19,872	17,096	2,776	155,734	195,113	(39,379)
Highways and streets	4,862	4,893	(31)			0
Parks and recreation	134,356	28,239	106,117			0
Capital outlay	989,173	867,732	121,441	155,734	17,747	(17,747)
<b>Total Expenditures</b>				<b>155,734</b>	<b>212,860</b>	<b>(57,126)</b>
<b>Excess of Revenues over Expenditures</b>	<b>62,244</b>	<b>357,594</b>	<b>295,350</b>	<b>86,198</b>	<b>27,825</b>	<b>(58,373)</b>

City of Grambling  
 Combined Statement of Revenue, Expenditures, and  
 Changes in Fund Balances - Budget (GAAP Basis) and Actual -  
 General and Special Revenue Funds  
 For the year ended December 31, 2003

	General Fund		Variance Favorable (Unfavorable)	Special Revenue Fund		Variance Favorable (Unfavorable)
	Budget	Actual		Budget	Actual	
Other Financing Source and (Use)						
Operating transfers in	265,000	340,000	(75,000)			0
Operating transfers out	(245,000)	(337,026)	(582,026)		(30,000)	(30,000)
Total Other Financing Source and (Use)	20,000	2,974	(657,026)	0	(30,000)	(30,000)
Excess of Revenues over Expenditures and Other Financing Use	82,244	360,568	278,324	86,198	(2,175)	(88,373)
Fund Balance, Beginning	826,341	826,341	0	371,409	371,409	0
Fund Balance, Ending	<u>\$908,585</u>	<u>\$1,186,909</u>	<u>\$278,324</u>	<u>\$457,607</u>	<u>\$369,234</u>	<u>(\$88,373)</u>

The accompanying notes are an integral part of this statement.

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City of Grambling  
 Combined Statement of Revenue, Expenses, and Changes in  
 Retained Earnings - Budget (GAAP Basis) & Actual -  
 Proprietary Fund Type  
 For the year ended December 31, 2003

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Charges for services:			
Water sales	\$174,926	\$193,222	\$18,296
Water connection charges	3,807	4,750	943
Sewerage fees	282,724	281,031	(1,693)
Total operating revenues	<u>461,457</u>	<u>479,003</u>	<u>17,546</u>
Operating Expenses			
Water department	658,262	466,229	192,033
Sewer distribution department	68,070	74,851	(6,781)
Sewer plant department	322,361	331,136	(8,775)
Total operating expenses	<u>1,048,693</u>	<u>872,216</u>	<u>176,477</u>
Operating Income (Loss)	(587,236)	(393,213)	194,023
Nonoperating Revenues (Expenses)			
Other income	146,222	16,351	(129,871)
Interest income		7,234	7,234
Ad valorem tax	32,000	35,364	3,364
Interest expense		(75,911)	(75,911)
Rural development grant		30,822	30,822
Total nonoperating revenues (expenses)	<u>178,222</u>	<u>13,860</u>	<u>(164,362)</u>
Income (Loss) Before Operating Transfers	(409,014)	(379,353)	29,661
Operating Transfers in (Out)			
Operating transfers in		372,026	372,026
Operating transfers out		(345,000)	(345,000)
Total operating transfers in (out)	<u>0</u>	<u>27,026</u>	<u>27,026</u>
Net Income (Loss)	(409,014)	(352,327)	56,687
Retained Earnings, Beginning	<u>17,752</u>	<u>17,752</u>	<u>0</u>
Retained Earnings, Ending	<u>(\$391,262)</u>	<u>(\$334,575)</u>	<u>\$140,400</u>

The accompanying notes are an integral part of this statement.

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City of Grambling  
 Statements of Cash Flows - Proprietary Fund Type  
 For the Year Ended December 31, 2003

Cash Flows from Operating Activities	
Operating Income (loss)	(\$393,213)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	359,677
Depreciation adjustment for prior year	(5,382)
Increase in accounts receivable	(44,467)
Decrease in interfund receivable	1,684
Decrease in restricted cash	62,887
Decrease in interfund payable	67,728
Decrease in accrued liabilities	(4,927)
Increase (decrease) in accounts payable	265
Decrease in customer deposits	(25)
Net Cash Provided by Operating Activities	<u>44,227</u>
Cash Flows from Financing Activities	
Other income - nonoperating revenue	16,351
Ad valorem tax - nonoperating revenue	35,364
Decrease in accrued interest	(2,539)
Operating transfers - net	27,026
Grant income	30,822
Principal reductions	(104,559)
Interest expense	(75,911)
Net Cash (Used By) Financing Activities	<u>(73,446)</u>
Cash Flows from Investing Activities	
Purchase of property, plant, and equipment	(74,392)
Interest income	7,234
Net Cash Provided by Investing Activities	<u>(67,158)</u>
Net Increase (decrease) in Cash	(96,377)
Cash at Beginning of Year	<u>45,985</u>
Cash at End of Year	<u><u>(\$50,392)</u></u>
<b>SUMMARY</b>	
Operating account	(\$50,392)
Expenditures for interest - cash basis	<u>\$75,911</u>
Expenditures for taxes - cash basis	<u>\$0</u>

The accompanying notes are an integral part of this statement.

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City of Grambling, Louisiana  
Notes to the Financial Statements  
For the Year Ended December 31, 2003

## INTRODUCTION

The City of Grambling, Louisiana is located in the western portion of Lincoln Parish in north-central Louisiana. The City was incorporated in 1959 under the provisions of Louisiana Revised Statutes 33:52. The City operates under a form of government consisting of an elected mayor and a city council, which has five elected members. The City, with 62 employees, provides public safety, fire protection, public works, recreation and parks, utility services, and administrative services to its residents. The City consists of approximately 4,763 citizens.

