

**CITY OF TALLULAH**  
**Tallulah, Louisiana**

**Annual Financial Report**  
**As of and for the Year Ended June 30, 2017**

**CITY OF TALLULAH  
Tallulah, Louisiana**

**Annual Financial Report  
As of and for the Year Ended June 30, 2017**

**Honorable Paxton J. Branch  
Mayor**

**Gerald Odom  
City Clerk**

CITY OF TALLULAH  
TABLE OF CONTENTS

Page

**FINANCIAL SECTION**

INDEPENDENT AUDITOR'S REPORT		5
REQUIRED SUPPLEMENTARY INFORMATION		8
Management's Discussion and Analysis (MD&A)		9

**BASIC FINANCIAL STATEMENTS**

	<u>Statement</u>	
Government-wide Financial Statements (GWFS)		20
Statement of Net Position	A	21
Statement of Activities	B	22
Fund Financial Statements (FFS)		24
Governmental Funds:		
Balance Sheet	C	25
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	D	26
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances	E	27
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	F	29
Proprietary Fund Type - Enterprise Fund:		
Statement of Net Position	G	30
Statement of Revenues, Expenses, and Changes in Fund Net Position	H	32
Statement of Cash Flows	I	33
Notes to the Basic Financial Statements		
Table of Contents		35
Notes		36

**REQUIRED SUPPLEMENTARY INFORMATION**

	<u>Exhibit</u>	
Schedule of the Employer's Proportionate Share of the Net Pension Liability	1-1	66
Schedule of Employer Contributions to Pension Plan	1-2	66
Notes to Required Supplementary Information for Pensions		67
Budgetary Comparison Schedules Descriptions		68
Budgetary Comparison Schedule - General Fund	2-1	69
Budgetary Comparison Schedule - Section 8 Fund	2-2	70
Notes to the Budgetary Comparison Schedule		71

(Continued)

CITY OF TALLULAH  
TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
<b>OTHER SUPPLEMENTARY INFORMATION</b>		73
Nonmajor Governmental Funds		
Nonmajor Governmental Fund Descriptions		74
Combining Balance Sheet - by Fund Type	3	75
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - By Fund Type	4	76
Nonmajor Debt Service Funds Description		77
Combining Balance Sheet	5	78
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance	6	79
Nonmajor Capital Projects Funds Description		80
Combining Balance Sheet	7	81
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance	8	82
Comparative Information Required by Bond Covenant with the U.S. Department of Agriculture		83
Comparative Statement of Net Position	9	84
Schedule of Compensation Paid to Council Members	10	86
Schedule of Compensation, Benefits, and Other Payments to Agency Head	11	87
Financial Data Schedule	12	88
 <b>OTHER REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS</b>		 90
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards		91
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance		93
Schedule of Findings and Questioned Costs for the Year Ended June 30, 2017		95
Schedule of Prior Year Findings and Questioned Costs		103
Schedule of Expenditures of Federal Awards		104
Notes to Schedule of Expenditures of Federal Awards		105
 <b>OTHER INFORMATION</b>		
Management's Corrective Action Plan		107
	(concluded)	

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Paxton J. Branch  
and Members of the City Council  
City of Tallulah  
Tallulah, Louisiana

### Report on Financial Statements

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 Tallulah, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Tallulah's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business Type Activities	Unmodified
Aggregate Discretely Presented Component Units	Adverse
General Fund	Unmodified
Section 8 Fund	Unmodified
LCDBG Projects Fund	Unmodified
Water Fund	Unmodified
Sewer Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

#### **Basis for Adverse Opinion on Aggregate Discretely Presented Component Units**

The financial statements referred to above do not include financial data for the City of Tallulah's legally separate component units. Accounting principles generally accepted in the United States of America require financial data for those component units to be reported with the financial data of the City of Tallulah's primary government unless the City of Tallulah also issues financial statements for the financial reporting entity that include the financial data for its component units. The City of Tallulah has not issued such reporting entity financial statements as of and for the year ended June 30, 2017. The amount by which this departure would affect the assets, liabilities, net position, revenues, and expenses of the government-wide financial statements has not been determined.

#### **Adverse Opinion**

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the City, as of June 30, 2017, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Unmodified Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the primary government of the City of Tallulah, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Other Matters**

##### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis beginning on page 9, the schedule of employer's proportionate share of the net pension liability and schedule of employer contributions on page 66, and budgetary comparison information beginning on page 68 as listed in the table of contents be presented to supplement the basic

financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Tallulah's basic financial statements. The combining and individual nonmajor fund financial statements, and the other supplementary information as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, and the other supplementary information as listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, and the other supplemental information as listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 2018, on our consideration of the City of Tallulah'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Tallulah's internal control over financial reporting and compliance.

*LeBlanc Hauskrecht, L.L.P.*

Metairie, LA  
April 2, 2018

**REQUIRED SUPPLEMENTARY INFORMATION:**

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

**CITY OF TALLULAH**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2017**

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Our discussion and analysis of the City of Tallulah's (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2017. Amounts are presented in thousands unless otherwise noted.

This report presents the financial information of the City's activity of the primary government and does not include the discretely presented component unit Tallulah Housing Authority. The Housing Authority's report can be obtained by contacting the City Clerk of Tallulah at 204 North Cedar, Tallulah, La 71282.

### **FINANCIAL HIGHLIGHTS**

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

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$5,813 thousand (net position). Of this amount, \$(689) thousand represents unrestricted net position, which is the amount that may be needed for the City to meet its ongoing obligations to its citizens and creditors.
- The City's total net position increased \$7 thousand. Governmental activities' net position increased \$757 thousand mainly due to the increase in capital assets from on-going construction projects funded through capital grants and transfers from business-type activities. Business-type activities' net position decreased \$750 thousand mainly due to a reduction in water and sewer charges for services, reduction in capital assets from the increase in accumulated depreciation and from transfers to governmental activities.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$536 thousand, an increase of \$40 thousand in comparison with the prior year. Approximately 79.3% of this amount (\$425 thousand) is available for spending at the government's discretion (unassigned fund balance).
- At the end of the fiscal year, unassigned fund balance of the general fund was \$425 thousand, or approximately 14.7% of total general fund expenditures.
- The City's total outstanding long-term debt decreased \$545 thousand primarily because a reduction of \$411 thousand in net bonds and loans payables and \$172 thousand decrease in the net pension liability.

In fiscal year 2017, the City adopted two new statements of financial accounting standards issued by the Governmental Accounting Standards Board:

- *Statement No. 77 – Tax Abatement Disclosures:* This Statement establishes standards of accounting and financial reporting for tax abatements. Financial statement users need information about certain limitations on a government's ability to raise resources. This includes limitations on revenue-raising capacity resulting from government programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens. Tax abatements are widely used by state and local governments, particularly to encourage economic development. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments that reduce the reporting

**CITY OF TALLULAH**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2017**

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government's tax revenues.

- *Statement No. 82 – Pension Issues:* This Statement establishes standards to improve consistency in the application of pension accounting and financial reporting requirements by addressing certain issues that have been raised with respect to statements No. 67, No. 68, and No. 73. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The adoption of these standards had no impact on the government-wide or the governmental fund financial statements, but provide for guidance, clarification and/or additional disclosures in the notes to the financial statements and required supplementary information related to pensions. At June 30, 2017, the City did not have any tax abatements to disclose.

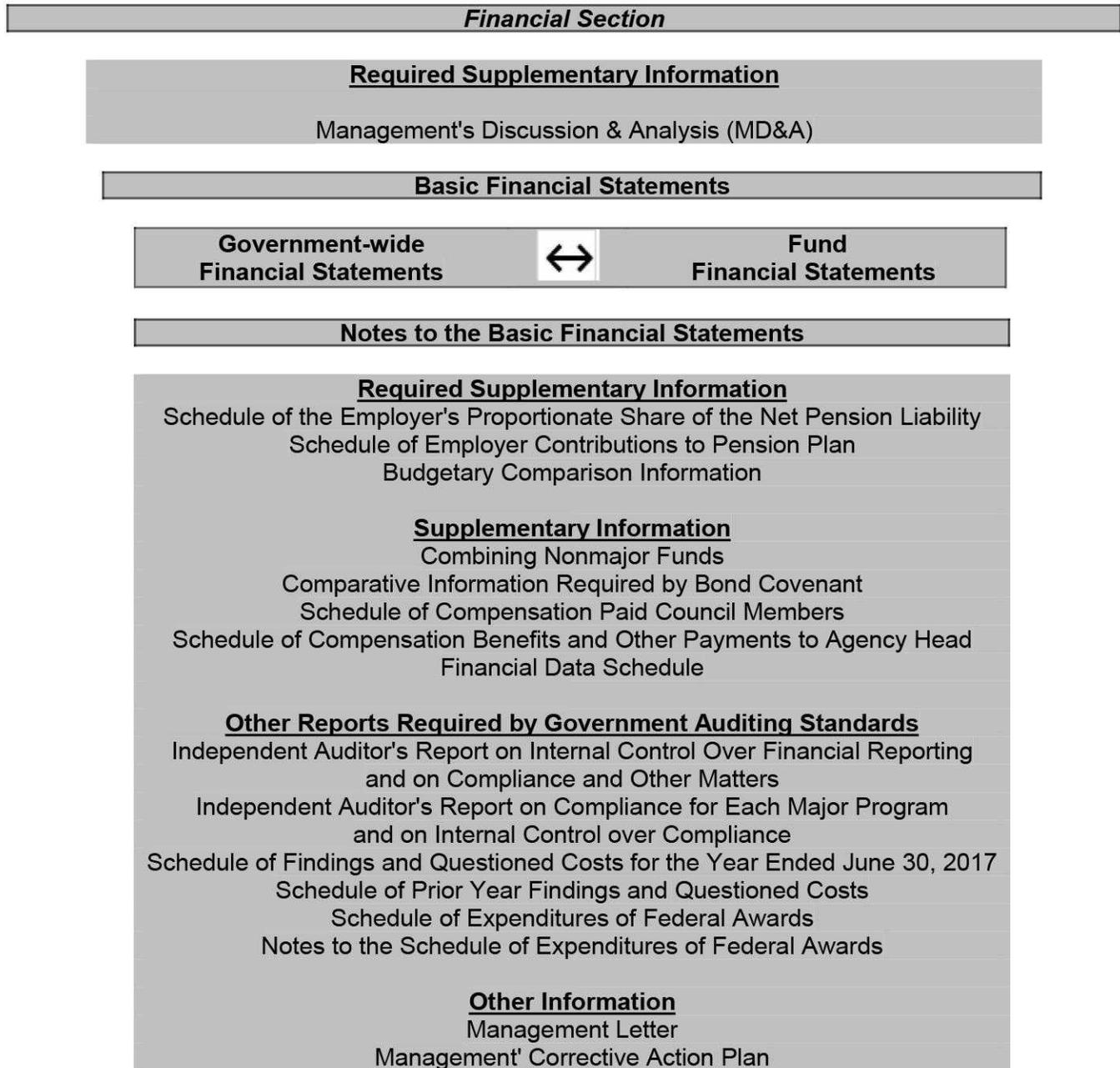
#### **USING THIS ANNUAL REPORT**

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 Position 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, and the Section 8 Fund and LCDBG Projects.

**CITY OF TALLULAH**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2017**

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



**CITY OF TALLULAH**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2017**

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Our auditor will provide assurance in the independent auditor's report, which will be located immediately preceding this Management's Discussion and Analysis in the audited financial report, that the Basic Financial Statements are fairly stated. Varying degrees of assurance will be provided by the auditor regarding the Required Supplementary Information, Supplementary Information, Other Reports Required by *Government Auditing Standards*, and Other Information identified above. A user of this report should read the independent auditor's 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 Position 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 Position 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 prepared these statements to include all assets, liabilities and deferred inflows/outflows of resources 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 position* - the difference between assets, liabilities and deferred inflows/outflows of resources as reported in the Statement of Net Position - as one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net position 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 non-financial 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 City.

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

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

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

### **Reporting the City's Most Significant Funds**

#### ***Fund Financial Statements***

The City's fund financial statements provide detailed information about the most significant funds but not the City as a whole. Some funds are required to be established by State law. However, the City

**CITY OF TALLULAH**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2017**

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establishes other funds to help it control and manage money for particular purposes (like the capital project fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds - governmental and proprietary - use different accounting approaches:

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

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$5,813 thousand, at the close of the most recent fiscal year. Our analysis below focuses on the net position (Table 1, next page) and changes in net position (Table 2) of the City's governmental and business-type activities.

**CITY OF TALLULAH**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2017**

**Table 1**  
**Net Position**  
**(In Thousands)**  
**June 30, 2017 and 2016**

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>ASSETS</b>						
Current and other assets	\$ 1,020	\$ 1,282	\$ (181)	\$ 173	\$ 839	\$ 1,455
Restricted assets	4	4	1,189	1,215	1,193	1,219
Capital assets	2,885	2,335	14,595	15,516	17,480	17,851
Total assets	<u>3,909</u>	<u>3,621</u>	<u>15,603</u>	<u>16,904</u>	<u>19,512</u>	<u>20,525</u>
Total deferred outflows of resources	<u>137</u>	<u>154</u>	<u>-</u>	<u>-</u>	<u>137</u>	<u>154</u>
<b>LIABILITIES</b>						
Current and other liabilities	488	790	496	705	984	1,495
Long-term liabilities	562	765	11,894	12,236	12,456	13,001
Total liabilities	<u>1,050</u>	<u>1,555</u>	<u>12,390</u>	<u>12,941</u>	<u>13,440</u>	<u>14,496</u>
Total deferred inflows of resources	<u>396</u>	<u>377</u>	<u>-</u>	<u>-</u>	<u>396</u>	<u>377</u>
<b>NET POSITION</b>						
Net investment in capital assets	2,623	2,045	2,712	3,291	5,335	5,336
Restricted	111	137	1,056	1,030	1,167	1,167
Unrestricted	(134)	(339)	(555)	(358)	(689)	(697)
Total net position	<u>\$ 2,600</u>	<u>\$ 1,843</u>	<u>\$ 3,213</u>	<u>\$ 3,963</u>	<u>\$ 5,813</u>	<u>\$ 5,806</u>

By far, the largest portion of the City's net position (92%) reflects its investment in capital assets (e.g., land, construction in process, building and improvements, furniture and equipment, plant, transmission lines, water systems and pumping stations), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (20%) represent resource that are subject to external restrictions on how they may be used. The remaining balance (unrestricted) of \$(689) thousand represents the amount that may be needed to meet the City's ongoing obligations to its citizens and creditors.

The overall net position increased \$7 thousand from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

**CITY OF TALLULAH**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2017**

**Table 2**  
**Changes in Net Position**  
**(In Thousands)**  
**For the Years Ended June 30, 2017 and 2016**

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Revenues:</b>						
Program revenues						
Charges for services	\$ 98	\$ 77	\$ 2,674	\$ 3,003	\$ 2,772	\$ 3,080
Operating grants and contributions	539	471	-	45	539	516
Capital grants and contributions	537	648	-	-	537	648
General revenues						
Property taxes	495	503	-	-	495	503
Sales tax	1,373	1,297	-	-	1,373	1,297
Other taxes, penalties	308	305	-	-	308	305
License and permits	66	84	-	-	66	84
Grants and contributions not restricted to a program	74	76	-	-	74	76
Earnings on Investments	-	-	1	-	1	-
Miscellaneous	56	54	237	1	293	55
<b>Total Revenues</b>	<b>3,546</b>	<b>3,515</b>	<b>2,912</b>	<b>3,049</b>	<b>6,458</b>	<b>6,564</b>
<b>Functions / Program Expenses:</b>						
Governmental Activities						
General and Administrative	789	820	-	-	789	820
Police Department	667	621	-	-	667	621
Fire Department	464	492	-	-	464	492
Street Department	864	762	-	-	864	762
Health and Welfare	233	208	-	-	233	208
Culture and Recreation	117	150	-	-	117	150
Legislative	65	66	-	-	65	66
Transportation	47	36	-	-	47	36
Interest Expense	19	12	-	-	19	12
Business-type Activities						
Water Enterprise	-	-	2,100	2,301	2,100	2,301
Utility Enterprise	-	-	1,086	1,164	1,086	1,164
<b>Total Functions / Program Expenses</b>	<b>3,265</b>	<b>3,167</b>	<b>3,186</b>	<b>3,465</b>	<b>6,451</b>	<b>6,632</b>
<b>Increase (decrease) in net position before transfers</b>	<b>281</b>	<b>348</b>	<b>(274)</b>	<b>(416)</b>	<b>7</b>	<b>(68)</b>
<b>Transfers</b>	<b>476</b>	<b>283</b>	<b>(476)</b>	<b>(283)</b>	<b>-</b>	<b>-</b>
<b>Increase (decrease) in net position</b>	<b>757</b>	<b>631</b>	<b>(750)</b>	<b>(699)</b>	<b>7</b>	<b>(68)</b>
<b>Net position - beginning</b>	<b>1,843</b>	<b>1,212</b>	<b>3,963</b>	<b>4,662</b>	<b>5,806</b>	<b>5,874</b>
<b>Net position - ending</b>	<b>\$ 2,600</b>	<b>\$ 1,843</b>	<b>\$ 3,213</b>	<b>\$ 3,963</b>	<b>\$ 5,813</b>	<b>\$ 5,806</b>

**Governmental Activities**

During the current fiscal year, net position of governmental activities increased \$757 thousand from the prior fiscal year for an ending balance of \$2,600 thousand. Governmental activities' revenues received for June 30, 2017 increased \$31 thousand from the year ended June 30, 2016. This was due mainly to a \$76 thousand increase in sales tax collections, a \$68 thousand increase in operating grants offset by a \$111 thousand decrease in capital grants. The City received \$90 thousand in FEMA operating grants in

**CITY OF TALLULAH**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2017**

the current fiscal year for partial reimbursement of the costs incurred in the prior fiscal year for the clean-up and repairs needed as a result of the spring 2016 flooding disaster.