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. BASIS OF PRESENTATION

The accompanying financial statements of the City of Grambling have been prepared in conformity with generally accepted accounting principles (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.

#### B. REPORTING ENTITY

As the municipal governing authority, for reporting purposes, the City of Grambling is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (municipality), (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.

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

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 municipality.
2. Organizations for which the municipality does not appoint a voting majority but are fiscally dependent on the municipality.

3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is 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.

Considered in the determination of component units of the reporting entity were the Lincoln Parish Police Jury, Sheriff, Clerk of Court, Assessor, and School Board, Grambling Housing Authority, and the District Attorney and Judges for Third Judicial District. It was determined that these governmental entities are not component units of the City of Grambling reporting entity because they have separately elected governing bodies, are legally separate, and are fiscally independent of the City of Grambling.

### C. FUND ACCOUNTING

The municipality uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. On the other hand, an account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds of the municipality are classified into three categories: governmental, proprietary, and fiduciary. In turn, each category is divided into separate fund types. The fund classifications and a description of each existing fund type follow:

**Governmental funds** Governmental funds are used to account for all or most of the municipality's general activities, including the collection and disbursement of specific or legally restricted monies, and the acquisition or construction of general fixed assets, and the servicing of general long-term debt. Governmental funds include:

1. General Fund--the general operating fund of the municipality and accounts for all financial resources, except those required to be accounted for in other funds.
2. Special revenue funds--account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.
3. Debt service funds--account for transactions relating to resources retained and used for the payment of principal and interest on those long-term obligations recorded in the general long-term obligations account group.

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

**Proprietary funds** Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds differ from governmental funds in that their focus is on income measurement, which, together with the maintenance of equity, is an important financial indicator. Proprietary funds include:

1. Enterprise Funds--account for operations (a) where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

#### D. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. 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 modified accrual basis of accounting is used by all governmental funds. The governmental funds use the following practices in recording revenues and expenditures:

##### **Revenues**

Revenues are recognized when they become measurable and available as net current assets. Taxpayer-assessed income, gross receipts, and sales taxes are considered "measurable" when in the hands of collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Property taxes become measurable when a property tax assessment is made. The taxes are used to finance the budget of a particular period. Therefore, the revenue produced is recognized in the fiscal period for which it was levied, provided it is available. "Available" means (1) when due, or (2) past due and receivable within current period, or (3) expected to be collected within 60 days and used to pay liabilities of the current period.

City of Grambling  
Notes to the Financial Statements (Continued)

Sales tax are collected by the sales tax collection agency and remitted to the City. Therefore, amounts remitted during the current period and amounts collected by the governmental agency during the current period and remitted within 60 days to the City of Grambling, are recognized as revenue.

Licenses and permits are recognized as revenue in the period received, but not before the benefit period. However, for the year ended December 31, 2003, amounts were also recognized as revenue if they were available within 60 days (based on actual collections). Since licenses and permits were not "billed" on a timely basis, this accrual recognizes revenue to finance the budget for that period.

**Expenditures**

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

**Other Financing Sources (Uses)**

Transfers between funds that are not expected to be repaid are accounted for as other financing sources (uses).

All proprietary funds are accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The proprietary funds use the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized at the time liabilities are incurred.

**E. BUDGETS**

The primary government municipality uses the following budget practices:

The City adopted a budget for the year ended December 31, 2003 for the General, Special revenue, and Enterprise funds. The City follows the following procedures in establishing the budgetary data reflected in the financial statements. During the November meeting, the city clerk submits to the city council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and expenses and the means of financing them. During the December meeting, the budget is legally enacted through passage of an ordinance. The public is invited to attend all meetings. The city clerk is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures or expenses of any fund must be approved by the city council. Appropriations lapse at the end of the year. There were two amendments to the original budget.

#### F. CASH AND CASH EQUIVALENTS

Cash includes amounts in demand deposits, interest-bearing demand deposits, and time deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the municipality may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

#### G. INVESTMENTS

Investments held December 31, 2003, consist of \$357,162 in the Louisiana Asset Management Pool (LAMP), a local government investment pool. In accordance with GASB Codification Section I50.126, the investment in LAMP at December 31, 2003, is not categorized in the three risk categories provided by GASB Codification Section I50.125 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form.

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA - R.S. 33:2955. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities.

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

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.

#### H. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as due from other funds or due to other funds on the balance sheet. Short-term interfund loans are classified as receivables/payables.

#### I. FIXED ASSETS

Fixed assets of governmental funds are recorded as expenditures at the time purchased or constructed, and the related assets are capitalized (reported) in the general fixed assets account group. Public domain or infrastructures are not capitalized. No depreciation has been provided on general fixed assets. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are stated at their estimated fair value on the date donated.

Fixed assets used in the proprietary fund operations are included on the balance sheet of the funds net of accumulated depreciation. Depreciation of all exhaustible fixed assets used by the proprietary fund operations is charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful lives with respect to major classes of depreciable assets as follows:

Sewer system and lines	40	years
Water system and lines	40	years
Equipment	8	years
Vehicles	5	years

#### J. COMPENSATED ABSENCES

The City of Grambling recognition and measurement criteria for compensated absences follows:

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.

For governmental funds, only the current portion of the liability for compensated absences should be reported in the fund. The current portion is the amount left unpaid at the end of the reporting period that normally would be liquidated with expendable available financial resources. The remainder of the liability should be reported in the general long-term obligations account group.

City of Grambling  
Notes to the Financial Statements (Continued)

At December 31, 2003, employees of the City had accumulated and vested \$98,787 of employee leave benefits. This amount is recorded within the general long-term obligations account group.

K. LONG-TERM OBLIGATIONS

Long-term obligations expected to be financed from governmental funds are reported in the general long-term obligations account group. Expenditures for principal and interest payments for long-term obligations are recognized in the governmental funds when due. Long-term obligations expected to be financed from proprietary fund operations are accounted for in those funds.

L. FUND EQUITY

Contributed Capital

Contributed capital is recorded in the proprietary fund that have received capital grants or contributions from developers, customers, or other funds when such resources are restricted for the acquisition or construction of capital assets. Contributed capital is not amortized based on the depreciation recognized on that portion of the assets acquired or constructed from such resources.

Reserves

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use.

M. INTERFUND TRANSACTIONS

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers of the primary government are reported as operating transfers.

N. SALES TAXES

Sales taxes are collected by Lincoln Parish Sales and Use Tax Commission and then remitted to the City each month. The City's sales tax percentage is 2 per cent.

O. TOTAL COLUMNS ON COMBINED STATEMENTS

Total columns on the combined statements are captioned Memorandum Only to indicated that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

2. CASH AND CASH EQUIVALENTS

At December 31, 2003, the City has cash and cash equivalents (book balances) totaling \$1,025,328 as follows:

Demand deposits	\$1,025,328
Time deposits	<u>0</u>
Total	<u><u>\$1,025,328</u></u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 2003, the City has \$1,452,735 in deposit (collected bank balances). These deposits are secured from risk by \$400,000 of federal deposit insurance and \$545,225 of pledged securities held by the custodial bank in the name of the fiscal agent bank. (GASB Category 3). At December 31, 2003, time deposits included in investments are \$404,784. The remaining balance of \$507,510 is not secured by the pledge of securities and is a violation of state law.

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No. 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the district that the fiscal agent has failed to pay deposited funds upon demand.

3. LEVIED TAXES

The following is a summary of authorized and levied ad valorem taxes for the year:

Description	Authorized Millage	Levied Millage	Expiration Date
Public improvement bond	7.08	7.08	June 30, 2004
Public streets	6.50	6.50	June 30, 2004

City of Grambling  
Notes to the Financial Statements (Continued)

Description	Authorized Millage	Levied Millage	Expiration Date
Water system	5.00	5.00	June 30, 2004
Police department	5.50	5.50	June 30, 2004
Fire protection	32.00	32.00	June 30, 2004

Property Tax Calendar

Lien Date	No set date
Levy Date	October 31, 2003
Due date	December 31, 2003
Collection dates	November 1 through June 30

The following are the principal taxpayers for the municipality (amounts expressed in thousands):

Taxpayer	Assessed Valuation	Percentage of Total Assessed Valuation
Bellsouth	\$398,240	5.63%
Entergy LA, Inc.	382,010	5.40%
Bellsouth Mobility, LLC	151,460	2.14%
Grambling Dev Limited Part.	139,540	1.97%
Fred's Store #1743	132,520	1.87%
Pinecrest II Apts, Ltd	93,810	1.33%
Cox Communications	93,140	1.32%
Agape Investment Group, LLC	87,650	1.24%
Rabb, Larry N. Et Ux	76,290	1.08%
Pinecrest Apts, Ltd	69,260	0.98%
Total	\$1,623,920	22.96%

4. RECEIVABLES

The following is a summary of receivables for December 31, 2003:

Class of Receivable:	General Fund	Debt Service	Capital Projects	Proprietary Fund Type	Total
Taxes:					
Sales - parish	\$27,756				\$27,756
Sales - state	5,379				5,379
Ad valorem	140,488			\$14,597	155,085
Beer	723				723
Franchise	13,526				13,526
User fees				68,532	68,532

City of Grambling  
Notes to the Financial Statements (Continued)

<u>Class of Receivable:</u>	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Proprietary Fund Type</u>	<u>Total</u>
Grants	6,667			25,000	31,667
Other	4,867	\$677	\$154	804	6,502
Total	<u>\$199,406</u>	<u>\$677</u>	<u>\$154</u>	<u>\$108,933</u>	<u>\$309,170</u>

5. FIXED ASSETS

A summary of the changes in fixed assets for the year ended December 31, 2003, is shown below:

	<u>Balance 12/31/02</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/03</u>
Land	\$23,792			\$23,792
Building	335,223			335,223
Improvements other than buildings	322,627			322,627
Furniture and Equipment	872,441	\$45,986		918,427
Total	<u>\$1,554,083</u>	<u>\$45,986</u>	<u>\$0</u>	<u>\$1,600,069</u>

A summary of proprietary property, plant, and equipment follows:

	<u>Balance 12/31/02</u>	<u>Additions</u>	<u>Adjustments</u>	<u>Balance 12/31/03</u>
Waterworks/sewer	\$3,090,380			\$3,090,380
Land	16,526			16,526
Vehicles	12,758			12,758
Equipment	119,154			119,154
Sewage plant	2,409,175			2,409,175
Water system	1,430,470	\$74,390		1,504,860
Construction in progress	0	26,157		26,157
Subtotal	7,078,463	100,547	0	7,179,010
Less accumulated depreciation	(3,529,382)	(359,677)	5,424	(3,883,635)
Total	<u>\$3,549,081</u>	<u>(\$259,130)</u>	<u>\$5,424</u>	<u>\$3,295,375</u>

6. LEASES

The City records items under capital leases as assets and obligations in the accompanying financial statements. The following is an analysis of capital leases at December 31, 2003:

City of Grambling  
Notes to the Financial Statements (Continued)