Governmental activities expenses for 2017 were \$3,265 thousand, this is an increase of \$98 thousand or 3%. Police department, Street department, Health and welfare, Transportation and Interest expenses increased \$46 thousand, \$102 thousand, \$25 thousand, \$11 thousand, and \$7 thousand respectively, while the General and administrative, Fire department, Culture and recreation, and Legislative decreased \$31 thousand, \$28 thousand, \$33 thousand, and \$1 thousand, respectively.

As discussed above, the cost of all governmental activities this year was \$3,265 thousand. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$2,091 thousand because some of the cost was paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions.

Table 3 presents the cost of each of the City's governmental activities as well as each programs 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**  
**(In Thousands)**  
**For the Years Ended June 30, 2017 and 2016**

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	2017	2016	2017	2016
<b>Governmental Activities</b>				
General and Administrative	\$ 789	\$ 820	\$ 782	\$ 768
Police Department	667	621	549	500
Fire Department	464	492	338	369
Street Department	864	762	635	756
Health and Welfare	233	208	(442)	(665)
Culture and Recreation	117	150	98	128
Legislative	65	66	65	66
Transportation	47	36	47	36
Interest Expense	19	12	19	12
	<u>\$ 3,265</u>	<u>\$ 3,167</u>	<u>\$ 2,091</u>	<u>\$ 1,970</u>

***Business-type Activities***

The net position of the business-type activities decreased \$750 thousand from the prior fiscal year for an ending balance of \$3,213 thousand. Revenue of the City's business-type activities (see Table 2) for June 30, 2017 was \$2,912 thousand. This is a decrease of \$137 thousand from 2016 to 2017. Charges for water and sewer services decreased \$329 thousand while miscellaneous revenues increased \$236 thousand mainly from the forgiveness of a payable for engineering services related to an abandoned sewer improvement project. In the prior fiscal year, the City received a state operating grant \$45 thousand and none in the current fiscal year.

**CITY OF TALLULAH**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2017**

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Expenses for the year ended June 30, 2017 were \$3,186 thousand for the City's business-type activities which decreased \$279 thousand from 2016 to 2017. This decrease is primarily due to the City incurred bond issuance costs of \$158 thousand in the prior fiscal year from a bond refunding and none in the current fiscal year. In addition, expenses decreased \$50 thousand in interest expense due to the reduction in outstanding debt and \$45 thousand in expenses related to prior year's state operating grant.

**THE CITY'S FUNDS**

***Governmental Funds***

As the City completed the year, its governmental funds reported a combined fund balance of \$535 thousand, which is an increase of \$40 thousand in fund balance from last year. The General Fund's fund balance increased \$40 thousand from the \$388 thousand reported in the prior fiscal year to \$428 thousand. This increase is due mainly to an increase in sales tax revenue.

The Section 8 fund had an increase in fund balance of \$4 thousand for an ending fund balance of \$75 thousand. This increase is due to an increase in HUD administration revenues.

The LCDBG Projects fund had ending fund balance of \$14.

The nonmajor governmental funds had a decrease of \$4 thousand. This decrease is mainly due to (1) the increase in the Street fund of \$27 thousand from a transfer in from the water fund and (2) a decrease in the fund balance of the debt service fund of \$31 thousand from using \$30 thousand of the fund's excess funds for an additional general obligation principal payment.

***Proprietary Funds***

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water Fund at the end of the year was a deficit of \$372 thousand and for the Sewer Fund was a deficit of \$183 thousand. Net position restricted for debt service was \$905 thousand for the Water Fund and \$151 thousand for the Sewer Fund. The total decline in net positions for both proprietary funds was \$610 thousand and \$139 thousand, respectively. As noted earlier in the discussion of business-type activities, the charges for services decreased \$193 thousand for the Water Fund and \$130 thousand for the Sewer Fund. Interest expense decreased for both funds due to the decrease in the outstanding debt.

In the current year, the Sewer fund recorded \$232 thousand for a forgiveness of payable for engineering expenses for an abandoned sewer improvement project. The engineering firm is also the engineer for the current sewer improvement project and decided not to charge the City for the previously billed fees for the abandoned project.

In the prior year, the Water Fund incurred bond issuance costs of \$158 thousand related to the issuance of the Water Revenue Refunding Series 2016 bonds. The City did not incur any bond issuance costs in the current fiscal year.

**CITY OF TALLULAH**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2017**

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**GENERAL FUND BUDGETARY HIGHLIGHTS**

Actual amounts available for appropriations were \$76 thousand more than budgeted. This favorable variance was primarily due to collecting more in sales and use taxes and other taxes than expected offset by collecting less in licenses and permits and intergovernmental revenues than was expected.

Overall actual charges to appropriations were \$36 thousand more than budgeted. General and administrative, Police, and Capital outlay expenditures exceeded their budget amounts \$14 thousand, \$100 thousand, and \$20 thousand, respectively. These unfavorable variances were due to unexpected expenditures occurring near year-end.

The original budgeted revenues were increased by \$361 thousand in the final budget and the original budgeted expenditures were decreased by \$27 thousand in the final budget. The budget revisions included the inclusion of beginning fund balance and decrease of \$27 thousand in intergovernmental revenues and a corresponding decrease in grant expenditures.

**CAPITAL ASSETS**

At June 30, 2017 and 2016, the City had invested in the following capital assets (in thousands):

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 79	\$ 79	\$ 678	\$ 678	\$ 757	\$ 757
Construction in progress	1,576	910	-	-	1,576	910
Infrastructure	647	647	-	-	647	647
Buildings improvements	2,911	2,911	14	14	2,925	2,925
Furniture and equipment	1,450	1,469	884	967	2,334	2,436
Plant	-	-	9,901	9,900	9,901	9,900
Transmission lines	-	-	9,115	9,087	9,115	9,087
Water systems	-	-	8,401	8,401	8,401	8,401
Pumping stations	-	-	384	384	384	384
Total capital assets	<u>6,663</u>	<u>6,016</u>	<u>29,377</u>	<u>29,431</u>	<u>36,040</u>	<u>35,447</u>
Accumulated depreciation	<u>3,778</u>	<u>3,681</u>	<u>14,782</u>	<u>13,915</u>	<u>18,560</u>	<u>17,596</u>
Net capital assets	<u>\$ 2,885</u>	<u>\$ 2,335</u>	<u>\$ 14,595</u>	<u>\$ 15,516</u>	<u>\$ 17,480</u>	<u>\$ 17,851</u>

Additional information regarding capital assets can be found in Note 7 of the Notes to the Financial Statements.

**DEBT ADMINISTRATION**

At June 30, 2017, the City had bonds and certificates outstanding of \$122 in which Governmental Funds make the required payments. Enterprise Funds had outstanding bonds and loans of \$11,883 at June 30, 2017. Proceeds were used for the rehabilitation of the City's Water System and Sewer System. Additional information regarding long-term debt can be found in Note 11 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 and sales tax

**CITY OF TALLULAH**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2017**

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collections. Approximately, 67% of total revenues in the general fund are from ad valorem and sales tax collections. The general fund budget for the year ending June 30, 2015 as originally adopted decreased \$41 from the 2017 budget, which is the most realistic attempt at matching current expenditures with expected revenues.

**ADDITIONAL INFORMATION**

For additional information contact Gerald Odom, City Clerk, City of Tallulah, 204 North Cedar Street, Tallulah, LA 71282 or by telephone at (318) 574-0964.

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

**CITY OF TALLULAH**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

Statement A

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 243,082	\$ 60,434	\$ 303,516
Receivables (net)	288,651	246,571	535,222
Internal Balances	488,061	(488,061)	-
Restricted assets			
Cash and cash equivalents	3,535	1,188,967	1,192,502
Capital assets			
Land and construction in progress	1,654,123	678,330	2,332,453
Depreciable assets, net of depreciation	<u>1,231,135</u>	<u>13,916,512</u>	<u>15,147,647</u>
<b>TOTAL ASSETS</b>	<u>3,908,587</u>	<u>15,602,753</u>	<u>19,511,340</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	<u>137,375</u>	<u>-</u>	<u>137,375</u>
<b>TOTAL DEFERRED OUTFLOW OF RESOURCES</b>	<u>137,375</u>	<u>-</u>	<u>137,375</u>
<b>LIABILITIES</b>			
Accounts, salaries and other payables	487,692	198,813	686,505
Interest payable	-	114,056	114,056
Payable from restricted assets - customer deposits	-	182,340	182,340
Long term liabilities			
Due within one year	96,961	514,774	611,735
Due in more than one year	<u>465,455</u>	<u>11,379,421</u>	<u>11,844,876</u>
<b>TOTAL LIABILITIES</b>	<u>1,050,108</u>	<u>12,389,404</u>	<u>13,439,512</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	<u>395,822</u>	<u>-</u>	<u>395,822</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>395,822</u>	<u>-</u>	<u>395,822</u>
<b>NET POSITION</b>			
Net investment in capital assets	2,623,397	2,712,178	5,335,575
Restricted for:	-	-	-
Debt Service	34,357	1,056,290	1,090,647
Section 8 Program	75,718	-	75,718
Street Maintenance	681	-	681
Construction Projects	51	-	51
Unrestricted	<u>(134,172)</u>	<u>(555,119)</u>	<u>(689,291)</u>
<b>TOTAL NET POSITION</b>	<u>\$ 2,600,032</u>	<u>\$ 3,213,349</u>	<u>\$ 5,813,381</u>

See independent auditor's report and notes to the basic financial statements.

CITY OF TALLULAH  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017

Statement B

FUNCTIONS / PROGRAMS	PROGRAM REVENUES				PRIMARY GOVERNMENT NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	
<b>Governmental Activities:</b>							
General and Administrative	\$ 789,307	\$ -	\$ 7,059	\$ -	\$ (782,248)	\$ -	\$ (782,248)
Police Department	666,838	52,379	65,244	-	(549,215)	-	(549,215)
Fire Department	464,118	-	125,968	-	(338,150)	-	(338,150)
Street Department	864,282	10,200	96,749	122,385	(634,948)	-	(634,948)
Health and Welfare	233,353	26,551	234,499	414,964	442,661	-	442,661
Culture and Recreation	116,853	9,060	9,793	-	(98,000)	-	(98,000)
Legislative	64,982	-	-	-	(64,982)	-	(64,982)
Transportation	47,313	-	-	-	(47,313)	-	(47,313)
Interest Expense	19,037	-	-	-	(19,037)	-	(19,037)
<b>Total Governmental Activities</b>	<b>3,266,083</b>	<b>98,190</b>	<b>539,312</b>	<b>537,349</b>	<b>(2,091,232)</b>	<b>-</b>	<b>(2,091,232)</b>
<b>Business-Type Activities:</b>							
Water Activities	2,099,590	1,753,835	-	-	-	(345,755)	(345,755)
Sewer Activities	1,086,347	919,981	-	-	-	(166,366)	(166,366)
<b>Total Business-Type Activities</b>	<b>3,185,937</b>	<b>2,673,816</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(512,121)</b>	<b>(512,121)</b>
<b>Total Primary Government</b>	<b>\$ 6,452,020</b>	<b>\$ 2,772,006</b>	<b>\$ 539,312</b>	<b>\$ 537,349</b>	<b>\$ (2,091,232)</b>	<b>\$ (512,121)</b>	<b>\$ (2,603,353)</b>

Continued

See independent auditor's report and notes to the basic financial statements.

CITY OF TALLULAH  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017

Statement B  
(Continued)

	<u>PROGRAM REVENUES</u>			<u>PRIMARY GOVERNMENT NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<b>General revenues:</b>							
Taxes:							
Property taxes					\$ 495,107	\$ -	\$ 495,107
Sales tax revenue					1,373,274	-	1,373,274
Other taxes, penalties					307,768	-	307,768
Licenses and permits					66,231	-	66,231
Grants and contributions not restricted to a specific program					73,326	-	73,326
Earnings on investments					111	940	1,051
Miscellaneous					56,219	237,325	293,544
Transfers					475,643	(475,643)	-
<b>Total general revenues and transfers</b>					<u>2,847,679</u>	<u>(237,378)</u>	<u>2,610,301</u>
 Changes in net position					756,447	(749,499)	6,948
 Net position - beginning					<u>1,843,585</u>	<u>3,962,848</u>	<u>5,806,433</u>
 Net position - ending					<u>\$ 2,600,032</u>	<u>\$ 3,213,349</u>	<u>\$ 5,813,381</u>

See independent auditor's report and notes to the basic financial statements.

**BASIC FINANCIAL STATEMENTS:**

**FUND FINANCIAL STATEMENTS (FFS)**

**CITY OF TALLULAH**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**JUNE 30, 2017**

Statement C

	General	Section 8	LCDBG Projects	Nonmajor Governmental	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 116,632	\$ 78,515	\$ 64	\$ 47,871	\$ 243,082
Receivables	173,121	-	8,580	106,950	288,651
Interfund receivables	363,125	-	128,623	31,841	523,589
Restricted assets					
Cash	3,535	-	-	-	3,535
<b>TOTAL ASSETS</b>	<b>\$ 656,413</b>	<b>\$ 78,515</b>	<b>\$ 137,267</b>	<b>\$ 186,662</b>	<b>\$ 1,058,857</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Accounts, salaries and other payables	\$ 226,207	\$ 2,797	\$ 137,253	\$ 121,435	\$ 487,692
Interfund payables	1,841	-	-	33,687	35,528
<b>TOTAL LIABILITIES</b>	<b>228,048</b>	<b>2,797</b>	<b>137,253</b>	<b>155,122</b>	<b>523,220</b>
<b>FUND BALANCES:</b>					
Restricted	3,535	75,718	14	31,540	110,807
Unassigned	424,830	-	-	-	424,830
<b>TOTAL FUND BALANCES</b>	<b>428,365</b>	<b>75,718</b>	<b>14</b>	<b>31,540</b>	<b>535,637</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 656,413</b>	<b>\$ 78,515</b>	<b>\$ 137,267</b>	<b>\$ 186,662</b>	<b>\$ 1,058,857</b>

See independent auditor's report and notes to the basic financial statements.

**CITY OF TALLULAH  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
JUNE 30, 2017**

Statement D

Total fund balances - governmental funds \$ 535,637

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 Position 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.

Cost of capital assets	\$ 6,663,083	
Depreciation expense to date	<u>(3,777,825)</u>	2,885,258

Deferred outflows of resources and deferred inflows of resources are not available to pay current period expenditures and therefore, are not reported in the governmental funds.

Deferred outflows related to pensions	137,375	
Deferred inflows related to pensions	<u>(395,822)</u>	(258,447)

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 Position.

Balances at June 30, 2017 are:		
Bonds Payable	(36,794)	
Certificates of Indebtedness	(85,379)	
Capital lease payable	(139,688)	
Compensated absences payable	(21,236)	
Net Pension Liability	<u>(279,319)</u>	
		<u>(562,416)</u>

Total net position - governmental activities \$ 2,600,032

See independent auditor's report and notes to the basic financial statements.

**CITY OF TALLULAH**  
**GOVERNMENTAL FUNDS**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

Statement E

	<u>General</u>	<u>Section 8</u>	<u>LCDBG Projects</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
<b>REVENUES</b>					
Local sources:					
Taxes:					
Ad valorem	\$ 359,851	\$ -	\$ -	\$ 135,256	\$ 495,107
Sales	1,373,274	-	-	-	1,373,274
Other taxes, penalties and interest	307,768	-	-	-	307,768
Licenses and permits	66,231	-	-	-	66,231
Intergovernmental revenues	322,716	234,499	414,964	172,024	1,144,203
Rental income	9,060	-	-	-	9,060
Use of money and property	27	42	7	35	111
Fines and forfeitures	52,379	-	-	-	52,379
Miscellaneous revenues	81,895	26,551	-	10,200	118,646
 Total revenues	 2,573,201	 261,092	 414,971	 317,515	 3,566,779
 <b>EXPENDITURES</b>					
Current:					
General and administrative	772,585	-	8,287	180	781,052
Police Department	760,866	-	-	-	760,866
Fire Department	401,758	-	-	-	401,758
Street Department	603,878	-	-	187,026	790,904
Health and welfare	-	257,353	-	-	257,353
Culture and recreation	104,997	-	-	-	104,997
Legislative	64,982	-	-	-	64,982
Transportation	47,313	-	-	-	47,313
Capital outlay	79,954	-	543,636	122,385	745,975
Debt service:					
Principal retirement	46,444	-	-	41,538	87,982
Interest and bank charges	14,947	-	-	4,090	19,037
 Total expenditures	 2,897,724	 257,353	 551,923	 355,219	 4,062,219
 <b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>					
	<b>\$ (324,523)</b>	<b>\$ 3,739</b>	<b>\$ (136,952)</b>	<b>\$ (37,704)</b>	<b>\$ (495,440)</b>

(Continued)

See independent auditor's report and notes to the basic financial statements.

**CITY OF TALLULAH**

**GOVERNMENTAL FUNDS  
COMBINED STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2017**

Statement E

	General	Section 8	LCDBG Projects	Nonmajor Governmental	Total
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ 304,721	\$ -	\$ 136,922	\$ 34,000	\$ 475,643
Capital lease proceeds	59,754	-	-	-	59,754
TOTAL OTHER FINANCING SOURCES (USES)	364,475	-	136,922	34,000	535,397
NET CHANGE IN FUND BALANCE	39,952	3,739	(30)	(3,704)	39,957
FUND BALANCES - BEGINNING	388,413	71,979	44	35,244	495,680
FUND BALANCES - ENDING	\$ 428,365	\$ 75,718	\$ 14	\$ 31,540	\$ 535,637

See independent auditor's report and notes to the basic financial statements.