	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
Fire truck	\$91,575		\$91,575
Police car	12,035		12,035
Tractor		\$15,929	15,929
Total	<u>\$103,610</u>	<u>\$15,929</u>	<u>\$119,539</u>

The annual requirements to amortize all loans outstanding at December 31, 2003, including interest of \$26,368 are as follows:

For the year ended December 31,	
2004	\$30,776
2005	23,791
2006	20,360
2007	20,360
2008	17,998
2009 - 2013	<u>32,622</u>
Total	<u>\$145,907</u>

7. CHANGES IN LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligations transactions for the year ended December 31, 2003:

	<u>Compensated Absences</u>
Balance, December 31, 2002	\$76,643
Adjustments	4,571
Additions	27,962
Deductions	<u>(10,389)</u>
Balance, December 31, 2003	<u>\$98,787</u>

8. LONG TERM DEBT - PROPRIETARY FUND

The following is a summary of long-term debt transactions for the City for the year ended December 31, 2003:

Balance, December 31, 2002	\$2,171,606
Additions	0
Principal payments	<u>(85,559)</u>
Balance, December 31, 2003	<u>\$2,086,047</u>

City of Grambling  
Notes to the Financial Statements (Continued)

Notes payable at December 31, 2003, consists of two notes payable to the U.S. Department of Agriculture - Farmers Home Administration, one note payable to the Department of Environmental Quality, and one note payable to GMAC. The basic data on the notes is summarized below:

Loan 91-01	7/6/95	5.125%	\$1,035,882
Loan 91-05	7/6/95	5.00%	130,380
DEQ			773,785
GMAC			<u>146,000</u>
Total			<u>\$2,086,047</u>

The annual requirements to amortize all bonds outstanding at December 31, 2003, including interest of \$1,317,190 are as follows:

<u>For the year ended June 30,</u>	
2004	\$162,965
2005	162,753
2006	167,515
2007	167,189
2008	166,836
2009 - 2013	771,556
2014 - 2018	519,197
2019 - 2023	372,807
2024 - 2028	372,807
2029 - 2033	372,807
2034 - 2036	<u>166,805</u>
Total	<u>\$3,403,237</u>

9. Interfund Receivables and Payables

At December 31, 2003, interfund receivables and payables were as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$337,743	\$26,157
Maintenance	72,702	340,501
Health & sanitation	24,086	102,808
Capital projects	107,637	
Debt service		<u>72,702</u>
Total	<u>\$542,168</u>	<u>\$542,168</u>

City of Grambling  
Notes to the Financial Statements (Continued)

A summary of operating transfers follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$340,000	\$337,026
Maintenance	372,026	345,000
Health & sanitation		30,000
Total	<u>\$712,026</u>	<u>\$712,026</u>

10. PENSION AND RETIREMENT PLAN

The City established a SIMPLE IRA plan to be effective October 4, 2002. All city employees are eligible to participate in the plan. The plan is a defined contribution plan administered by Morgan Keegan & Co., Inc.

Under the plan, the City matches each employee's salary reduction for contribution to the plan up to 3% for that calendar year. The funds are immediately vested when paid into the plan. The plan is based on the IRS Code and must comply with all IRS Code requirements.

For the year ended December 31, 2003, 10 employees elected participation in the plan. The employees contributed \$5,921 with the City matching \$5,921. At December 31, 2003, the following amounts were owed to the plan:

Employee salary reductions	\$442
City matching portion	<u>413</u>
Total	<u>\$855</u>

Once the amounts withheld and matched are paid over to the plan, the City has no further responsibility for those funds.

11. FLOW OF FUNDS

Under to terms of the bond indentures on outstanding Combined Utility Revenue Refunding Bonds dated January 1, 1970, and Water & Sewer Junior Lien Revenue Bonds dated July 1, 1970, all income and revenues (hereinafter referred to as revenue) of every nature, earned or derived from operation of the Utility System are pledged and dedicated to the retirement of said bonds, and are to be set aside into the following special funds:

Out of the revenue there shall be set aside from time to time into an "Operation and Maintenance Fund" amounts sufficient to provide for the payment of the reasonable and necessary expenses of operating and maintaining the system.

City of Grambling  
Notes to the Financial Statements (Continued)

Each month, there will be set aside into a fund called the "Bond and Interest Redemption Fund" an amount constituting 1 ½ of the next maturing installment of principal and interest on the outstanding bonds. Such transfers shall be fully sufficient to assure the prompt payment of principal and interest installments as they become due, and may be used only for such payments.

There shall also be set aside into a "Bond Reserve Fund" an amount equal to 20% of the principal and interest payments required during the current fiscal year until there shall have been accumulated in the Reserve Account an amount equal to the maximum principal and interest requirements in any one maturity year, that amount being \$28,501.

Such amounts may be used only for the payment of maturing bonds and interest coupons for which sufficient funds are not on deposit in the Bond and Interest Redemption Fund and as to which there would otherwise be default.

Funds will also be set aside into a Contingency Fund at the rate of \$150 each month until the amount of \$49,000 is on deposit in the fund. Money in this fund may be used for the making of extraordinary repairs or replacements to the system which are necessary to keep the system in operating condition and for which money is not available as a maintenance and operation expense. Money in this fund may also be used to pay principal or interest on the bonds falling due at any time there is not sufficient money for payment in the other bond funds. The balance in this fund shall never be reduced below a minimum of \$9,000.

All of the revenues received in any fiscal year and not required to be paid in such fiscal year into any of the above noted funds shall be regarded as surplus and may be used for any lawful corporate purpose.