**CITY OF TALLULAH  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017**

		Statement F
Total net change in fund balances - governmental funds	\$	39,957
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>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:</p>		
Capital outlays	\$ 745,975	
Depreciation	<u>(194,733)</u>	551,242
<p>The Statement of Activities reflects the effect of the disposition of capital assets during the year. The cost less the depreciation (net value) of the items disposed of during the year are not reflected in the fund balance.</p>		
		(1,436)
<p>The recognition of pension expense in the Statement of Activities is based on projected benefit payments discounted to actuarial present value and attributed to periods of employee service. Pension expenditures in the governmental funds are the amounts actually paid.</p>		
		136,718
<p>Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.</p>		
		87,982
<p>In the Statement of Activities, certain operating expenses - compensated absences (vacation leave) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, vacation taken (\$29,656) exceeded the amounts earned (\$27,918) by \$1,738.</p>		
		1,738
<p>Debt proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the Statement of Net Position, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities.</p>		
		<u>(59,754)</u>
Total net change in net position - governmental activities	\$	<u>756,447</u>

See independent auditor's report and notes to the basic financial statements.

**CITY OF TALLULAH**  
**PROPRIETARY FUND TYPE - ENTERPRISE FUNDS**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

Statement G

	Water Fund	Sewer Fund	Total
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	-	60,434	60,434
Receivables, net	154,598	91,973	246,571
Interfund receivables	5,172	14,014	19,186
Restricted Assets:			
Cash and cash equivalents	1,038,144	150,823	1,188,967
<b>Total Current Assets</b>	<b>1,197,914</b>	<b>317,244</b>	<b>1,515,158</b>
Noncurrent Assets			
Capital Assets			
Land and construction in progress	65,451	612,879	678,330
Depreciable assets, net of depreciation	3,560,871	10,355,641	13,916,512
<b>Total Noncurrent Assets</b>	<b>3,626,322</b>	<b>10,968,520</b>	<b>14,594,842</b>
<b>TOTAL ASSETS</b>	<b>4,824,236</b>	<b>11,285,764</b>	<b>16,110,000</b>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts, salaries and other payables	90,612	108,201	198,813
Interfund payables	271,763	235,484	507,247
Interest payable	114,056	-	114,056
Payable from restricted assets - customer deposits	182,340	-	182,340
Compensated absences	5,556	5,975	11,531
Revenue bonds payable - current	455,000	-	455,000
Loans payable - current	-	48,243	48,243
<b>Total Current Liabilities</b>	<b>\$ 1,119,327</b>	<b>\$ 397,903</b>	<b>\$ 1,517,230</b>

(Continued)

See independent auditor's report and notes to the basic financial statements.

**CITY OF TALLULAH**  
**PROPRIETARY FUND TYPE - ENTERPRISE FUNDS**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

Statement G

	Water Fund	Sewer Fund	Total
Noncurrent Liabilities			
Revenue bonds payable	\$ 8,642,652	\$ -	\$ 8,642,652
Loans payable	-	2,736,769	2,736,769
	8,642,652	2,736,769	11,379,421
Total Noncurrent Liabilities	8,642,652	2,736,769	11,379,421
<b>TOTAL LIABILITIES</b>	<b>9,761,979</b>	<b>3,134,672</b>	<b>12,896,651</b>
<b>NET POSITION</b>			
Net investment in capital assets	(5,471,330)	8,183,508	2,712,178
Restricted for debt service	905,467	150,823	1,056,290
Unrestricted	(371,880)	(183,239)	(555,119)
	(4,937,743)	8,151,092	3,213,349
<b>TOTAL NET POSITION</b>	<b>\$ (4,937,743)</b>	<b>\$ 8,151,092</b>	<b>\$ 3,213,349</b>

(concluded)

See independent auditor's report and notes to the basic financial statements.

CITY OF TALLULAH

PROPRIETARY FUND TYPE - ENTERPRISE FUNDS  
 STATEMENT OF REVENUES, EXPENSES,  
 AND CHANGES IN FUND NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2017

Statement H

	Water Fund	Sewer Fund	Total
OPERATING REVENUES			
Charges for services	\$ 1,753,835	\$ 919,981	\$ 2,673,816
Other operating revenue	-	6,000	6,000
Total operating revenue	<u>1,753,835</u>	<u>925,981</u>	<u>2,679,816</u>
OPERATING EXPENSES			
Personal services	505,087	241,477	746,564
Supplies	181,741	10,594	192,335
Maintenance	67,802	260,222	328,024
Utilities	113,085	56,286	169,371
Miscellaneous	133,741	4,102	137,843
Uniforms	7,472	3,576	11,048
Insurance	12,786	11,410	24,196
Professional services	35,203	86,837	122,040
Depreciation	699,864	288,891	988,755
Total operating expenses	<u>1,756,781</u>	<u>963,395</u>	<u>2,720,176</u>
OPERATING INCOME (LOSS)	<u>(2,946)</u>	<u>(37,414)</u>	<u>(40,360)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	865	75	940
Interest expense and other charges	(342,809)	(122,952)	(465,761)
Loss on disposal of asset	(1,150)	859	(291)
Forgiveness of payable	-	231,616	231,616
Total nonoperating revenues (expenses)	<u>(343,094)</u>	<u>109,598</u>	<u>(233,496)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(346,040)	72,184	(273,856)
OTHER FINANCING SOURCES (USES)			
Transfers in	3,394	-	3,394
Transfers out	(267,471)	(211,566)	(479,037)
Total Transfers	<u>(264,077)</u>	<u>(211,566)</u>	<u>(475,643)</u>
NET CHANGE IN NET POSITION	(610,117)	(139,382)	(749,499)
NET POSITION - BEGINNING	<u>(4,327,626)</u>	<u>8,290,474</u>	<u>3,962,848</u>
NET POSITION - ENDING	<u>\$ (4,937,743)</u>	<u>\$ 8,151,092</u>	<u>\$ 3,213,349</u>

See independent auditor's report and notes to the basic financial statements.

**CITY OF TALLULAH**  
**PROPRIETARY FUND TYPE - ENTERPRISE FUNDS**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Water Fund	Sewer Fund	Statement I Total
	<u>          </u>	<u>          </u>	<u>          </u>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 1,882,160	\$ 980,555	\$ 2,862,715
Payments to employees	(505,200)	(239,904)	(745,104)
Payments to others	(566,484)	(407,227)	(973,711)
Other receipts	(5,172)	6,000	828
Net cash provided (used) for operating activities	<u>805,304</u>	<u>339,424</u>	<u>1,144,728</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Earnings on investments	<u>865</u>	<u>75</u>	<u>940</u>
Net cash provided (used) for investing activities	<u>865</u>	<u>75</u>	<u>940</u>
<b>CASH FLOW (USES) FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers in	3,394	-	3,394
Transfers out	<u>(191,935)</u>	<u>(43,657)</u>	<u>(235,592)</u>
Net cash provided (used) for noncapital financing activities	<u>(188,541)</u>	<u>(43,657)</u>	<u>(232,198)</u>
<b>CASH FLOW (USES) FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of capital assets	-	(67,854)	(67,854)
Principal payment bonds	(290,000)	(46,176)	(336,176)
Interest and penalties paid on debt	<u>(353,721)</u>	<u>(122,952)</u>	<u>(476,673)</u>
Net cash provided (used) or capital and related financing activities	<u>(643,721)</u>	<u>(236,982)</u>	<u>(880,703)</u>
Net increase (decrease) in cash and cash equivalents	(26,093)	58,860	32,767
CASH AND CASH EQUIVALENTS - BEGINNING	<u>1,064,237</u>	<u>152,397</u>	<u>1,216,634</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 1,038,144</u>	<u>\$ 211,257</u>	<u>\$ 1,249,401</u>
<b>RECONCILIATION TO BALANCE SHEET</b>			
Cash	\$ -	\$ 60,434	\$ 60,434
Restricted assets - cash	<u>1,038,144</u>	<u>150,823</u>	<u>1,188,967</u>
Total Cash and Cash Equivalents - Ending	<u>\$ 1,038,144</u>	<u>\$ 211,257</u>	<u>\$ 1,249,401</u>

(Continued)

See independent auditor's report and notes to the basic financial statements.

**CITY OF TALLULAH**  
**PROPRIETARY FUND TYPE - ENTERPRISE FUNDS**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

Statement I

	Water Fund	Sewer Fund	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating Income (loss)	\$ (2,946)	\$ (37,414)	\$ (40,360)
Adjustments to reconcile operating income to net cash provided (used) for operating activities:			
Depreciation	699,864	288,891	988,755
(Increase) decrease in accounts receivable	128,325	60,574	188,899
(Increase) decrease in interfund receivable	(5,172)	(14,014)	(19,186)
Increase (decrease) in accounts payable	(10,966)	40,019	29,053
Increase (decrease) in compensated absences	(1,002)	1,368	366
Increase (decrease) in deposits due others	(2,799)	-	(2,799)
Net cash provided (used) by operating activities	\$ 805,304	\$ 339,424	\$ 1,144,728

See independent auditor's report and notes to the basic financial statements.

**City of Tallulah**  
**Table of Contents to the Basic Financial Statements Footnotes**  
**For Year Ended June 30, 2017**

	<u>Page</u>
NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	36
A.    REPORTING ENTITY	36
B.    FUND ACCOUNTING	37
C.    MEASUREMENT FOCUS AND BASIS OF ACCOUNTING	38
D.    BUDGET PRACTICES	40
E.    CASH AND CASH EQUIVALENTS	40
F.    INVESTMENTS	40
G.    PREPAID EXPENSES	41
H.    CAPITAL ASSETS	41
I.    LONG-TERM DEBT	41
J.    COMPENSATED ABSENCES	41
K.    PENSIONS	42
L.    DEFERRED OUTFLOWS/INFLOWS OF RESOURCES	42
M.    RESTRICTED ASSETS	43
N.    RISK MANAGEMENT	43
O.    RESTRICTED NET POSITION	43
P.    FUND EQUITY OF FUND FINANCIAL STATEMENTS	43
Q.    INTERFUND TRANSACTIONS	44
R.    USE OF ESTIMATES	44
S.    ELIMINATION AND RECLASSIFICATIONS	44
NOTE 2 - STEWARDSHIP, COMPLIANCE, & ACCOUNTABILITY	45
NOTE 3 - DEPOSITS AND INVESTMENTS	45
NOTE 4 - LEVIED TAXES	46
NOTE 5 - RECEIVABLES	47
NOTE 6 - INTERFUND TRANSACTIONS/BALANCES	47
NOTE 7 - CAPITAL ASSETS	48
NOTE 8 - PENSION PLANS	49
NOTE 9 - ACCOUNTS, SALARIES, AND OTHER PAYABLES	55
NOTE 10 - ON-BEHALF SUPPLEMENTAL PAY	55
NOTE 11 - LONG-TERM OBLIGATIONS	55
NOTE 12 - CAPITAL LEASES	59
NOTE 13 - OPERATING LEASES	60
NOTE 14 - PLEDGED REVENUES	60
NOTE 15 - GOING CONCERN INDICATORS AND MANAGEMENT'S PLAN	61
NOTE 16 - COMMITMENTS AND CONTINGENCIES	61
NOTE 17 - RISK MANAGEMENT	62
NOTE 18 - FUND BALANCE CLASSIFICATION DETAILS	62
NOTE 19 - NEW GASB STANDARDS	63
NOTE 20 - FORGIVENESS OF PAYABLE	63
NOTE 21 - SUBSEQUENT EVENTS	64

**CITY OF TALLULAH**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of the City of Tallulah 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 Tallulah was founded in 1856 and is incorporated 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 Madison and has a population of 7,335. The City is governed by the Mayor and five member Council. The Mayor and Council members serve four-year terms which expire on June 30, 2018.

As the governing authority of the City, for reporting purposes, the City of Tallulah 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) established criteria for determining which component units should be considered part of the City of Tallulah for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
  - a. The ability of the municipality to impose its will on that organization and/or
  - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City.
2. Organizations that are fiscally dependent on the City and there is potential for the organization to provide specific benefits to or impose specific financial burdens 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.

Because the City appoints the governing body of the Tallulah Housing Authority and can impose its will on the Housing Authority, the Housing Authority was determined to be a component unit of the City of Tallulah, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the City and do not present information on the housing authority or the

**CITY OF TALLULAH**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

general government services provided by that governmental unit; however, the information of the component unit is necessary in order for the City to report in conformity with GAAP. A copy of the audit report for the Housing Authority may be obtained from the City Clerk of Tallulah at 204 North Cedar, Tallulah, Louisiana, 71282.

**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, deferred outflows/inflows of resources, fund equity, revenues, and expenditures. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

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

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

***Governmental Funds***

The City reports the following major 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.

Section 8 fund - accounts for the operations of the lower income housing assistance program which provides aid to very low-income families in obtaining decent, safe, and sanitary rental housing. Financing is provided by a federal grant.

LCDBG Projects fund - is used to account for the accumulation of resources for and related costs regarding the LCDBG grant for sewer improvement project.

***Proprietary Fund***

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

**CITY OF TALLULAH**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

**Government-Wide Financial Statements (GWFS)**

The Statement of Net Position and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the GWFS. Fiduciary funds are reported only in the Statement of Fiduciary Net Position at the fund financial statement level.

The Statement of Net Position and the Statement of Activities was prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, liabilities and deferred outflows/inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, liabilities and deferred outflows/inflows of 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 general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

**Fund Financial Statements (FFS)**

***Governmental Funds***

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

**CITY OF TALLULAH**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 position. 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

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, all liabilities and all deferred outflows/inflows associated with the operation of these funds are included on the statement of net position.

**CITY OF TALLULAH**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Operating revenues and expenses

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

**D. BUDGET PRACTICES**

A preliminary budget for the ensuing year is prepared by the clerk in May. The proposed budget is reviewed by the mayor and the City Council and made available to the public. During the June meeting of the City Council, the City holds a public hearing on the proposed budget in order to receive comments from citizens. Changes are made to the proposed budget based on the public hearing and the desires of the City Council as a whole. The budget is then adopted during the June meeting, and notice is 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. The City Clerk presents necessary budget amendments to the Board when he determines that actual operations are differing materially from those anticipated in the original budget. The Board 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 functional 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 any bank domiciled or having a branch office in the State of 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**

Under state law, the City may invest funds in U.S. Treasury obligations, U.S. government agency obligations, direct repurchase agreements, money market funds, or in time deposits with state banks organized under Louisiana law and national banks having principal offices in Louisiana. Investments are stated at fair market value.

**CITY OF TALLULAH**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. PREPAID EXPENSES**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

**H. 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's practice is to capitalize all fixed assets with a cost of \$1,000 or more. 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:

Land	N/A
Infrastructure	20-40 years
Building and improvements	15-20 years
Furniture and equipment	5-10 years

The capital assets used in the proprietary fund-type operations are included on the statement of net position 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 20-60 years for the plant, distribution system, and collection system, 3 to 10 years for furniture and equipment.

**I. LONG-TERM DEBT**

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

**J. COMPENSATED ABSENCES**

Permanent, full-time employees receive from five to ten days of vacation leave each year depending on length of service. Employees may accumulate vacation leave. Sick leave is earned at the rate of ten days per year; however, no employee may accumulate more than ten days of sick leave. Employees who resign or retire are compensated for annual leave accumulated to the date of separation, not to exceed ten days, provided in the case of resignation the employee has completed at least twelve months of continuous service and has given two weeks notice of resignation.

**CITY OF TALLULAH**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

The City recognition and measurement criterion 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:

The employees' right to receive compensation is attributable to services already rendered. 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.

**K. PENSIONS**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expenses, information about the fiduciary net position of the Municipal Police Employees Retirement System (MPERS) and additions to/deductions for MPERS's fiduciary net position has been determined on the same basis as reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**L. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category. It is the deferred outflows of resources related to pension activities and is reported as a component of unrestricted net position.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time. The City has one item that qualifies for reporting in this category. It is the deferred inflows of resources related to pension activities and is reported as a component of unrestricted net position.

**CITY OF TALLULAH**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**M. RESTRICTED ASSETS**

Certain grants received by the City contained restrictions on spending for specific purposes. The General, Water and Sewer funds have accounts related to debt covenants that are restricted. In the Water fund, the customer deposits are also restricted.

**N. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. To handle such risk of loss, the City maintains commercial insurance policies covering its automobiles, professional liability, general liability, and surety bond coverage. There were no significant reductions in insurance coverage during the year ended June 30, 2017 for the primary government.

**O. RESTRICTED NET POSITION**

For the government-wide statement of net position, net position is 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, or
- Imposed by law through constitutional provisions or enabling legislation.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed. A total of \$1,167,046 of the restricted net position reported in the statement of activities are restricted by law through constitutional provisions or by enabling legislation.

**P. FUND EQUITY OF FUND FINANCIAL STATEMENTS:**

GASB 54 requires the fund balance amounts to be reported within the fund balance categories as follows:

Non-spendable: Fund balance that is not in spendable form or legally or contractually required to be maintained intact. This category includes items that are not easily converted to cash such as inventories and prepaid items.

Restricted: Fund balance that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed: Fund balance that can only be used for specific purposes determined by the City's highest level of decision making authority. Committed amounts cannot be used for any other purpose unless the

**CITY OF TALLULAH**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Council removes or changes the specified use by taking the same type of action it employed to previously commit the funds. Committed fund balance is the result of either a policy of the City or motions were passed at a Council meeting committing the funds. The motions passed are usually the result of budget revisions.

Assigned: Fund balance that is constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by the Council. The City's policy does not address assignment of fund balance.

Unassigned: Fund balance that is the residual classification for the general fund. A negative unassigned fund balance may be reported if expenditures incurred for a specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

The City reduces committed amounts, followed by assigned amounts and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used. The City considers restricted amounts to have been spent when an expenditure has incurred for purposes for which both restricted and unrestricted fund balance is available.

**Q. INTERFUND TRANSACTIONS**

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other interfund transfers are reported as transfers.

**R. USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred outflow/inflow of resources 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.

**S. ELIMINATION AND RECLASSIFICATIONS**

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

**CITY OF TALLULAH**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Excess of Expenditures Over Appropriations in Individual Funds**

The following individual fund had actual expenditures over budgeted expenditures for the year ended June 30, 2017:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	2,802,105	2,837,970	(35,865)
Section 8	250,000	257,353	(7,353)

**B. Deficit Fund Balances**

The following fund had a deficit fund balance at June 30, 2017:

<u>Fund</u>	<u>Deficit Amount</u>
Water Fund	4,937,743

The City has experienced operating surplus in the water fund each year since inception, however, the high amount of depreciation expense, interest expense and transfers to the general fund for water department payroll and related benefits has resulted in increasing deficit fund balances in the water fund beginning in 2009. The majority of the water department assets acquired by the City in 1998 have been depreciated over 20 years. As the debt on the assets is being paid at a slower rate than the assets are depreciated, the Net Position, "Net Investment in Capital Assets" will continue to have a large deficit balance for some time.

The City is in the process of applying for federal and state grants to revamp the water system and improve the operations of the water department.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

Cash and cash equivalents consist of the following at June 30, 2017:

Petty Cash	1,125
Demand Deposits	1,087,249
Money Market Mutual Funds	<u>407,644</u>
	<u>\$ 1,496,018</u>

Deposits are stated at cost, which approximates fair market value. Under state law, these deposits, or the resulting bank balances, must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

**CITY OF TALLULAH**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)**

Custodial credit risk: 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 June 30, 2017, the City's had a bank balance of \$1,136,805, in which \$881,783 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name. Even though the pledged securities are considered uncollateralized under the provisions of GASB, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell pledged securities within 10 days of being notified by the City that the fiscal agent has failed to pay deposited funds upon demand. The City's policy does not address custodial credit risk.

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

**Investments**

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City's has the following recurring fair value measurement as of June 30, 2017:

Money market mutual funds of \$407,644 are valued using quoted prices for similar investments in active markets (Level 2).

Credit risk. The money market mutual funds in which the City has invested are unrated. The City's policy does not address credit risk.

**NOTE 4 - LEVIED TAXES**

The City levies property taxes on real and business property located within the City's boundaries. Property taxes are levied by the City on property values assessed by the Madison Parish Tax Assessor and approved by the State of Louisiana Tax Commission. The Madison Parish Tax Assessor prepares tax statements for the City. Ad valorem taxes were levied on October 13, 2016 with a due date and collection date of December 31, 2016 and a lien date of January 1, 2017.

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

	<u>Maximum Millage</u>	<u>Levied Millage</u>
General Fund Operations	7.51	7.51
Police, Fire, Streets & Bridges	6.98	6.98
General Purposes	8.54	8.54
Streets, Roads, Drainage	8.05	8.05
1981 Sewer Bond	N/A	1.00

**CITY OF TALLULAH**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 5 - RECEIVABLES**

The following is a summary of receivables at June 30, 2017:

Class of Receivables	General	LCDBG Projects	Nonmajor Governme ntal	Water Fund	Sewer Fund	Total
Taxes:						
Sales & use	\$ 94,035	\$ -	\$ -	\$ -	\$ -	\$ 94,035
Other taxes	394	-	-	-	-	394
State revenue	25,333	-	-	-	-	25,333
Federal revenue	-	8,580	106,950	-	-	115,530
Sewer user fees	-	-	-	-	93,512	93,512
Water user fees	-	-	-	157,136	-	157,136
Due from other governments	10,883	-	-	-	-	10,883
Other	42,476	-	-	-	-	42,476
Gross receivables	173,121	8,580	106,950	157,136	93,512	539,299
Less allow. doubtful accts.	-	-	-	(2,538)	(1,539)	(4,077)
Net total receivables	<u>\$173,121</u>	<u>\$ 8,580</u>	<u>\$ 106,950</u>	<u>\$154,598</u>	<u>\$ 91,973</u>	<u>\$535,222</u>

**NOTE 6 - INTERFUND TRANSACTIONS/BALANCES**

Individual balances due from/to other funds at June 30, 2017, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water Fund	\$ 227,749
General Fund	Sewer Fund	106,861
General Fund	Nonmajor Governmental	28,515
LCDBG Projects	Sewer Fund	128,623
Nonmajor Governmental	General Fund	1,841
Nonmajor Governmental	Water Fund	30,000
Water Fund	Nonmajor Governmental	5,172
Sewer Fund	Water Fund	14,014
Total		<u>\$ 542,775</u>

Interfund balances result from fund reimbursements not made before year-end.

Transfers during the year were as follows:

<u>Transfer In Fund</u>	<u>Transfer Out Fund</u>	<u>Amount</u>
General Fund	Water Fund	\$ 233,471
General Fund	Sewer Fund	71,250
LCDBG Projects	Sewer Fund	136,922
Nonmajor Governmental	Water Fund	34,000
Water Fund	Sewer Fund	3,394
Total		<u>\$ 479,037</u>

**CITY OF TALLULAH**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 6 - INTERFUND TRANSACTIONS/BALANCES (CONTINUED)**

The City transferred money from the water fund and sewer fund to the general fund and nonmajor governmental (street fund) to cover shortfalls. The sewer transferred funds to the LCDBG Project Fund to cover project costs not covered by grant funding.

**NOTE 7 - CAPITAL ASSETS**

The changes in capital assets for the year ended June 30, 2017 are as follows:

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Ending</u>
Governmental activities:				
Capital assets, not depreciated				
Land	\$ 78,500	\$ -	\$ -	\$ 78,500
Construction in progress	<u>909,602</u>	<u>666,021</u>	<u>-</u>	<u>1,575,623</u>
Total capital assets not depreciated	988,102	666,021	-	1,654,123
Depreciable assets:				
Infrastructure	647,495	-	-	647,495
Buildings and improvements	2,911,335	-	-	2,911,335
Furniture and equipment	<u>1,469,170</u>	<u>79,954</u>	<u>98,994</u>	<u>1,450,130</u>
Total depreciable assets	5,028,000	79,954	98,994	5,008,960
Less: accumulated depreciation	<u>(3,680,650)</u>	<u>(194,733)</u>	<u>(97,558)</u>	<u>(3,777,825)</u>
Depreciable capital assets, net	<u>1,347,350</u>	<u>(114,779)</u>	<u>1,436</u>	<u>1,231,135</u>
Total capital assets, net	<u>\$ 2,335,452</u>	<u>\$ 551,242</u>	<u>\$ 1,436</u>	<u>\$ 2,885,258</u>

Depreciation expense was charged to governmental activities as follows:

General and administrative	\$ 7,789
Police department	36,999
Fire department	62,315
Street department	75,946
Culture and recreation	<u>11,684</u>
Total	<u>\$ 194,733</u>

**CITY OF TALLULAH**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 7 - CAPITAL ASSETS (CONTINUED)**

A summary of plant and equipment used in the business-type activities follows:

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Ending</u>
Business-type activities:				
Capital assets not depreciated				
Land	\$ 678,330	\$ -	\$ -	\$ 678,330
Capital assets, not depreciated	678,330	-	-	678,330
Depreciable assets				
Building & improvements	14,241	-	-	14,241
Equipment	966,108	43,400	125,449	884,059
Plant	9,900,494	-	-	9,900,494
Transmission lines	9,087,187	27,854	-	9,115,041
Water systems	8,401,391	-	-	8,401,391
Pumping stations	383,994	-	-	383,994
Capital assets, depreciable	28,753,415	71,254	125,449	28,699,220
Less: accumulated depreciation	(13,915,711)	(988,755)	(121,758)	(14,782,708)
Depreciable capital assets, net	14,837,704	(917,501)	3,691	13,916,512
Total capital assets, net	<u>\$ 15,516,034</u>	<u>\$ (917,501)</u>	<u>\$ 3,691</u>	<u>\$ 14,594,842</u>

Depreciation expense was charged to business-type activities as follows:

Water	\$ 699,864
Sewer	288,891
Total	<u>\$ 988,755</u>

**NOTE 8 - PENSION PLANS**

Substantially all employees of the City of Tallulah are members of either the Municipal Police Employees Retirement System of Louisiana (MPERS), Nationwide Retirement Solutions' 457 Government Plan and Trust or the Social Security System.

**DEFINED BENEFIT PLAN**

**Plan Description:**

The Municipal Police Employees' Retirement System (MPERS) is a cost-sharing, multiple employer defined benefit pension plan that provides retirement, disability, and survivor's benefits to municipal police officers. MPERS issues a public report that includes financial statements and required supplementary information and may be obtained at [www.lampers.org](http://www.lampers.org).

**CITY OF TALLULAH**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 8 - PENSION PLANS (CONTINUED)**

Membership in MPERS is mandatory for any full-time police officer employed by a municipality of the State of Louisiana and engaged in law enforcement, empowered to make arrests, providing he or she does not have to pay social security and providing he or she meets the statutory criteria. The projections of benefit payments in the calculation of the total pension liability includes all benefits to be provided to current active and inactive employees through MPERS in accordance with benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date. Benefit provisions are authorized within Act 189 of 1973 and amended by LRS 11:2211-11:2233.

A member is eligible for regular retirement after he has been a member of MPERS and has 25 years of creditable service at any age or has 20 years of creditable service and is age 50 or has 12 years creditable service and is age 55. A member is eligible for early retirement after he has been a member of MPERS for 20 years of creditable service at any age with an actuarially reduced benefit. Benefit rates are three and one-third percent of average final compensation (average monthly earnings during the highest 36 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary. Upon death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Commencing January 1, 2013, a member's eligibility for regular retirement, early retirement, disability and survivor benefits are based on hazardous duty and nonhazardous sub duty plans.

*Cost of Living Adjustments*

MPERS's Board of Trustees are authorized by State statues to provide annual cost-of-living adjustments computed on the amount of the current regular retirement, disability, beneficiary or survivor's benefit, not to exceed 3% in any given year. The Board is authorized to provide an additional 2% COLA, computed on the member's original benefit, to all regular retirees, disability, survivors and beneficiaries who are 65 years of age or older on the cut-off date which determines eligibility.

*Deferred Retirement Option Plan*

MPERS members are eligible to elect to enter the deferred retirement option plan (DROP) when he is eligible for regular retirement based on the members' sub plan participation. Upon filing the application for the program, the employee's active membership in the retirement plan is terminated. At the entry date into the DROP, the employee and employer contributions cease. The amount to be deposited into the DROP account is equal to the benefit computed under the retirement plan elected by the participant at date of application. The duration of participation in the DROP is thirty six months or less. Upon leaving DROP, members must choose among available alternatives for the distribution of benefits that have accumulated in their DROP accounts. If employment is not terminated, active contributing membership in the retirement plan shall resume and upon later termination, the member shall receive additional retirement benefit based on the additional service.

**CITY OF TALLULAH**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 8 - PENSION PLANS (CONTINUED)**

*Initial Benefit Option Plan*

In 1999, the State Legislature authorized MPERS to establish an Initial Benefit Option program. Initial Benefit Option is available to members who are eligible for regular retirement and have not participated in DROP. The Initial Benefit Option program provides both a one-time single sum payment of up to 36 months of regular monthly retirement benefit, plus a reduced monthly benefit for life.

**Employer Contributions**

The contribution requirements of plan members and the City of Tallulah are established and may be amended by state statute. According to state statute, contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. Contributions for all members are actuarially determined as required by state law but cannot be less than the 9% of the employees' earnable compensation excluding overtime but including state supplemental pay.

For the year ended June 30, 2017, total contributions due for employers and employees were 41.75%. The employer and employee contribution rates for all members hired prior to January 1, 2013 and Hazardous Duty members hired after January 1, 2013 were 31.75% and 10%, respectively. The employer and employee contribution rates for all Non-Hazardous duty members hired after January 1, 2013 were 33.75% and 8%, respectively. The employer and employee contribution rates for all members whose earnable compensation is less than or equal to the poverty guidelines issued by the United States Department of Health and Human Services were 34.25% and 7.5%, respectively. City of Tallulah's contributions to the MPERS for the year ended June 30, 2017 was \$34,991.

*Non-employer Contributions*

MPERS receives insurance premium tax monies as additional employer contributions. The tax is considered support from a non-contributing entity and appropriated by the legislature each year based on an actuarial study. Non-employer contributions are recognized as revenue during the fiscal year. During fiscal year 2017, the City recognized \$5,544 in non-employer contributions as other state revenue.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2017, the City reported a liability of \$279,319 for its proportionate share of the MPERS's Net Pension Liability (NPL). The NPL was measured as of June 30, 2016, and the total pension liabilities used to calculate the NPL was determined by actuarial valuations as of that date. The City's proportions of the NPL were based on an allocation method based on employer's contribution to MPERS during the year ended June 30, 2016 as compared to the total of all employers' contributions to MPERS during the year ended 2016. As of June 30, 2016, the most recent measurement date, the City's proportions and the changes in proportion from the prior measurement date was 0.029801%, or a decrease of 0.027847%.

**CITY OF TALLULAH**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 8 - PENSION PLANS (CONTINUED)**

For the year ended June 30, 2017, the City recognized a total pension benefit of \$96,183 for MPERS. The City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ -	\$ 4,443
Changes of assumptions	13,581	17
Net difference between projected and actual earnings on pension plan investments	42,980	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	45,823	391,362
Employer contributions subsequent to the measurement date	34,991	-
Total	\$ 137,375	\$ 395,822

Deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the MPERS NPL in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	2017	2018	2019	2020
Year ended June 30, MPERS	\$ (120,250)	\$ (149,890)	\$ (34,218)	\$ 10,920

**CITY OF TALLULAH**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 8 - PENSION PLANS (CONTINUED)**

Actuarial Assumptions. The NPL was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net pension. The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurements:

Valuation Date	June 30, 2016
Actuarial Cost Method	Entry age normal cost
Expected Remaining Service Lives	4 Years
Investment Rate of Return	7.5% net of investment expense
Inflation Rate	2.875% per annum
Salary Increases, including inflation and merit	Varying from 9.75% to 4.25% after 23 years
Mortality	RP-2000 combined Health with Blue Collar Adjustment Sex Distinct Tables projected to 2029 by Scale AA (set back 1 year for females) for healthy annuitants and beneficiaries. RP-2000 Disabled Lives Table set back 5 years for males and set back 3 years for females for disabled annuitants. RP-2000 Employee Table set back 4 year for males and 3 years for females for active members.
Cost of Living Adjustments	Not Substantively automatic

Mortality assumptions were set based upon an experience study for the period July 1, 2009 through June 30, 2014, and review of similar law enforcement mortality. The data was assigned credibility weighting and combined with a standard table to produce current levels of mortality. This Mortality was then projected forward to a period equivalent to the estimated duration of MPERS liabilities. Annuity values calculated based on this mortality were compared to those produced by using a set-back of standard tables. The result of the procedure indicated that the tables used would produce liability values approximating the appropriate generational mortality tables.

The forecasted long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. The target allocation and best estimates of

**CITY OF TALLULAH**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 8 - PENSION PLANS (CONTINUED)**

arithmetic/geometric real rates of return for each major asset class are summarized for each plan in the following table:

Asset Class	Target Asset Allocation	Expected Portfolio Real Rate of Return
Equity	53 %	3.69 %
Fixed Income	21 %	0.49 %
Alternatives	20 %	1.11 %
Other	6 %	0.21 %
Totals	100 %	5.50 %
Inflation		2.75 %
Expected nominal return		8.25 %

*Discount Rate.* The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PERSAC taking into consideration the recommendation of MPERS's actuary. Based on those assumptions, the MPERS's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the proportionate share of the NPL to changes in the discount rate.* The following presents the City's proportionate share of the NPL for MPERS using the current discount rate as well as what the City's proportionate share of the NPL would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

1.0% Decrease 6.5%	Current Discount Rate 7.5%	1.0% Increase 8.5%
\$ 372,357	\$ 279,319	\$ 201,206

*Pension plan fiduciary net position.* Detailed information about MPERS's fiduciary net position are available in the separately issued financial report referenced above.

*Payables to the Pension Plan.* At June 30, 2017, the City had \$4,121 in payables to MPERS for the June 2017 employee and employer legally required contributions.

**CITY OF TALLULAH**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 8 - PENSION PLANS (CONTINUED)**

**DEFINED CONTRIBUTION PLAN**

*Nationwide Retirement Solutions' 457 Governmental Plan & Trust.* The City provides pension benefits through Nationwide Retirement Solutions for its full-time employees through a defined contribution plan. All employees are eligible to participate in the plan on the after completing their six months probation period of their employment.

Under a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. For employees in managerial administrative positions, the City's contribution for each employee can range up to the I.R.C 457(b) limit. For both years 2015 and 2016, the I.R.C 457(b) limit is \$18,000 plus an additional catch up \$6,000 for participants aged 50 and over. For all other employees, the City matches 100% of the employee's voluntary contribution up to the I.R.C 457(b) limit. There is no vesting period for the City's contribution for each employee.

For the year ended June 30, 2017, the City made employer contributions of \$88,810 and employee contributions of \$44,028. At June 30, 2017, the City had \$1,221 in payables to the 457 plan for the June 2017 employee and employer required contributions.