Under the terms of the bond indentures on the outstanding Utility Revenue Bonds, Series 1993, and the Utility Revenue Bonds, Series 1995, the following conditions of payment and various reserve accounts were stated:

Sinking fund - a monthly payment equal to 1/12 of the current year principal and interest installments due on the Bond issues.

Reserve fund - payments shall be made in a combined sum equal to 25% of the monthly sinking fund payment on the Series 1993 bonds and 20% of the monthly sinking fund payment on the Series 1995 until an amount equal to the Reserve Fund Requirement is on deposit in the Reserve fund. The initial Reserve fund requirement to be accumulated is approximately \$155,181.

Replacement fund - payments equal to 5% of net revenues of the combined waterworks system and sewerage system, provided, however, such payments shall not be less than \$307 per month until \$75,000 is on deposit, therein, and thereafter, monthly deposits of \$307 shall be made over the life of the bonds.

City of Grambling  
Notes to the Financial Statements (Continued)

12. FUND DEFICITS

The following individual fund has a deficit in unreserved retained earnings at December 31, 2003:

<u>Fund</u>	<u>Deficit amount</u>
Maintenance fund	(334,575)

13. EXPENDITURES/EXPENSES - ACTUAL AND BUDGET

The following individual funds have actual expenditures/expenses over budgeted expenditures/expenses for the year ended December 31, 2003:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
Special revenue fund	\$155,734	\$212,860	(\$57,126)

14. REISSUED REPORT

Subsequent to the issuance of the report dated May 25, 2004, it was later determined that LCDBG funds were posted to other income in the General fund, which resulted in an understatement of construction in progress of \$26,157. The report has been reissued to include that data.

SUPPLEMENTARY INFORMATION SCHEDULES

City of Grambling  
Supplemental Information Schedules  
For the Year Ended December 31, 2003

**COMPENSATION PAID BOARD MEMBERS**

The schedule of compensation paid to board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature.

City of Grambling  
Schedule of Compensation Paid Board Members  
For the Year Ended December 31, 2003

Martha Andrus, Mayor	\$37,544
Arthur Smith	2,700
Alvin Bradley	2,700
Toby Bryan	2,700
Shawn Robinson, Sr.	2,700
Edward Jones	2,700
Total	<u>2,700</u>
	<u>\$51,044</u>

City of Grambling  
Combining Statement of Revenues, Expenditures, and Changes in  
Fund Balances - Budget (GAAP Basis) and Actual - General Fund  
For the year ended December 31, 2003

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues			
Taxes:			
Ad valorem	\$123,000	\$134,955	\$11,955
Sales	331,339	361,806	30,467
Fire taxes	226,000	226,332	332
Other	2,414		(2,414)
Total taxes	<u>682,753</u>	<u>723,093</u>	40,340
Licenses and permits:			
Occupational licenses	47,657	47,950	293
Alcoholic beverage	38	4,255	4,217
Inspection fees	87	80	(7)
Building permits	5,032	4,713	(319)
Electrical permits	1,241	1,138	(103)
Plumbing permits	436	400	(36)
Franchise - Cablevision	16,762	15,675	(1,087)
Franchise - LP&L	27,840	26,214	(1,626)
Franchise - Claiborne Electric	6,656	6,088	(568)
Franchise - Cingular Wireless	10,890	11,703	813
Total licenses and permits	<u>116,639</u>	<u>118,216</u>	1,577
Intergovernmental revenues:			
Sales tax dedication	5,000	19,854	14,854
Beer tax	4,000	4,197	197
Fire insurance rebate	13,830	13,830	0
Elderly grant	4,304	3,946	(358)
Total intergovernmental revenues	<u>27,134</u>	<u>41,827</u>	14,693
Fines and forfeitures:			
Fine assessment	11,655	11,431	(224)
Fines - police dept	75,000	73,483	(1,517)
Court cost - municipal	54,000	52,485	(1,515)
Rebate - Lincoln parish DW	14,760	14,402	(358)
Litter grant		6,387	6,387
Police special grant		2,250	2,250
LA law enforcement grant		360	360
LA Pip grant	32,000	34,346	2,346
Total fines and forfeitures	<u>187,415</u>	<u>195,144</u>	7,729

City of Grambling  
Combining Statement of Revenues, Expenditures, and Changes in  
Fund Balances - Budget (GAAP Basis) and Actual - General Fund  
For the year ended December 31, 2003

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Other revenues:			
Other revenues	20,000	86,655	66,655
Dept of Transportation maintenance contract		11,107	11,107
Rent - Community Center/Park	147	135	(12)
Sale of garbage bags	602	624	22
Miscellaneous other	16,380	11,490	(4,890)
Interest income	47	10,603	10,556
Dividend income	300	275	(25)
Total other revenues	<u>37,476</u>	<u>120,889</u>	<u>83,413</u>
Total Revenues	1,051,417	1,199,169	147,752
Expenditures			
General government:			
Salaries	90,335	88,798	1,537
Building administrator	2,700	2,700	0
Utilities inspector	2,717	2,716	1
Council per diem	11,874	13,305	(1,431)
FICA	7,000	6,628	372
Workers compensation	2,000		2,000
Employee group insurance	9,382	9,222	160
Unemployment taxes	407	(274)	681
IRA expense	1,191	1,290	(99)
Insurance:			
Bonding insurance	8,357	7,253	1,104
Insurance	1,437	1,318	119
Insurance - property	11,050	10,129	921
Audit	5,852	9,031	(3,179)
Dues and subscriptions	5,795	6,379	(584)
Legal retainer	4,582	4,800	(218)
Legal advertising	1,521	1,502	19
Lincoln parish tax assessor	2,129	3,739	(1,610)
Supplies	6,667	23,025	(16,358)
Office supplies	1,384	1,340	44
Postage	27	20	7
Election expense	967	886	81
Town hall expense	4,570	4,741	(171)
Travel	828	1,848	(1,020)

City of Grambling  
Combining Statement of Revenues, Expenditures, and Changes in  
Fund Balances - Budget (GAAP Basis) and Actual - General Fund  
For the year ended December 31, 2003

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Telephone	3,196	3,148	48
Interest expense		7,361	(7,361)
Utilities:			
Utilities	8,896	11,249	(2,353)
Arkla Gas Co.	268	246	22
Electricity	2,532	2,788	(256)
Street lights	1,857	3,405	(1,548)
Professional fees	2,177	1,529	648
Software support	154	141	13
Court costs	9,286	8,573	713
Accounting expense	6,407	2,206	4,201
Equipment repair and maintenance	3,453	3,445	8
Vehicle maintenance	2,247	3,640	(1,393)
Building repairs	5,846	9,007	(3,161)
Christmas decorations	611	560	51
Purchase garbage bags	646	592	54
Equipment lease	169	155	14
Miscellaneous/contingency	5,841	265	5,576
Sales tax	3,130	4,107	(977)
Bank charges	319		319
Magistrate of court	3,600	3,600	0
Cleaning - building	291	267	24
Total general government	<u>243,698</u>	<u>266,680</u>	<u>(22,982)</u>
Public safety:			
Police department:			
Salaries	314,466	310,281	4,185
Council per diem	106	195	(89)
FICA	24,977	24,853	124
Workers compensation	45,000		45,000
Employee group insurance	54,308	48,896	5,412
Unemployment taxes	804	737	67
IRA expense	655	691	(36)
Police retirement	2,000		2,000
Insurance liability	6,000		6,000
Insurance - vehicle	4,500	389	4,111
Dues and subscriptions	641	438	203

City of Grambling  
 Combining Statement of Revenues, Expenditures, and Changes in  
 Fund Balances - Budget (GAAP Basis) and Actual - General Fund  
 For the year ended December 31, 2003

	Budget	Actual	Variance Favorable (Unfavorable)
Supplies	8,309	13,019	(4,710)
Office supplies	762	863	(101)
Travel	672	2,341	(1,669)
Telephone	6,696	6,652	44
Gas & oil	9,053	9,401	(348)
Professional fees	1,658	21,586	(19,928)
Personnel training	3,531	3,997	(466)
Equipment maintenance and repair	511	469	42
Radio repair	95	87	8
Vehicle maintenance	4,342	2,496	1,846
Vehicle repair	7,183	6,662	521
Miscellaneous/contingency	908	2,182	(1,274)
Uniforms	7,001	6,472	529
Communications	54	99	(45)
Total police department	504,232	462,806	41,426
Fire department:			
Salaries	51,871	60,467	(8,596)
FICA	3,969	4,035	(66)
Workers compensation	26	24	2
Employee group insurance	2,919	2,982	(63)
Unemployment taxes	150	138	12
Insurance	1,163	1,066	97
Insurance - vehicle	4,323	3,963	360
Insurance - property	2,400		2,400
Dues and subscriptions	125	115	10
Supplies	2,799	2,925	(126)
Travel	334	306	28
Telephone	3,538	3,579	(41)
Utilities	562	446	116
Arkla Gas Co.	1,003	956	47
Electricity	739	770	(31)
Gas & oil	2,777	2,631	146
Professional fees	340	331	9
Personnel training	1,145	1,326	(181)
Equipment maintenance & repair	22	20	2
Repairs and maintenance	193	177	16

City of Grambling  
Combining Statement of Revenues, Expenditures, and Changes in  
Fund Balances - Budget (GAAP Basis) and Actual - General Fund  
For the year ended December 31, 2003

	Budget	Actual	Variance Favorable (Unfavorable)
Radio repair	223	204	19
Vehicle maintenance	148	135	13
Vehicle repair	611	560	51
Building repair	247	357	(110)
Miscellaneous/contingency	253	255	(2)
Annual pumper test	273	250	23
Total fire department	<u>82,153</u>	<u>88,018</u>	<u>(5,865)</u>
Total public safety	586,385	550,824	35,561
Streets:			
Utilities	3,129	2,295	834
Street lights	12,212	10,415	1,797
Street maintenance	4,531	4,386	145
Total streets	<u>19,872</u>	<u>17,096</u>	<u>2,776</u>
Recreation and parks:			
Supplies	725	664	61
Utilities	169	155	14
Lights - ball park	185	231	(46)
Lights - park	397	418	(21)
Equipment maintenance and repair	2,152	1,972	180
Repairs and maintenance	569	532	37
Building repair	213	195	18
Water system repair	295	582	(287)
Uniforms	48	44	4
Miscellaneous/contingency	109	100	9
Total recreation and parks	<u>4,862</u>	<u>4,893</u>	<u>(31)</u>
Capital outlay	<u>134,356</u>	<u>28,239</u>	<u>106,117</u>
Total Expenditures	<u>989,173</u>	<u>867,732</u>	<u>121,441</u>
Excess of Revenues over Expenditures	62,244	331,437	269,193
Other Financing Source and (Use)			
Operating transfers in	265,000	340,000	(75,000)
Operating transfers out	<u>(245,000)</u>	<u>(337,026)</u>	<u>(582,026)</u>
Total Other Financing Source and (Use)	<u>20,000</u>	<u>2,974</u>	<u>(657,026)</u>

City of Grambling  
 Combining Statement of Revenues, Expenditures, and Changes in  
 Fund Balances - Budget (GAAP Basis) and Actual - General Fund  
 For the year ended December 31, 2003