**NOTE 9 - ACCOUNTS, SALARIES AND OTHER PAYABLE**

The accounts, salaries and other payables at fiscal year ended June 30, 2017 are as follows:

Class of Payables	General	Section 8	LCDBG Projects	Nonmajor Governmental	Water Fund	Sewer Fund	Total
Accounts Payable	\$ 205,026	\$ 2,797	\$ 81,417	\$ 121,435	\$ 88,023	\$ 107,223	\$ 605,921
Retainage Payable	-	-	55,836	-	-	-	55,836
Wages Payable	21,181	-	-	-	2,589	978	24,748
Net total payable	<u>\$ 226,207</u>	<u>\$ 2,797</u>	<u>\$ 137,253</u>	<u>\$ 121,435</u>	<u>\$ 90,612</u>	<u>\$ 108,201</u>	<u>\$ 686,505</u>

**NOTE 10 - ON-BEHALF SUPPLEMENTAL PAY**

Certain employees meeting statutory qualifications in the fire and police departments receive supplemental pay directly from the State of Louisiana. This supplemental pay in the amount of \$71,700 is recognized as intergovernmental revenue and public safety expenditures. Of the \$71,700 recognized, the State paid \$59,700 to City police officers and \$12,000 to City firemen.

**NOTE 11 - CHANGES IN LONG-TERM OBLIGATIONS**

Governmental activities long-term liabilities are direct obligations and pledge the full faith and credit of the City. The City has incurred these liabilities to provide funds for the acquisition and construction of major capital additions. The General Obligation bonds are paid with the appropriate debt service funds from funds provided by an ad valorem tax. The Certificates of Indebtedness were issued for the purpose of the acquisition of major capital asset additions for the fire department and are paid from excess revenues of the general fund. Capital leases are paid from the General fund.

**CITY OF TALLULAH**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 11 - CHANGES IN LONG-TERM OBLIGATIONS (CONTINUED)**

The City has issued revenue bonds and loans payable in which the City pledged income derived from the acquired or constructed assets to pay debt service. This long-term debt is reported in the business-type activities, in which payments are made by the Water and Sewer funds. See Note 14 for additional information on pledged revenues.

During the year ended June 30, 2017, the following changes occurred in governmental activities long-term liabilities:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
General obligations bonds	\$ 78,332	\$ -	\$ 41,538	\$ 36,794	\$ 13,576
Certificate of indebtedness	111,735	-	26,356	85,379	27,410
Capital lease payable	100,022	59,754	20,088	139,688	34,739
Compensated absences	22,974	27,918	29,656	21,236	21,236
Other debt	451,612	-	172,293	279,319	-
<b>Total</b>	<b>\$ 764,675</b>	<b>\$ 87,672</b>	<b>\$ 289,931</b>	<b>\$ 562,416</b>	<b>\$ 96,961</b>

During the year ended June 30, 2017, the following changes occurred in business-type activities long-term liabilities:

	Beginning Balance *	Additions	Deletions	Ending Balance	Due Within One Year
Revenue bonds	\$ 9,285,000	\$ -	\$ 290,000	\$ 8,995,000	\$ 455,000
Bond premiums	109,204	-	6,552	102,652	-
Loans payable	2,831,188	-	46,176	2,785,012	48,243
Compensated absences	11,165	13,966	13,600	11,531	11,531
<b>Total</b>	<b>\$ 12,236,557</b>	<b>\$ 13,966</b>	<b>\$ 356,328</b>	<b>\$ 11,894,195</b>	<b>\$ 514,774</b>

The following is a summary of long-term obligation transactions for the year ended June 30, 2017:

	Issue Dates	Maturity Dates	Interest Rates	Original Amount	Governmental Activities	Business-type Activities
<b>Governmental activities</b>						
General Obligations Bonds:						
Series 1981	10/08/1981	10/01/2021	5.000%	\$ 260,000	\$ 36,794	\$ -
Certificate of Indebtedness:						
Series 2009 - USDA Fire Truck	03/31/2010	03/31/2020	4.000%	250,000	85,379	-
<b>Business-type activities:</b>						
Enterprise Funds						
Water Revenue Refunding						
Bonds Series 2012	06/22/2012	09/01/2031	2.6 - 5.0%	5,275,000	-	4,405,000
Water Revenue Refunding						
Bonds Series 2016	02/24/2016	09/01/2032	2.0 - 4.0%	4,665,000	-	4,590,000
Loans payable (USDA):						
Sewer Rehab Phase I	09/06/2006	09/06/2046	4.375%	2,660,000	-	2,344,336
Sewer Rehab Phase II	09/06/2006	09/06/2046	4.375%	500,000	-	440,676
<b>Totals</b>					122,173	11,780,012
Current Portion of Debt					(40,986)	(503,243)
<b>Total Long-Term Portion of Debt</b>					<b>\$ 81,187</b>	<b>\$ 11,276,769</b>

**CITY OF TALLULAH**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 11 - CHANGES IN LONG-TERM OBLIGATIONS (CONTINUED)**

General obligation bonds totaling \$36,794 at June 30, 2017, are secured by an annual ad valorem tax levy. In accordance with Louisiana Revised Statute 39:562, the City is legally restricted from incurring long-term bonded debt in excess of 35% of the assessed value of taxable property in the City. Assessed value for the 2016 tax roll was \$15,123,266. The City is within the statutory limitation of \$5,293,143. The 1981 Debt Service fund has \$11,366 available to service the bonded debt in the Governmental fund-type funds.

The annual requirements to amortize all outstanding debt at June 30, 2017 are as follows:

Year	General Long-Term Debt		Water Enterprise Fund		Sewer Enterprise Fund	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	40,986	5,254	455,000	336,957	48,243	120,885
2019	42,760	3,480	470,000	325,092	50,397	118,731
2020	38,427	1,627	475,000	311,691	52,647	116,481
2021	-	-	490,000	297,960	54,997	114,131
2022	-	-	500,000	282,585	57,452	111,676
2023-2027	-	-	2,805,000	1,115,141	328,093	517,547
2028-2032	-	-	3,430,000	460,931	408,157	437,483
2033-2037	-	-	370,000	6,706	507,757	337,883
2038-2042	-	-	-	-	631,662	213,978
2043-2047	-	-	-	-	645,607	62,073
Total	<u>\$ 122,173</u>	<u>\$ 10,361</u>	<u>\$ 8,995,000</u>	<u>\$ 3,137,063</u>	<u>\$ 2,785,012</u>	<u>\$ 2,150,868</u>

***USDA Loan and Certificate of Indebtedness Letter of Conditions:***

As stated in the USDA's Letter of Conditions for each of the USDA Loans Payables, the City will be required to establish and maintain reserves sufficient to assure loan installments will be paid on time, for emergency maintenance, for extensions to facilities and replacement for short-lived assets which have a useful life significantly less than the repayment period of the loan. Borrowers issuing bonds or other evidences of debt pledging facility revenues as security will plan their reserve to provide for at least an annual reserve payment equal to one tenth of the average annual loan installment, with payments made monthly and evenly divided between a reserve fund and a depreciation and contingency fund, until an amount equal to the highest annual debt service payment in any future year is accumulated in the reserve fund; thereafter, all payments to be made into the depreciation and contingency fund.

The Letter of Conditions for the USDA Certificates of Indebtedness are the same as the Letter of Conditions for the Loans Payable except the City is only required to reserve up to an amount equal to the highest annual debt service payable for the Certificate of Indebtedness – Fire Protection in any future year.

**CITY OF TALLULAH**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 11 - CHANGES IN LONG-TERM OBLIGATIONS (CONTINUED)**

***Water Improvement Bonds, Refunding Series 2007 and 2012 Bond Covenants:***

The material provisions of the bond covenants for the Water Improvement Bonds, Refunding Bonds are as follows:

- The issuer will always provide revenues in each fiscal year sufficient to pay the reasonable and necessary expenses of operating and maintaining the System in each fiscal year and will provide net revenues at least equal to 125% of the principal and interest falling due in such year on all Bonds or other obligations payable from the net revenues and will provide revenues at least sufficient to pay all reserve or sinking funds or other payments required for such Fiscal Year.
- The maintenance of a separately identifiable fund or account designated as the "Water System Revenue Bond Debt Service Fund" sufficient in amount to pay promptly and fully the principal of and the interest on the Bonds, the Outstanding Parity Bonds and any Parity Obligations, as they become due and payable, by transferring from the Revenue Fund to the Debt Service Fund, monthly in advance on or before the 25th day of each month of each year, a sum equal to 1/6th of the interest falling due on the next interest payment date and 1/12 of the principal falling due on the next principal payment date.
- The establishment and maintenance of a separately identifiable fund or account with a deposit from the bond proceeds equal to the required debt service reserve requirement. The reserve fund requirement is as of any date of calculation, a sum equal to 50% of the highest combined principal and interest requirements for any succeeding fiscal year.
- 

For the fiscal year ended June 30, 2017, the Water Fund's net revenues were not at least equal to 125% of the principal and interest falling due on all bonds or other obligations payable; however, the City did meet all debt obligations.

**CITY OF TALLULAH**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 11 - CHANGES IN LONG-TERM OBLIGATIONS (CONTINUED)**

***Required Debt Reserves:***

The required debt reserves and amounts reserved as of June 30, 2017 for the City are as follows:

	<u>Debt Issued</u>	<u>Required Reserve</u>	<u>Amount Reserved</u>
Governmental Activities:			
Certificate of Indebtedness - Series 2009			
Fire Truck	\$ 250,000	\$ 22,794	\$ 3,535
Total Governmental Activities	250,000	22,794	3,535
Business Activities:			
Water Fund:			
Water Improvement Bonds, Refunding Series 2012	5,275,000	451,376	-
Water Improvement Bonds, Refunding Series 2016	4,665,000	539,393	1,019,523
Total Water Fund	9,940,000	990,769	1,019,523
Sewer Fund:			
Sewer Rehab Phase I	2,660,000	153,123	-
Sewer Rehab Phase II	500,000	28,767	150,823
Total Sewer Fund	3,160,000	181,890	150,823
Total Business Activities	13,100,000	1,172,659	1,170,346
Grand Total	<u>\$ 13,350,000</u>	<u>\$ 1,195,453</u>	<u>\$ 1,173,881</u>

**NOTE 12 - CAPITAL LEASES**

The City has three lease agreements as lessee for financing the acquisition of street department equipment. The equipment has a ten-year estimated useful life. The assets acquired through capital leases are as follows:

<u>Asset:</u>	<u>Original Cost</u>	<u>Current Year Depreciation</u>	<u>Accumulated Depreciation</u>
Street Department Equipment:			
Asphalt Compactor and Trailer	44,487	4,449	8,897
2016 Case 580N Backhoe	63,472	6,347	12,694
2016 Case 580N Backhoe	59,754	5,975	5,975

**CITY OF TALLULAH**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 12 - CAPITAL LEASES (CONTINUED)**

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017, are as follows:

<u>Year Ended June 30</u>	<u>Governmental Activities</u>
2018	\$ 41,064
2019	41,063
2020	41,064
2021	<u>30,953</u>
Total minimum lease payments	154,144
Less: amount representing interest	<u>(14,456)</u>
Present value of minimum lease payments	<u>\$ 139,688</u>

**NOTE 13 - OPERATING LEASES**

**Governmental Activities:** The City leased a 2012 Case 580SN 4WD Backhoe on March 4, 2013 under a non-cancelable operating lease for a sixty-one month period for a value of \$73,665. However, the City had traded in a 2005 backhoe to reduce the cost of the lease by \$20,000. The City is to pay monthly lease expense of \$999. Total operating lease expense for the year ended June 30, 2017 was \$11,988.

**Business-type Activities:** On June 27, 2017, the Water Fund leased a 2013 Kobelco 80CS Compact Excavator under a non-cancelable operating lease for a forty-eight month period. The City has agreed to pay \$1,050 each month for the 48 month term of this lease for a total lease agreement of \$48,800. Total operating lease expense for the year ended June 30, 2017 was \$12,600.

The future minimum rental payments for the City's operating leases are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2018	\$ 7,992	\$ 12,600
2019	-	12,600
2020	-	<u>12,600</u>
Total	<u>\$ 7,992</u>	<u>\$ 37,800</u>

**NOTE 14 - PLEDGED REVENUES**

The City has pledged future water and sewer customer revenues, net of specified operating expenses to repay \$8,995,000 in water revenue bonds payable and \$2,785,012 in sewer loans payable. Proceeds from revenue bonds/loans payable provided financing for the purpose of constructing and acquiring extensions, improvements to the waterworks and sewer systems of the City of Tallulah. The revenue bonds/loans payable are payable solely from water and sewer customer net revenues and are payable through fiscal year ended 2033 for the Water Fund and fiscal year ended 2047 for the Sewer Fund. Total principal and interest remaining to be paid on the water and sewer revenue bonds/loans payable is \$12,132,063 and \$4,935,880 respectively. Water principal and interest paid for the current year was \$638,722 and total net revenue (loss) per Statement H was \$(346,040). Sewer principal and interest

**CITY OF TALLULAH**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 14 - PLEDGED REVENUES (CONTINUED)**

paid for the current year was \$169,128 and total net revenue (loss) per Statement H was \$72,184. See Note 11 for additional information on the Water and Sewer revenue bonds/loans payable.

**NOTE 15 - GOING CONCERN INDICATORS AND MANAGEMENT PLANS**

During the current year the City has experienced cash flow issues that attributed to late payments of City obligations. Prior to the year ended June 30, 2017, the City was able to become current on all obligations and management began investigating the need to obtain short-term financing to alleviate the cash flow issues that arise prior to property tax revenue being received in the months of December through February of each year.

The City council approved Ordinance No 17-01-01, dated November 9, 2017, which authorized the City to obtain a short-term loan in the amount of \$375,000. The ordinance authorized the borrowing of monies in the year 2017 for the purpose of paying current general expenses of the City in anticipation of revenues for the current fiscal year. The financing was to be obtained from Delta Bank with interest accruing at 4.25% per annum, maturing not later than March 1, 2018. The note payable to Delta Bank was repaid on March 1, 2018 of principal and interest in the amount of \$379,914.

**NOTE 16 - COMMITMENTS AND CONTINGENCIES**

Contingencies:

The City participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the City's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City anticipates such amounts, if any will be immaterial.

Litigation:

In November 2014, the Louisiana Court of Appeals affirmed the judgment against the City of Tallulah awarding plaintiffs \$1.2 million regarding a vehicle accident involving a City employee. The City is vigorously contesting the enforceability of this judgment because: Louisiana Constitution Article XII, Section 10(c) provides that "no judgment against the State, of State agency or a political subdivision shall be exigible, payable or paid except for funds appropriated therefore by the legislature or by the political subdivision against which the judgment is rendered. The City is not insured against this asserted claim. No liability has been recorded for this judgment.

The Village of Richmond has filed a suit against the City of Tallulah contending that the parish tax collector negligently sent sales and use taxes which were owed to the Village of Richmond to the City of Tallulah. Management has estimated the balance of the questioned taxes to be approximately \$180 thousand. The City is vigorously contesting any liability in the case. No liability has been recorded

**CITY OF TALLULAH**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 16 - COMMITMENTS AND CONTINGENCIES - CONTINUED**

Litigation - continued:

regarding this suit.

In December 2015, the City filed a suit against the Village of Richmond for breach of the agreement to provide sewage, water, fire protection and road service maintenance for Love's Truck Stop in that the Village of Richmond has failed to account to the City for all proceeds which the Village of Richmond has received from Love's Truck Stop. Per this agreement, the City is the legal owner of a share of tax receipts and gaming revenue from Love's Truck Stop for providing such services. At the date of this report, the city's share of amounts collected from Love's Truck stop since April 2014 has not been provided to the City, therefore no asset has been recorded.

The City is also a defendant in various other lawsuits. It is the opinion of the City's legal counsel, it is not probable that the outcome of these lawsuits, including those listed above, will result in an asset of the City being impaired. Accordingly, the City does not expect for any potential loss arising from these cases or claims.

Construction Projects:

The City is involved in several projects at fiscal year ended June 30, 2017 which include the Ethel Street Drainage, Harlem Street Drainage, and LCDBG sewer project. At June 30, 2017, the City had \$8,685 remaining on the LCDBG sewer project construction contract.

**NOTE 17 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and automobile liability for which the City carries commercial insurance. The City currently has a \$10,000 deductible for its fire and casualty loss insurance coverage and no deductible for the other policies. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 18 - FUND BALANCE CLASSIFICATION DETAILS**

The following are details of the fund balance classification:

	General Fund	Section 8	LCDBG Projects	Nonmajor Governmental	Total
Restricted for:	\$ -	\$ -	\$ -	\$ -	\$ -
Debt service	3,535	-	-	30,822	34,357
Section 8 program	-	75,718	-	-	75,718
Street maintenance	-	-	-	681	681
Construction projects	-	-	14	37	51
Unassigned	424,830	-	-	-	424,830
<b>Total</b>	<b>\$ 428,365</b>	<b>\$ 75,718</b>	<b>\$ 14</b>	<b>\$ 31,540</b>	<b>\$ 535,637</b>

**CITY OF TALLULAH**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 19 - NEW GASB STANDARD**

In fiscal year 2017, the City adopted two new statements of financial accounting standards issued by the Governmental Accounting Standards Board:

- *Statement No. 77 – Tax Abatement Disclosures:* This Statement establishes standards of accounting and financial reporting for tax abatements. Financial statement users need information about certain limitations on a government's ability to raise resources. This includes limitations on revenue-raising capacity resulting from government programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens. Tax abatements are widely used by state and local governments, particularly to encourage economic development. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments that reduce the reporting government's tax revenues.
- *Statement No. 82 –Pension Issues:* This Statement establishes standards to improve consistency in the application of pension accounting and financial reporting requirements by addressing certain issues that have been raised with respect to statements No. 67, No. 68, and No. 73. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

**NOTE 20 - FORGIVENESS OF PAYABLE**

During fiscal year 2015, the City abandoned a sewer improvement project for which the City had recorded a \$231,616 payable for engineering services related to the abandoned project. The same engineering firm provided the engineering services for both the abandoned project and the current ongoing project. During fiscal year 2017, the engineering firm released the City from its obligation to pay for engineering services related to the abandoned sewer improvement project. The City recognized \$231,616 in nonoperating revenue for the forgiveness of this payable.

**CITY OF TALLULAH**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 21 - SUBSEQUENT EVENTS**

FASB Accounting Standards Codification Topic 855, "Subsequent Events" addresses events which occur after the balance sheet date but before the issuance of financial statements. An entity must record the effects of subsequent events that provide evidence about conditions that existed at the balance sheet date and must disclose but not record the effects of subsequent events which provide evidence about conditions that existed after the balance sheet date. Additionally, Topic 855 requires disclosure relative to the date through which subsequent events have been evaluated and whether that is the date on which the financial statements were issued or were available to be issued. Management evaluated the activity through April 2, 2018, the date the financial statements were issued, and concluded that the City's obtaining of short term financing to cover operating expenses, subsequent to the fiscal year ended June 30, 2017, should be disclosed in the Notes to the Financial Statements (see Footnote 15).

**REQUIRED SUPPLEMENTARY INFORMATION**

**City of Tallulah**  
**Pension Supplementary Information**  
**As of and for the Year Ended June 30, 2017**

Exhibit 1-1

Schedule of Employer's Proportionate Share of the Net Pension Liability

Fiscal Year*	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered employee payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
Municipal Police Employees' Retirement System					
2015	0.115035 %	719,668	205,010	351 %	75.10 %
2016	0.057648 %	451,612	160,089	282 %	70.73 %
2017	0.029801 %	279,319	90,854	307 %	66.04 %

\* Amounts presented were determined as of the measurement date (previous fiscal year end).

*This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

Exhibit 1-2

Schedule of Employer Contributions to Pension Plan

Fiscal Year*	(a) Statutorily Required Contribution	(b) Contributions in relation to the statutorily required contribution	(a - b) Contribution Deficiency or (Excess)	Covered employee payroll	Contributions as a % of covered employee payroll
Municipal Police Employees' Retirement System					
2015	50,428	50,428	-	160,089	31.5 %
2016	26,802	26,802	-	90,854	29.5 %
2017	34,991	34,991	-	109,566	31.9 %

\* Amounts presented were determined as of the end of the fiscal year.

*This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

**City of Tallulah**  
**Pension Supplementary Information**  
**As of and for the Year Ended June 30, 2017**

Notes to Required Supplementary Information for Pensions

*Changes in benefit terms:* Amounts reported after 2015 include a 3% COLA that was effective November 1, 2014.

*Changes of assumptions:* Prior to 2016, mortality assumptions were set based upon an experience for the period July 1, 2003 through June 20, 2008. The RP-2000 Employee Annuitant Mortality Table was selected for healthy annuitants and beneficiaries. The RP-2000 disabled Live Mortality Table was selected for disabled annuitants. Amounts reported in 2016 and later reflect an adjustment to mortality, retirement, DROP entry, and withdrawal rates based on an actuarial experience study and expectations of future experience. Family statistics were also updated based on more recent measures available from the United States Census Bureau and the salary scale assumption was decreased. Mortality assumptions were based on an experience study for the period July 1, 2010 through June 20, 2014. The PR-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2029 by Scale AA (set-back 1 year for females) were selected for annuitant and beneficiary mortality. For employees, the RP-2000 Employee table setback 4 years for males and set back 3 years for females were selected for disabled annuitants.

For amounts reported in 2015, salary increases, including inflation and merit, ranged from 10% for 1 year of service to 4.0% for 30 and over years of service. For amounts reported in 2016 and later, salary increases, including inflation and merit, ranged from 9.75% for 1 year of service to 4.25% for over 23 years of service.

For amounts reported in 2016 and later, the inflation rate was decreased from the 3.00% used in 2015 to 2.75%.

City of Tallulah

Budgetary Comparison Schedules

Funds with Legally Adopted Annual Budget

**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.

**Section 8 Fund** - accounts for the operations of the lower income housing assistance program which provides aid to very low-income families in obtaining decent, safe, and sanitary rental housing. Financing is provided by a federal grant.

**CITY OF TALLULAH**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED JUNE 30, 2017**

Exhibit 2-1

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
BUDGETARY FUND BALANCES, Beginning	\$ -	\$ 388,413	\$ 388,413	\$ -
Resources (inflows)				
Local sources:				
Taxes				
Ad valorem	355,000	355,000	359,851	4,851
Sales and use	1,195,990	1,195,990	1,373,274	177,284
Other taxes, penalties and interest	278,600	278,600	307,768	29,168
Licenses and permits	124,800	124,800	66,231	(58,569)
Intergovernmental revenues	392,320	365,320	322,716	(42,604)
Rental income	8,990	8,990	9,060	70
Use of money and property	300	300	27	(273)
Fines and forfeitures	81,175	81,175	52,379	(28,796)
Miscellaneous revenues	81,610	81,610	81,895	285
Transfers from other funds	310,320	310,320	304,721	(5,599)
Amounts available for appropriations	2,829,105	3,190,518	3,266,335	75,817
Charges to appropriations (outflows)				
Current:				
General and administrative	759,055	759,055	772,585	(13,530)
Police Department	660,920	660,920	760,866	(99,946)
Fire Department	434,895	434,895	401,758	33,137
Street Department	665,360	665,360	603,878	61,482
Culture and recreation	137,350	110,350	104,997	5,353
Legislative	66,000	66,000	64,982	1,018
Transportation	48,000	48,000	47,313	687
Capital outlay	-	-	20,200	(20,200)
Debt service:				
Principal retirement	52,725	52,725	46,444	6,281
Interest expense	-	-	14,947	(14,947)
Transfers to other funds	4,800	4,800	-	4,800
Total charges to appropriations	2,829,105	2,802,105	2,837,970	(35,865)
BUDGETARY FUND BALANCES, ENDING	-	388,413	428,365	39,952

See independent auditor's report and notes to the basic financial statements.

CITY OF TALLULAH

SECTION 8  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED JUNE 30, 2017

Exhibit 2-2

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
BUDGETARY FUND BALANCES, Beginning	\$ 120,000	\$ 71,979	\$ 71,979	\$ -
Resources (inflows)				
Local sources:				
Intergovernmental revenues	220,000	250,000	234,499	(15,501)
Use of money and property	-	-	42	42
Miscellaneous revenue	-	-	26,551	26,551
	<u>340,000</u>	<u>321,979</u>	<u>333,071</u>	<u>11,092</u>
Amounts available for appropriations				
Charges to appropriations (outflows)				
Current:				
Health and welfare	<u>220,000</u>	<u>250,000</u>	<u>257,353</u>	<u>(7,353)</u>
Total charges to appropriations	<u>220,000</u>	<u>250,000</u>	<u>257,353</u>	<u>(7,353)</u>
BUDGETARY FUND BALANCES, ENDING	<u>\$ 120,000</u>	<u>\$ 71,979</u>	<u>\$ 75,718</u>	<u>\$ 3,739</u>

See independent auditor's report and notes to the basic financial statements.

CITY OF TALLULAH

NOTES TO THE BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2017

**NOTE A. BUDGET PRACTICES**

A preliminary budget for the ensuing year is prepared by the clerk in May. The proposed budget is reviewed by the mayor and the City Council and made available to the public. During the June meeting of the City Council, the City holds a public hearing on the proposed budget in order to receive comments from citizens. Changes are made to the proposed budget based on the public hearing and the desires of the City Council as a whole. The budget is then adopted during the June meeting, and notice is 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. The City Clerk presents necessary budget amendments to the Council when he determines that 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 functional 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.

**NOTE B. EXCESS OF ACTUAL EXPENDITURES OVER BUDGETED APPROPRIATIONS**

For the fund which a budget to actual comparison was made, 2017 actual appropriations exceeded budgeted appropriations at the level of budgetary control as follows:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	\$ 2,802,105	\$ 2,837,970	\$ (35,865)
Section 8	250,000	257,353	(7,353)

See independent auditor's report and notes to the basic financial statements.

CITY OF TALLULAH

NOTES TO THE BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2017

**NOTE C - BUDGET TO GAAP RECONCILIATION**

An explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures follows:

	General Fund	Section 8
<b>Sources / inflows or resources:</b>		
Actual amounts (budgetary basis) "available for appropriation" from the Budgetary Comparison Schedule	\$ 3,266,335	\$ 333,071
The fund balance at the beginning of the year is a budgetary resource, but is not a current year revenue for financial reporting purposes	(388,413)	(71,979)
Transfers in are shown as resources (inflows) for budgetary purposes, but as other financing sources for the Statement of Revenues and Expenditures and Changes in Fund Balances	(304,721)	-
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances	2,573,201	261,092
<b>Uses / outflows of resources:</b>		
Actual amounts (budgetary basis) "Total charges to appropriation" from the Budgetary Comparison Schedule	2,837,970	257,353
Transfers to other funds classified as expenditures for budgetary purposes and as an operating transfer for financial reporting	59,754	-
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 2,897,724	\$ 257,353

See independent auditor's report and notes to the basic financial statements.

## OTHER SUPPLEMENTARY INFORMATION

**CITY OF TALLULAH**

**NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

The nonmajor governmental funds consist of the **SPECIAL REVENUE STREET FUND**, the **DEBT SERVICE FUND**, and the **CAPITAL PROJECTS HARLEM STREET DRAINAGE FUND** and **ETHEL STREET DRAINAGE FUND**. The following Combining Balance Sheet by Fund Type, and Combining Statement of Revenues, Expenditures and Changes in Fund Balance by Fund Type provide the details of these nonmajor funds.

**CITY OF TALLULAH**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET - BY FUND TYPE**  
**JUNE 30, 2017**

Exhibit 3

	<u>Special Revenue Street</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 13,616	\$ 34,153	\$ 102	\$ 47,871
Receivables	-	-	106,950	106,950
Interfund receivables	<u>30,000</u>	<u>1,841</u>	<u>-</u>	<u>31,841</u>
Total assets	<u>43,616</u>	<u>35,994</u>	<u>107,052</u>	<u>186,662</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts, salaries and other payables	14,485	-	106,950	121,435
Interfund payables	<u>28,450</u>	<u>5,172</u>	<u>65</u>	<u>33,687</u>
Total Liabilities	<u>42,935</u>	<u>5,172</u>	<u>107,015</u>	<u>155,122</u>
<b>FUND BALANCES</b>				
Restricted	<u>681</u>	<u>30,822</u>	<u>37</u>	<u>31,540</u>
Total Fund Balances	<u>681</u>	<u>30,822</u>	<u>37</u>	<u>31,540</u>
Total Liabilities and Fund Balances	<u>\$ 43,616</u>	<u>\$ 35,994</u>	<u>\$ 107,052</u>	<u>\$ 186,662</u>

See independent auditor's report and notes to the basic financial statements.

CITY OF TALLULAH

NONMAJOR GOVERNMENTAL FUNDS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES - BY FUND TYPE  
 FOR THE YEAR ENDED JUNE 30, 2017

Exhibit 4

	<u>Special Revenue Street</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
REVENUES				
Local sources:				
Taxes:				
Ad valorem	\$ 120,311	\$ 14,945	\$ -	\$ 135,256
Intergovernmental revenues	49,639	-	122,385	172,024
Use of money and property	17	18	-	35
Miscellaneous revenues	<u>10,200</u>	<u>-</u>	<u>-</u>	<u>10,200</u>
Total revenues	<u>180,167</u>	<u>14,963</u>	<u>122,385</u>	<u>317,515</u>
EXPENDITURES				
Current:				
General and administrative	-	-	180	180
Street Department	187,026	-	-	187,026
Capital Outlay	-	-	122,385	122,385
Debt service:				
Principal retirement	-	41,538	-	41,538
Interest and bank charges	<u>10</u>	<u>4,080</u>	<u>-</u>	<u>4,090</u>
Total expenditures	<u>187,036</u>	<u>45,618</u>	<u>122,565</u>	<u>355,219</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(6,869)</u>	<u>(30,655)</u>	<u>(180)</u>	<u>(37,704)</u>
OTHER FINANCING SOURCES				
Transfers in	<u>34,000</u>	<u>-</u>	<u>-</u>	<u>34,000</u>
Total other financing sources	<u>34,000</u>	<u>-</u>	<u>-</u>	<u>34,000</u>
NET CHANGE IN FUND BALANCES	27,131	(30,655)	(180)	(3,704)
FUND BALANCES - BEGINNING	<u>(26,450)</u>	<u>61,477</u>	<u>217</u>	<u>35,244</u>
FUND BALANCES - ENDING	<u>\$ 681</u>	<u>\$ 30,822</u>	<u>\$ 37</u>	<u>\$ 31,540</u>

See independent auditor's report and notes to the basic financial statements.

**CITY OF TALLULAH**

**NONMAJOR DEBT SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

**1981 GENERAL OBLIGATION BOND FUND** - accumulates monies for payment of \$260,000 General Obligation Bonds dated October 8, 1981, issued for the purpose of constructing improvements and extensions to the sewer system of the City. Funding is provided by an ad valorem tax.

**1998 GENERAL OBLIGATION BOND FUND** - accumulates resources for, and the payment of long-term debt principal, interest, and related costs guarding the 1998 General Obligation Bond.

See independent auditor's report and notes to the basic financial statements.

**CITY OF TALLULAH**  
**NONMAJOR DEBT SERVICE FUNDS**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2017**

Exhibit 5

	<u>1981 General Obligation Bonds</u>	<u>1998 General Obligation Bonds</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 14,697	\$ 19,456	\$ 34,153
Interfund receivables	<u>1,841</u>	<u>-</u>	<u>1,841</u>
<b>TOTAL ASSETS</b>	<u><u>16,538</u></u>	<u><u>19,456</u></u>	<u><u>35,994</u></u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Interfund payables	\$ 5,172	\$ -	\$ 5,172
<b>FUND BALANCES</b>			
Restricted	<u>11,366</u>	<u>19,456</u>	<u>30,822</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 16,538</u></u>	<u><u>\$ 19,456</u></u>	<u><u>\$ 35,994</u></u>

See independent auditor's report and notes to the basic financial statements.

**CITY OF TALLULAH**  
**NONMAJOR DEBT SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

Exhibit 6

	<u>1981 General Obligation Bonds</u>	<u>1998 General Obligation Bonds</u>	<u>Total</u>
<b>REVENUES</b>			
Local sources:			
Taxes			
Ad valorem	\$ 14,945	\$ -	\$ 14,945
Use of money and property	<u>8</u>	<u>10</u>	<u>18</u>
Total revenues	<u>14,953</u>	<u>10</u>	<u>14,963</u>
<b>EXPENDITURES</b>			
Current:			
Debt service:			
Principal retirement	41,538	-	41,538
Interest and bank charges	<u>4,001</u>	<u>79</u>	<u>4,080</u>
Total expenditures	<u>45,539</u>	<u>79</u>	<u>45,618</u>
<b>NET CHANGE IN FUND BALANCES</b>	(30,586)	(69)	(30,655)
<b>FUND BALANCES - BEGINNING</b>	<u>41,952</u>	<u>19,525</u>	<u>61,477</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 11,366</u>	<u>\$ 19,456</u>	<u>\$ 30,822</u>

See independent auditor's report and notes to the basic financial statements.

**CITY OF TALLULAH**  
**NONMAJOR CAPITAL PROJECTS FUND**

**ETHEL STREET DRAINAGE PROJECT** - is used to account for the accumulation of resources for and related costs regarding the Ethel Street Drainage project.

**HARLEM STREET DRAINAGE PROJECT** - is used to account for the accumulation of resources for and related costs regarding the Harlem Street Drainage project.

**CITY OF TALLULAH**  
**NONMAJOR CAPITAL PROJECTS FUNDS**  
**Combining Balance Sheet**  
**June 30, 2017**

Exhibit 7

	<u>Ethel Street Drainage</u>	<u>Harlem Street Drainage</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 37	\$ 65	\$ 102
Receivables	<u>106,950</u>	<u>-</u>	<u>106,950</u>
<b>TOTAL ASSETS</b>	<u><u>106,987</u></u>	<u><u>65</u></u>	<u><u>107,052</u></u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts, salaries and other payables	106,950	-	106,950
Interfund payables	<u>-</u>	<u>65</u>	<u>65</u>
<b>TOTAL LIABILITIES</b>	106,950	65	107,015
<b>FUND BALANCES</b>			
Restricted	<u>37</u>	<u>-</u>	<u>37</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 106,987</u></u>	<u><u>\$ 65</u></u>	<u><u>\$ 107,052</u></u>

See independent auditor's report and notes to the basic financial statements.

CITY OF TALLULAH

NONMAJOR CAPITAL PROJECTS FUNDS  
 Combining Schedule of Revenues, Expenditures,  
 and Changes in Fund Balances  
 For the Year Ended June 30, 2017

Exhibit 8

	<u>Ethel Street Drainage</u>	<u>Harlem Street Drainage</u>	<u>Total</u>
REVENUES			
Intergovernmental revenues	<u>106,950</u>	<u>15,435</u>	<u>122,385</u>
Total revenues	<u>106,950</u>	<u>15,435</u>	<u>122,385</u>
EXPENDITURES			
Current:			
General and administrative	180	-	180
Capital Outlay	<u>106,950</u>	<u>15,435</u>	<u>122,385</u>
Total expenditures	<u>107,130</u>	<u>15,435</u>	<u>122,565</u>
NET CHANGE IN FUND BALANCES	(180)	-	(180)
FUND BALANCES - BEGINNING	<u>217</u>	<u>-</u>	<u>217</u>
FUND BALANCES - ENDING	<u>\$ 37</u>	<u>\$ -</u>	<u>\$ 37</u>

See independent auditor's report and notes to the basic financial statements.