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Excess of Revenues and Other Financing Source over Expenditures and Other Financing Use	82,244	334,411	252,167
Fund Balance, Beginning	<u>826,341</u>	<u>826,341</u>	<u>0</u>
Fund Balance, Ending	<u>\$908,585</u>	<u>\$1,160,752</u>	<u>\$252,167</u>

City of Grambling  
 Schedule of Changes in Assets Restricted  
 for Revenue Bond Debt Service  
 For the Year Ended December 31, 2003

	Bond and Interest			
	<u>Redemption</u>	<u>Reserve</u>	<u>Contingency</u>	<u>Total</u>
Reserve required, 12/31/02	\$180,146	\$248,133	\$36,323	\$464,602.
Cash receipts				
Transfer from operating	75,697		37,553	113,250
Interest earned		562	1,689	2,251
Transfers from reserve			65,013	65,013
Total cash receipts	<u>75,697</u>	<u>562</u>	<u>104,255</u>	<u>180,514</u>
Total available	255,843	248,695	140,578	645,116
<b>DISBURSEMENTS</b>				
Transfer to Contingency		65,013		65,013
Payment of principal	85,559			85,559
Payment of interest	94,998			94,998
Total disbursements	<u>180,557</u>	<u>65,013</u>	<u>0</u>	<u>245,570</u>
Reserve required, 12/31/03	<u>75,286</u>	<u>183,682</u>	<u>140,578</u>	399,546
Restricted cash balance, 12/31/03				<u>468,426</u>
Over (under) funded				<u>\$68,880</u>

# EDWARDS & WADE

Certified Public Accountants  
A Professional Accounting Corporation  
Members: AICPA / Society of LCPA's

## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Mayor and City Council  
City of Grambling  
Grambling, Louisiana

We were engaged to audit the general purpose financial statements of the City of Grambling, as of and for the year ended December 31, 2003 and have issued our report thereon dated May 25, 2004. We did not express an opinion on the financial statements because we were unable to examine adequate supporting documents and records, the scope of our work was not sufficient to enable us to express, and we did not express, an opinion on the financial statements.

### Compliance

As part of obtaining reasonable assurance about whether City of Grambling's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 03-3, 03-4, 03-5, 03-6, 03-7, 03-8, and 03-10.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Grambling's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect City of Grambling's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 03-1, 03-2, and 03-9.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 03-4, 03-5, 03-6, 03-8, 03-9, and 03-10 to be material weaknesses.

This report is intended for the information and use of management, the Legislative Auditor, and any interested federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Edward E. Wade*

Ruston, Louisiana

May 25, 2004

City of Grambling  
 Schedule of Findings and Questioned Costs  
 For the Year Ended December 31, 2003

We were engaged to audit the financial statements of City of Grambling as of and for the year ended December 31, 2003, and have issued our report thereon dated May 25, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of May 25, 2004 resulted in a disclaimer of opinion.

**A. Summary of Audit Results**

1. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses  Yes  No Reportable  Yes  No

Compliance

Compliance Material to Financial Statements  Yes  No

2. Federal Awards

Internal Control

Material Weaknesses  Yes  No Reportable  Yes  No

Type of Opinion On Compliance Unqualified  Qualified   
 For Major Programs Disclaimer  Adverse

Are their findings required to be reported in accordance with Circular A-133, Section .510(a)?  
 Yes  No

3. Identification of Major Programs:

CFDA Number(s)

Name of Federal Program (or Cluster)

N/A

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Dollar threshold used to distinguish between Type A and Type B Programs: \$ 300,000

Is the auditee a "low-risk" auditee, as defined by OMB Circular A-133?  Yes  No

## B. Financial Statements Findings

- 03-1. The purchase order procedures of the City are not consistently applied to expenditures. Our tests revealed some instances that no purchase orders were prepared or purchase orders were prepared after the expenditure was incurred and paid. Also, during our tests, there were expenditures that were not timely paid.

Recommendation: We recommend the city establish procedures to apply purchase orders correctly and pay their bills in a timely manner.

Response: The City agrees with the recommendation. We will be consistent with established procedures for purchases in accordance with State Procurement Statutes and enforce the unauthorized purchases policy in accordance with the Employee Handbook. All accounts payable will be paid in a timely manner.

- 03-2. The City has delinquent property tax notices that extend beyond the legal due date for collection.

Recommendation: Appropriate actions need to be implemented to attempt collection and/or follow up procedures to attach the property in order to collect delinquent taxes.

Response: The City agrees with the recommendation. Delinquent property tax notices have been mailed and the property tax sale will be forthcoming.

- 03-3. The City purchased Christmas decorations using public funds. These payments are in direct violation of Article VII, Section 14 of the LA Constitution of 1974. Things of value shall not be loaned, pledged, or donated to or for any person, association, or corporation.

Recommendation: We recommend the city not loan, pledge, or donate things of value to or for any person, association, or corporation that may constitute a bonus, advance, or gift.

Response: The City agrees with this finding. The City will refrain from using public funds for Christmas decorations.

- 03-4. LRS 39:1305 budget preparation includes "total of proposed expenditures shall not exceed the total of estimated funds available for the ensuing fiscal year." For the Maintenance proprietary fund, the city's budgeted expenditures exceeded the total of estimated funds available for the year ended December 31, 2003.

Recommendation: We recommend the city adopt a balanced budget according to state law.

Response: The City did adopt a budget according to state law in a special call meeting in December, 2003. We have changed accountants and instituted a user-friendly software called Quickbooks. This will allow the City to monitor the budget figures vs. actual expenditures on a monthly basis.