**COMPARATIVE INFORMATION  
REQUIRED BY  
BOND COVENANT  
WITH THE  
U.S. DEPARTMENT OF AGRICULTURE**

**CITY OF TALLULAH**  
**PROPRIETARY FUND TYPE - ENTERPRISE FUNDS**  
**COMPARATIVE STATEMENT OF NET POSITION**  
**JUNE 30, 2017 AND 2016**

Exhibit 9

	<u>2017</u> <u>Water Fund</u>	<u>2016</u> <u>Water Fund</u>	<u>2017</u> <u>Sewer Fund</u>	<u>2016</u> <u>Sewer Fund</u>
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ -	\$ -	\$ 60,434	\$ 1,649
Receivables, net	154,598	282,923	91,973	152,547
Interfund receivables	5,172	-	14,014	-
<b>Restricted Assets:</b>				
Cash and cash equivalents	<u>1,038,144</u>	<u>1,064,237</u>	<u>150,823</u>	<u>150,748</u>
<b>Total Current Assets</b>	<u>1,197,914</u>	<u>1,347,160</u>	<u>317,244</u>	<u>304,944</u>
<b>Noncurrent Assets</b>				
Land and construction in progress	65,451	65,451	612,879	612,879
Depreciable assets	<u>3,560,871</u>	<u>4,261,885</u>	<u>10,355,641</u>	<u>10,575,819</u>
<b>Total Noncurrent Assets</b>	<u>3,626,322</u>	<u>4,327,336</u>	<u>10,968,520</u>	<u>11,188,698</u>
<b>TOTAL ASSETS</b>	<u>4,824,236</u>	<u>5,674,496</u>	<u>11,285,764</u>	<u>11,493,642</u>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts, salaries and other payable	90,612	101,578	108,201	299,798
Interfund payables	271,763	196,227	235,484	67,575
Interest payable	114,056	118,416	-	-
Payable from restricted assets - customer deposits	182,340	185,139	-	-
Compensated absences	5,556	6,558	5,975	4,607
Revenue bonds payable - current	455,000	290,000	-	-
Loans payable - current	<u>-</u>	<u>-</u>	<u>48,243</u>	<u>45,920</u>
<b>Total Current Liabilities</b>	<u>\$ 1,119,327</u>	<u>\$ 897,918</u>	<u>\$ 397,903</u>	<u>\$ 417,900</u>

(Continued)

See independent auditor's report and notes to the basic financial statements.

**CITY OF TALLULAH**  
**PROPRIETARY FUND TYPE - ENTERPRISE FUNDS**  
**COMPARATIVE STATEMENT OF NET POSITION**  
**JUNE 30, 2017 AND 2016**

Exhibit 9

	2017 <u>Water Fund</u>	2016 <u>Water Fund</u>	2017 <u>Sewer Fund</u>	2016 <u>Sewer Fund</u>
Noncurrent Liabilities				
Revenue bonds payable	\$ 8,642,652	\$ 9,104,204	\$ -	\$ -
Loans payable	<u>-</u>	<u>-</u>	<u>2,736,769</u>	<u>2,785,268</u>
Total Noncurrent Liabilities	<u>8,642,652</u>	<u>9,104,204</u>	<u>2,736,769</u>	<u>2,785,268</u>
<b>TOTAL LIABILITIES</b>	<u>9,761,979</u>	<u>10,002,122</u>	<u>3,134,672</u>	<u>3,203,168</u>
NET POSITION				
Net investment in capital assets	(5,471,330)	(5,066,868)	8,183,508	8,357,510
Restricted	905,467	879,098	150,823	150,748
Unrestricted	<u>(371,880)</u>	<u>(139,856)</u>	<u>(183,239)</u>	<u>(217,784)</u>
<b>TOTAL NET POSITION</b>	<u>\$ (4,937,743)</u>	<u>\$ (4,327,626)</u>	<u>\$ 8,151,092</u>	<u>\$ 8,290,474</u>

See independent auditor's report and notes to the basic financial statements.

CITY OF TALLULAH

SCHEDULE OF COMPENSATION PAID TO COUNCIL MEMBERS  
FOR THE YEAR ENDED JUNE 30, 2017

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. In accordance with Louisiana Revised Statute 33:405, Council members receive \$1,000 per month.

Exhibit 10

Tommy Watson, Mayor Pro-Tem	\$	12,000
Marjorie Day		12,000
Charles Finlayson		12,000
Gloria Hayden		12,000
Lisa Houston		<u>12,000</u>
Total	\$	<u>60,000</u>

See independent auditor's report and notes to the basic financial statements.

CITY OF TALLULAH  
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER  
PAYMENTS TO AGENCY HEAD  
JUNE 30, 2017

Exhibit 11

Agency Head Name: Mayor Paxton Branch

Salary	\$ 65,500
Benefits - Retirement	19,800
Benefits - Long Term Disability	376
Benefits - Vacation	2,520
Car Allowance	6,000
Reimbursements	7,098
Travel	<u>10,543</u>
Total	<u>\$ 111,837</u>

**CITY OF TALLULAH**  
**FINANCIAL DATA SCHEDULE**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2017**

Exhibit 12

Submission Type: Audited / Non-A-133

FYE 06/30/2017

	<u>14.871 Housing Choice Vouchers</u>	<u>Total</u>
111 Cash - Unrestricted	\$ 78,515	\$ 78,515
124 Accounts Receivable - Other Gov't	-	-
190 Total Assets	<u>78,515</u>	<u>78,515</u>
312 Accounts Payable <= 90 Days	<u>2,797</u>	<u>2,797</u>
300 Total Liabilities	2,797	2,797
508.1 Invested in Capital Assets, Net of Related Debt	-	-
511.1 Restricted Net Assets	-	-
512.1 Unrestricted Net Assets	<u>75,718</u>	<u>75,718</u>
513 Total Equity / Net Assets	75,718	75,718
600 Total Liabilities and Equity / Net Assets	<u>\$ 78,515</u>	<u>\$ 78,515</u>

(continued)

See independent auditor's report and notes to the basic financial statements.

**CITY OF TALLULAH**  
**FINANCIAL DATA SCHEDULE**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2017**

Exhibit 12

Submission Type: Audited / Non-A-133

FYE 06/30/2017

	<u>14.871 Housing Choice Vouchers</u>	<u>Total</u>
70800 HUD PHA Operating Grants	\$ 234,499	\$ 234,499
71100 Investment Income - Unrestricted	42	42
71500 Other Revenue	<u>26,551</u>	<u>26,551</u>
70000 Total Revenue	<u>261,092</u>	<u>261,092</u>
91600 Office Expenses	33,127	33,127
91800 Travel	748	748
91900 Other	600	600
96900 Total Operating Expenses	<u>34,475</u>	<u>34,475</u>
97000 Excess of Operating Revenue over Operating Expenses	<u>226,617</u>	<u>226,617</u>
97300 Housing Assistance Payments	176,150	176,150
97300 Tenant Protected	22,949	22,949
97350 HAP Portability - In	<u>23,779</u>	<u>23,779</u>
90000 Total Expenses	<u>222,878</u>	<u>222,878</u>
10000 Excess (Deficiency) of Total Revenue Over (Under) Total	<u>3,739</u>	<u>3,739</u>
11030 Beginning Equity	71,979	71,979
11170 Administrative Fee Equity	<u>75,718</u>	<u>75,718</u>
11180 Housing Assistance Payments Equity	<u>-</u>	<u>-</u>
11190 Unit Months Available	<u>552</u>	<u>552</u>
11210 Number of Unit Months Leased	<u>552</u>	<u>552</u>

(concluded)

See independent auditor's report and notes to the basic financial statements.

**OTHER REPORTS REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Paxton J. Branch  
and Members of the City Council  
City of Tallulah  
Tallulah, Louisiana

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tallulah as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Tallulah's basic financial statements, and have issued our report thereon dated April 2, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Tallulah's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Tallulah's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Tallulah's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. (Findings 2017-001, 2017-002)

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Tallulah's financial statements are free from 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. (Findings 2017-003, 2017-004)

## **City of Tallulah's Response to Findings**

City of Tallulah's response to the findings identified in our audit is described in the accompanying letter titled "Management's Corrective Action Plan". City of Tallulah's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*LeBlanc Hausknecht, L.L.P.*

Metairie, Louisiana  
April 2, 2018

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable Paxton J. Branch  
and Members of the City Council  
City of Tallulah  
Tallulah, Louisiana

**Report on Compliance for Each Major Federal Program**

We have audited the City of Tallulah's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2017. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

## Report on Internal Control over Compliance

Management of the City of Tallulah is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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. 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.

Our consideration of 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 material weaknesses or significant deficiencies. We did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency, as described in the accompanying schedule of questioned costs, Part III (Finding 2017-005).

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*LeBlanc Hausknecht, L.L.P.*

Metairie, Louisiana  
April 2, 2018

**CITY OF TALLULAH  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**Part I - Summary of Auditor's Results:**

**Financial Statement Audit**

- i. The type of audit report issued on whether the audited financial statements were prepared in accordance with GAAP was unmodified for the governmental activities, the business type activities and the individual funds of the primary government, and adverse for the aggregate discretely presented component units.
- ii. There were two (2) significant deficiencies required to be disclosed by Government Auditing Standards, issued by the Comptroller General of the United States of America.
- iii. There were two (2) instances of noncompliance considered material, as defined by the Government Auditing Standards, to the financial statements.

**Federal Awards**

- iv. There were no material weaknesses and one (1) significant deficiency identified in internal controls over major federal awards programs.
- v. The type of auditor's report issued on compliance for major programs was unmodified.
- vi. Audit findings disclosed that are required in accordance with 2 CFR section 200.516(a) are reported in this schedule.
- vii. The programs tested as major programs were:  
CFDA # 14.228 - Community Development Block Grant - States Program (Grant #33MIPL2301)
- ix. The dollar threshold to distinguish between Type A and Type B programs was \$750,000.
- x. The City of Tallulah did not qualified as a low-risk auditee.

**CITY OF TALLULAH  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**Part II - FINANCIAL STATEMENT FINDINGS**

**FINDING 2017-001: Cash Management (Significant Deficiency)**

**Debt Reserves:**

Entity-wide or program/department specific: This finding relates to the Entity-wide Funds.

Criteria or specific requirement: To obtain financing for the water and sewer departments, the City agreed to adhere to certain conditions and requirements as set forth in the debt agreements. In reviewing the debt agreements, it was noted that the City should have funds reserved for a sinking fund, a debt service reserve fund, and contingency/project reserve fund for each of the debt agreements. Furthermore, the City's annual audited financial information should be provided to the Municipal Securities Rulemaking Board (EMMA) by December 31 of each year while the Water Revenue Bonds Refunding Series 2007 and Series 2011 are outstanding. Also, the City must set fees such that net revenues are more than 120% for revenue loans payable and 125% for the revenue bonds of the next year's debt service payment.

Condition found: The City did not have the appropriate funds reserved as required by the debt agreements before the City transferred funds from the Water and Sewer Funds to the General Fund. Water and Sewer fees are not established such that operating income is more than the required 125% of next year's debt service requirement. LH reviewed the EMMA website and found that the City had filed unaudited financial information for the prior year, and did not update the information with the audited financial information as required. Although the City did not meet the reserve requirements, all debt payments were made in the current fiscal year.

Effect: The City is not in compliance with the debt covenants regarding the reserve requirements or with providing the required information to the Municipal Securities Rulemaking Board.

Cause: Cash management issues did not allow for the appropriate funding of the required reserves.

Recommendations: A plan should be adopted to ensure that the City is complying with the debt covenants as required by the debt agreements. This plan may include amending the debt agreements and/or obtaining written waivers from the lender, such that the City would be in compliance with the debt covenants.

**Cash Disbursements**

Entity-wide or program/department specific: This relates to the Entity-wide Funds

Criteria or specific requirement: Policies implemented by City should be followed to ensure management carries out day to day operations of the entity within the guidelines set forth by the governing officials.

Condition found: Disbursements reviewed by LH during the course of the audit and the state-wide agreed upon procedures revealed the following conditions indicating that procedures are not being following according to the City's written policies:

**CITY OF TALLULAH  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**FINDING 2017-001: Cash Management (Significant Deficiency)**  
**Cash Disbursements (Continued)**

- ◆ Out of twenty-five disbursement transactions reviewed, there were 15 exceptions found where documentation and/or approval was not complete.
- ◆ The credit card statement reviewed in detail which included 8 transactions, revealed that 2 transactions did not include itemized receipts, and none of the receipts included documentation of public / business purpose. LH noted that in the current year the credit card statements reviewed did not contain any late charges of any significance.
- ◆ Reimbursements for travel expenses did not follow City policy in that not all reimbursements for meals included itemized receipts or indication that a per diem was used. One travel reimbursement check was for 35 travel vouchers covering the entire year, none of which were approved. The City's policy indicates that the Mayor will approve all travel expense reimbursements, however, only the City Clerk's signature was included on the reimbursement forms.
- ◆ Out of 199 fuel transactions reviewed, 13 transactions did not contain evidence of review of approval, 13 transactions did not indicate public / business purpose, and 26 transactions were not in accordance with the City's purchasing policy for fuel.
- ◆ Payroll taxes and retirement contribution payments were not paid on time.

**Effect:** When policies and procedures over cash disbursements are not operating effectively, the potential for misappropriation and misstatements in the financial statements increases. Late payments result in interest and late fees being charged to the City, thereby reducing the amount of cash available for the City's operations.

**Cause:** The City does not consistently follow their written policies over cash disbursements. Cash flow issues have contributed to the City paying obligations late.

**Recommendations:** The City should strive to document all disbursement transactions in accordance with their written policies. Funds should be allocated to ensure that obligations for payroll taxes and retirement contributions are made timely.

**Cash Deposits**

**Entitywide or program/department specific:** This finding relates to the General Fund

**Criteria or specific requirement:** Monies received should be deposited in a timely manner. For testing purposes under the state-wide agreed upon procedures, timeliness of deposits is considered to be within one business day from the receipt of funds.

**Condition found:** In a test of thirty-nine deposits totaling \$423,632, it was noted that nineteen of the deposits which totaled \$189,648 were not deposited timely in accordance with the criteria set by the LLA in the state-wide agreed upon procedures.

**Effect:** Potential loss of cash and or checks due to not being deposited as soon as received.

**Cause:** Lack of oversight.

**CITY OF TALLULAH  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**FINDING 2017-001: Cash Management (Significant Deficiency)**  
**Cash Deposits (Continued)**

Recommendations: We recommend that the City take steps to ensure that all deposit are made immediately and that deposits be reviewed monthly when the banks are reconciled for compliance with this policy.

**Views of responsible officials and planned corrective action:**

See attached letter from management (starting at page 107).

**FINDING 2017-002: Asset Inventory (Significant Deficiency)**

Entity-wide or program/department specific: This relates to the Entity-wide Funds.

Criteria or specific requirement: Policies implemented by City over capital assets should be followed to ensure management carries out day-to-day operations of the entity within the guidelines set forth by the governing officials.

Condition found: The City has a written policy for capital assets which indicates that capital assets will be recorded, tagged and inventoried on an annual basis. The policy further states that the asset information on the capital asset listing will include the asset description, date of acquisition, location, department, cost, estimated life and identification number. The clerk (or designee) is to affix a tag /sticker to the assets that displays the identification number and the name of the municipality. The City has not followed their policy, as assets are not tagged, and are not identified on the asset listing with an identification number or location of the asset. The City does not conduct an annual asset inventory to ensure the reliability of records that assets can be located.

During the current year audit there were three (3) assets that were selected from the capital asset listing for observation that could not be located by City officials. The assets were fully depreciated, however, the City could not provide documentation that these assets were disposed in accordance with the City's policy, and they were still included on the capital asset listing.

Effect: Failure to identify and periodically account for municipality assets / property exposes the City to possible loss, theft and misuse of assets.

Cause: Although the City is aware of this requirement, they have not taken the steps necessary to implement the controls which are contained in their policy over capital assets.

Recommendations: We recommend that management make it a priority to get the capital asset listings updated to include the required information, and that all assets that can be tagged, are tagged. The City should make it a priority to conduct an annual physical inventory of assets prior to the fiscal year end.

**Views of responsible officials and planned corrective action:**

See attached letter from management (starting at page 107).

**CITY OF TALLULAH  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**FINDING 2017-003: Public Bid Law (Noncompliance)**

Entity-wide or program/department specific: This finding relates to the Entity-wide Funds

Criteria or specific requirement: The City is required to comply with the Louisiana Public Bid Law as provided in R.S. Title 38:2211-2296. Under the LA public bid law, for purchases of materials and supplies, the City is required to obtain 3 telephone / fax quotes for purchases of \$10,000 up to \$29,999, and put out for bid all purchases of \$30,000 and above.

Condition found: During the current year audit and state-wide agreed-upon procedures engagements there were three instances where the City did not comply with the requirements of the LA public bid laws. In one instance, the purchase was in excess of \$10,000 and the City failed to obtain telephone or fax quotes before making the purchase. The other two instances were for purchases in excess of \$30,000 which had not been put out to bid by the City.

Effect: The City is not in compliance with the LA public bid law, and therefore may have not procured the materials/supplies or equipment at the best price.

Cause: Management's lack of oversight on large purchases.