- 03-5. For the year ended December 31, 2003 actual expenditures exceeded budgeted expenditures by more than 5% for the special revenue fund. According to LRS 39:1310, failing to amend the budget when necessary is a violation of the local government budget act.

Recommendation: We recommend the city monitor budget and actual figures and amend as necessary.

Response: The City agrees with the recommendation. We have changed accountants and instituted a user-friendly software called Quickbooks. This will allow the City to monitor the budget figures vs. actual expenditures on a monthly basis.

- 03-6. The City could not provide a listing of assets. According to LRS 24:513(A), the city should maintain records of all assets which were purchased or otherwise acquired, and for which the city is accountable. The records shall include information as to the date of purchase, initial cost, the disposition, if any, the purpose of such disposition, and the recipient of the assets disposed of. All current year additions and deletions could not be verified by the city. The city did not authorize in the minutes the purchase of all new assets.

Recommendation: We recommend that the city conduct a physical inventory and set up subsidiary records to comply with accounting principles generally accepted in the United States. Also the city should maintain records in the minutes of all city activities.

Response: The City agrees with the recommendation. An inventory list of City assets is currently being prepared.

- 03-7. The City did not prepare monthly financial statements. According to LRS 33:425, municipalities are required to prepare monthly financial statements and present them to the governing body. The effect of this happening is inaccurate decisions made concerning available funds.

Recommendation: Management should institute procedures to ensure that the city's records are accurate and available in a timely manner.

Response: The City agrees with the recommendation. We have changed accountants and instituted a user-friendly software called Quickbooks. Monthly financial statements and a list of all bills proposed to be paid will be generated and given to the entire council and the Mayor prior to each monthly council meeting for review and/or approval.

- 03-8. The city did not have adequate collateralization for its bank accounts at year end nor did the city authorize in the minutes the closing one of its CDs.

Recommendation: We recommend the city periodically inquire of the financial institutions regarding adequate coverage. Also, the city should ensure the minutes reflect all relevant items the council approves.

Response: The City agrees with the recommendation. The City will review all its current bank accounts to ensure adequate coverage and expiration date of its CDs.

03-9. By trying to test several revenues and disbursements to original documents for support, we determined the overall internal control for the city is inadequate. The following are examples of the city's poor internal control:

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

Recommendation: We recommend the city establish internal controls to monitor all receipts and disbursements.

Response: The City agrees with the recommendation. The City will review its current internal control practices and policies to determine strengths and weaknesses. And will address all issues related to internal control.

03-10. The city does not have adequate funds retained in reserve accounts of cash and equivalents and investments to fund the reserve requirements according to the loan contracts and the meter deposits held for utility customers.

Recommendation: We recommend the city adhere to the reserve requirements as stated in the loan agreements.

Response: The City agrees with the recommendation. We have changed accountants and instituted a user-friendly software called Quickbooks. This will allow the city to monitor its investments and reserve account balances in accordance with loan contracts, bond agreements and tax restrictions on a monthly basis.

**C. Federal Award Findings and Questioned Costs**

None

City of Grambling  
Summary of Prior Year Findings  
For the Year Ended December 31, 2003

**A. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS**

- 02-1. The water and sewer department's collection of past due accounts has improved, but the department needs continued monitoring by management to further improve collections.

Recommendation: 1) review active customers that are in arrears and establish a repayment plan; 2) those customers no longer on the system but have outstanding bills need to be turned over to a collection agency or written off. The City's established cut-off procedures for past-due water and sewer bills are adequate. The procedures need to be consistently applied.

Conclusion: Resolved

- 02-2. The purchase order procedures of the City are not consistently applied to expenditures. Our tests revealed some instances that no purchase orders were prepared or purchase orders were prepared after the expenditure was incurred and paid. Also, during our tests, there were expenditures that were not timely paid.

Recommendation: None shown

Conclusion: Unresolved - see 03-1

- 02-3. The City has delinquent property tax notices that extend beyond the legal due date for collection.

Recommendation: Appropriate actions need to be instigated to attempt collection and/or follow up procedures to attach the property in order to collect delinquent taxes.

Conclusion: Unresolved - see 03-2

**B. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS**

None

**C. MANAGEMENT LETTER**

None



# City of Grambling

2045 East Martin Luther King Avenue • P. O. Box 108 • Grambling, Louisiana 71245 • Phone 318/247-6120 • Fax 318/247-0940

HOME OF GRAMBLING STATE UNIVERSITY

MARTHA W. ANDRUS  
MAYOR

A. D. SMITH, JR.  
MAYOR PRO-TEM

COUNCIL MEMBERS  
ALVIN R. BRADLEY, SR.  
TOBY B. BRYAN  
EDWARD R. JONES  
SHAWN H. ROBINSON, SR.  
ARTHUR D. SMITH, JR.

## CORRECTIVE ACTION PLAN For the Year Ended December 31, 2003

City of Grambling hereby submits the following corrective action plan as referenced in the Findings and Questioned Costs:

- 03-1. See Schedule of Findings and Questioned Costs - Section B.
- 03-2. See Schedule of Findings and Questioned Costs - Section B.
- 03-3. See Schedule of Findings and Questioned Costs - Section B.
- 03-4. See Schedule of Findings and Questioned Costs - Section B.
- 03-5. See Schedule of Findings and Questioned Costs - Section B.
- 03-6. See Schedule of Findings and Questioned Costs - Section B.
- 03-7. See Schedule of Findings and Questioned Costs - Section B.
- 03-8. See Schedule of Findings and Questioned Costs - Section B.
- 03-9. See Schedule of Findings and Questioned Costs - Section B.
- 03-10. See Schedule of Findings and Questioned Costs - Section B.