Recommendations: We recommend that the City designate a person to be responsible for reviewing all purchases for compliance with the LA Public Bid law.

**Views of responsible officials and planned corrective action:**

See attached letter from management (starting at page 107).

**FINDING 2017-004: Late Filing with the LLA (Noncompliance)**

Entity-wide or program/department specific: This finding relates to the Entity-wide Funds

Criteria or specific requirement: The City is required to comply with the Louisiana R.S. 33:463 which requires a copy of the annual financial statements be transmitted to the legislative auditor within six months of the close of the fiscal year. The City was required to file its' annual financial statements by December 31, 2017.

Condition found: The City was unable to provide to the auditors the necessary documentation to complete the audit and agreed-upon procedures in time to file by the due date of December 31, 2017.

Effect: The City is not in compliance with the Louisiana R.S. 33:463.

Cause: The requirements of the state-wide agreed upon procedures required the City to provide additional information to the auditors. Management did not have additional employees available to provide the information required by the auditors related to the agreed-upon procedures and the financial statement audit in a timely manner.

**CITY OF TALLULAH  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**FINDING 2017-004: Late Filing with the LLA (Noncompliance)(Continued)**

**Recommendations:** Throughout the year the City should begin putting records together that will be required for the audit and the state-wide agreed upon procedures. For example, all new contracts and agreements should be copied to provide to the auditors. The City could work with their auditors to perform the agreed-upon procedures for an alternative time period to avoid the time constraints at year end.

**Views of responsible officials and planned corrective action:**

See attached letter from management (starting at page 107).

**CITY OF TALLULAH  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**Part III - FEDERAL AWARD PROGRAMS FINDINGS AND QUESTIONED COSTS**

**FINDING 2017-005: Standards for Internal Control**

**PROGRAM:** United States Department of Housing and Urban Development, CFDA # 14.228; Passed through Louisiana Department of Administration, Community Development Block Grant - States Program, Pass Through Grantor No.: CDBG 2000135701.

**Statement of Condition:** The City does not maintain written policies of the internal controls related to federal awards.

**Criteria:** According to 2 CFR 200, Subpart D, the entity is to establish and maintain effective internal control over the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government." The Federal Internal Control Standards states that "Documentation is a necessary part of an effective internal control system".

**Cause:** Management has not prepared written policies regarding their internal controls over federal grants received and disbursed for compliance with uniform guidance requirements.

**Effect or Potential Effect:** Lack of written policies and procedures can lead to noncompliance with federal grant requirements.

**Questioned Costs:** No questioned costs.

**Recommendations:** The City should prepare written policies and procedures as they relate to the administration of all federal awards.

**Views of responsible officials and planned corrective action:**

See attached letter from management (starting at page 107).

**FINDING 2017-006: Noncompliance**

**PROGRAM:** United States Department of Homeland Security, CFDA # 97.039; Passed through Madison Parish Police Jury; Emergency Preparedness: Hazard Mitigation Grant, Pass through Grantor No.: 1603n-065-0001.

**Statement of Condition:** The City did not disburse advanced federal funds to the vendor in the amount of \$15,435 until 27 days after receipt of the funds. The issue was found due to other auditing procedures as this is a non-major program.

**Criteria:** Per section 200.305 of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the City is required to minimize the time elapsing between the receipt of federal funds and the disbursement of those funds.

**Cause:** Management did not properly monitor the cash management of the federal funds received.

CITY OF TALLULAH  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017

**FINDING 2017-006: Noncompliance (Continued)**

Effect or Potential Effect: The City is not in compliance with federal grant requirements.

Questioned Costs: No questioned costs.

Recommendations: The City should disburse funds as soon as received and self monitor requirement with regard to all federal funds received.

**Views of responsible officials and planned corrective action:**

See attached letter from management (starting at page 107).

**CITY OF TALLULAH  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2017**

**Finding 2016-001: Cash Management**

**Cash Disbursements**

Entitywide or program/department specific: This relates to the General Fund and the Proprietary Funds

Criteria or specific requirement: Policies implemented by City should be followed to ensure management carries out day to day operations of the entity within the guidelines set forth by the governing officials.

Condition found: Payments for credit cards not being made timely.

Effect: Excess of late fees and interest charges which in effect reduces the cash account.

Cause: The City does not pay some invoices in a timely manner (within 30 days) upon received invoice.

Recommendations: The City should make credit card payments as soon as the bills come in. Any credit card statement that arrives should be handled with immediate urgency.

**Current Status:** Partially resolved, see current year finding 2017-002.

**Cash Deposits**

Entitywide or program/department specific: This finding relates to the General Fund

Criteria or specific requirement: Monies received should be deposited in a timely manner. For testing purposes, timeliness is considered three business days from the receipt of funds.

Condition found: In a test of forty deposits totaling \$327,156, it was noted that twelve of the deposits which totaled \$22,472 were deposited more than three business days after being received.

Effect: Potential loss of cash and or checks due to not being deposited as soon as received.

Cause: Lack of oversight

Recommendations: We recommend that the City strongly emphasize to the individuals responsible that there is a high priority, an urgency, to deposit funds immediately and that deposits be reviewed monthly when the banks are reconciled for compliance with this policy. We also recommend that the City make deposits within 2-3 days of receipt.

**Current Status:** Not resolved, see current year finding 2017-001

**CITY OF TALLULAH**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2017**

Federal Grantor/Pass-Through Grantor Program Title	CFDA #	Pass Through Grant Number	Expenditures
United States Department of Housing and Urban Development Direct Program			
Section 8 Housing Choice Vouchers	14.871		\$ 234,499
Passed through Louisiana Department of Administration:			
Community Development Block Grant - States Program	14.228	CDBG 2000135701	389,224
United States Department of Homeland Security			
Passed Through Madison Parish Police Emergency Preparedness: Hazard Mitigation Grant	97.039	1603n-065-0001 1603n-065-0004	106,950 15,435 <u>122,385</u>
Passed Through Louisiana Department of Homeland Security & Emergency Preparedness:			
Disaster Grants-Public Assistance	97.036	PW-00332 PW-00328 PW-00304 PW-00290 PW-00261 PW-00201	14,639 7,014 12,655 7,024 30,921 18,306 <u>90,559</u>
Delta Regional Authority Direct Program:			
Delta Area Economic Development	90.201		25,740
<b>TOTAL FEDERAL AWARDS</b>			<b>\$ <u>862,407</u></b>

See next page for Notes to Schedule of Expenditures of Federal Awards.

**CITY OF TALLULAH**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2017**

**Notes to the Schedule of Expenditures of Federal Awards:**

**Note A - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Tallulah under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

**Note B - Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State and Local Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

**Note C - Indirect Cost Rate**

The City has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**Note D - Federal award expenditures included in the City's funds:**

Federal award expenditures are reported in the City's financial statements as follows:

General Fund - Intergovernmental revenues	40,921
LCDBG Capital Project - Intergovernmental revenues	414,964
Section 8 - Intergovernmental revenues	234,499
Nonmajor Governmental - Intergovernmental revenues	172,023
Sewer Fund - Intergovernmental revenues	-
Total Federal Expenditures	<u>\$ 862,407</u>

**OTHER INFORMATION**



Office of the Mayor

Management's Response To Findings In The  
Schedule Of Findings And Questioned Cost

Finding 2017-001: Cash Management

Debt Reserves:

The loans in question should have been set up from the start with those reserved funds, sinking funds, and contingency funds all fully funded. That is the way things are done currently, and the City makes its payments and does not have to worry with making other payments especially when cash flow does not allow. In the future, these reserves will be funded as cash abundance allows. It is agreed that the City should consult its bonding attorneys who drew up these agreements in the first place and let them work out a solution. We will also catch up on the Emma submission for our indebtedness.

Cash Disbursements:

The City will review its written policies and procedures regarding cash disbursements and either strive to follow them implicitly or change them to meet the needs of the City.

Finding 2017-001: Cash Management (Continued)

The City Clerk is working with staff on an ongoing basis to see that deposits are made in a timely manner. Recording deposits monthly always spotlights any late deposits, and the Clerk mentions the lack of timeliness to the staff. However, it has been the policy that all deposits are made within 3 business days and not just one. If "one" is the new rule, then the City will follow it.

Finding 2017-002: Asset Inventory

Starting immediately, the City will use services of Department Heads to properly tag all pieces of City owned equipment, vehicles, tools etc., to ensure a proper and accurate inventory. Some inventory items on the lists are extremely old having been junked long ago and not removed from the asset list of a particular department. Those lists will be brought current.

Finding 2017-003 Public Bid Law (Noncompliance)

The City recognizes its mistake in overlooking the bid law for purchases exceeding \$30,000 though thinking the amount in question at the time to be that which exceeds \$50,000.

#### Finding 2017-004: Late Filing with the LLA (Noncompliance)

The additional audit imposed on municipalities (AUP) for the first time this fiscal year brought an unbelievable burden on the Mayor's office staff forcing them through two extensive audits right on the heels of each other. Such action should not be allowed to occur, stressing management staff to almost unendurable limits when a good, financial audit is all that is necessary! Small wonder that the audits were not completed on time. In the future, the audit team and the Mayor's staff will schedule the two audits in time sequence that hopefully will not be so burdensome to employees as well as the auditors. The City also agrees with the audit suggestion that during the coming year, preparations can be made continually for requirements of the AUP audit.

#### Federal Award Programs Findings and Questioned Costs:

##### Finding 2017-005: Standards for Internal Control

###### Program:

The City will do some looking into the use and practicality of procedures related to the receipt of federal grants when those grants are ACH'd to the City for distribution to a contractor. In this particular situation, it was not known that the funds had been automatically deposited into a City account. The problem has since been solved in that the account in question has been added to the Clerk's profile of accounts, and it will be known immediately when such funds arrive.

##### Finding 2017-006 Noncompliance

The City has since corrected the time lapse between the City receiving Federal Awards funds and the disbursement of those funds. This situation has been remedied by having the bank account in question added to the Financial Officer's accounts profile thereby allowing him access to the funds the moment they arrive.

**CITY OF TALLULAH  
Tallulah, Louisiana**

**Statewide Agreed-Upon Procedures Report  
For the period July 1, 2016 through June 30, 2017**

**INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

**For the Period of July 1, 2016 – June 30, 2017**

**To the Honorable Paxton J. Branch  
and Members of the City Council,  
City of Tallulah,**

**and to the Louisiana Legislative Auditor:**

We have performed the procedures enumerated below, which were agreed to by the City of Tallulah (hereafter "the City"), and the Louisiana Legislative Auditor (hereafter "LLA") on the control and compliance (hereafter "C/C") areas identified in the LLA's Statewide Agreed-Upon Procedures (hereafter "SAUPs") for the period July 1, 2016 through June 30, 2017. The City's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted 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.

The procedures and associated findings are as follows:

***Written Policies and Procedures***

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- 1) Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
  - (a) Budgeting, including preparing, adopting, monitoring, and amending the budget.
  - (b) Purchasing, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
  - (c) Disbursements, including processing, reviewing, and approving.
  - (d) Receipts, including receiving, recording, and preparing deposits.
  - (e) Payroll/Personnel, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

- (f) Contracting, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- (g) Credit Cards (and debit cards, fuel cards, P-Cards, if applicable), including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage.
- (h) Travel and expense reimbursement, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- (i) Ethics, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.
- (j) Debt Service, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

#### ***Procedures Performed and Findings: Procedure 1***

LeBlanc Hausknecht, LLP (hereafter, "LH") obtained the City's policy manual directly from the City Clerk. The City has adopted as their budget policy the LLA Legal Division's document of the Local Government Budget Act. In addition the City has adopted several of the LLA's best practices as their policies; these include policies on evidence rooms, payroll, road maintenance, bank reconciliation's, capital assets, contracting for services, credit card policy, customer utility accounts including the collection of receipts, financial reporting, fuel and fleet management, purchasing and disbursements, traffic tickets, and travel and expense reimbursement.

The City's policy manual is directly from the LLA website and has not been customized in any manor by the City. LH found that the following:

- (a) The budget policy includes the preparing, adopting, monitoring, and amending of the budget.
- (b) The purchasing and disbursements policy includes how purchases are initiated, the preparation and approval process of purchase requisitions and purchase orders, controls to ensure compliance with the public bid law; and documentation required to be maintained for all bids and price quotes. ***The City's policy does not cover how vendors are added to the vendor list.***
- (c) The City's policy includes procedures for the processing, reviewing and approving of disbursements.
- (d) The City's policy for the receiving, recording and the preparing of deposits is partially covered in the policy for the utility and police departments but ***does not mention the collection of receipts at City Hall. City Hall collections include ad valorem taxes and other intergovernmental revenue.***
- (e) The policy on payroll / personnel includes procedures for payroll processing, reviewing and approving timesheets, including leave and overtime worked.
- (f) The City's policies include the types of services requiring written contracts, contracts will include terms and conditions, legal review will be performed, and there is an approval and monitoring process for contracts.

- (g) The City's policy for credit cards includes how credit cards / fuel cards are to be controlled, the allowable and disallowed expenses, documentation requirements, required approvals and how credit cards / fuel cards will be monitored. The City's fuel policy includes a statement that the purchase of fuel will be from a suitable fleet manager system, and if fuel purchases are estimated to be in excess of \$30,000, management will publicly bid the fuel in accordance with the Public Bid Law.
- (h) The travel and expense reimbursement policy includes descriptions of allowable expenses, documentation requirements and approvals required. The policy does not specifically state the dollar threshold by category of expense, but does references the State of Louisiana Travel Guide with regard to business meals, lodging and travel.
- (i) ***The City's does not have a written ethics policy.***
- (j) ***The City does not have a written policy for debt service.***

**Management's response regarding findings on procedure 1:**

See attached letter from the City of Tallulah dated January 23, 2018.

**Board (or Finance Committee, if applicable)**

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- 2) Obtain and review the board/committee minutes for the fiscal period, and:
  - (a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
  - (b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).
    - ◆ If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.
  - (c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

***Procedures Performed and Findings: Procedure 2***

LH obtained the City Council meeting minutes directly from the City Clerk. LH found the following:

The City has passed an ordinance setting the date, place and time of the regular meetings of the Mayor and the Council of the City. The ordinance specifies that their regular meetings will be set on the 2nd and 4th Thursday of each month, excluding the months of November and December in which a single meeting will be held. The ordinance specifies the time and date of the regular meetings.

- (a) LH found that the Mayor and City Council are meeting twice monthly in accordance with the City ordinance.

- (b) Beginning with the January 26, 2017 council meeting, the City Clerk included budget-to-actual comparisons for the general fund every second regular council meeting of the month; however, there was no mention of the other major funds in the minutes. Financial reports presented included the consolidated departments for the general fund and each individual department within the general fund. *The financial reports included monthly budget to actual and year to date budget to actual comparisons. Financial reports presented for the months of November 2016 through June 2017 showed that management was deficit spending during the current year. The minutes had no reference to the deficit spending other than to mention in the February 23, 2017 minutes that the police department had gone over budget due to increased vehicle repair costs. There was no reference to a formal/written plan to eliminate the deficit spending.* The annual budget included funds transferred in to cover the budget deficit in the general fund. The June 30, 2017 financial reports presented showed deficit spending of \$69,135 prior to year end adjustments.
- (c) There was at least one meeting where non-budgetary financial information was referenced (the approval of a contract at the December 28, 2016 meeting).

**Management's response regarding findings on procedure 2:**

See attached letter from the City of Tallulah dated January 23, 2018.

**Bank Reconciliations**

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- 3) Obtain a listing of client bank accounts from management and management's representation that the listing is complete.
- 4) Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:
  - (a) Bank reconciliations have been prepared;
  - (b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and
  - (c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

**Procedures Performed and Findings: Procedures 3 & 4**

- 3) LH prepared a listing of all bank accounts from prior experience, which was forwarded to the City for verification of completeness. The City verified the listing was complete for the fiscal period. During this period the City maintained 27 bank accounts.
- 4) LH selected 9 bank accounts to review in the current period and prepared a rotation schedule for review of all accounts over a three year period of time. LH reviewed all bank reconciliations for the 9

bank accounts selected for each month in the period July 1, 2016 through June 30, 2017, and found the following:

- (a) Bank reconciliations have been prepared for all months on all the accounts selected for review.
- (b) ***The bank reconciliations are prepared by an outside CPA and approved by the City Clerk who has involvement with the transactions associated with the bank accounts. The fact that an outside CPA performs this function mitigates the lack of internal control for this function.***
- (c) There were no outstanding items greater than 6 months old on the selected bank accounts.

**Management's response regarding findings on procedure 3 & 4:**

See attached letter from the City of Tallulah dated January 23, 2018.

**Collections**

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- 5) Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.
- 6) Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations).

**For each cash collection location selected:**

- (a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.
- (b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.
- (c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
  - ◆ Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.
  - ◆ Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

- 7) Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

***Procedures Performed and Findings: Procedures 5, 6 & 7***

- 5) LH obtained a listing from the City Clerk of the City's collection locations and management's representation that the listing is complete.
- 6) LH selected all collection locations for testing as there are only three (3) locations. For each cash collection location selected, the following procedures were performed:
  - (a) The City's written policy on collections included the requirement that each employee responsible for collecting cash are (1) bonded, and (2) each employee who is responsible for entering date into the billing system is to be prohibited from collecting payments, and (3) each employee who collects payments is to be assigned their own cash drawer. ***There was not mention in the written documentation that employees responsible for collecting cash are prohibited from making deposits, or reconciling the related bank account.***

LH reviewed the City's bond insurance and verified that all employees collecting cash are bonded. Through inquiries of management, LH found that due to the small staff, employees who collect payments are also reconciling daily cash receipts and making bank deposits. In addition, due to small staff, the cash drawers at City Hall are shared by employees, however, the Utility employees each have their own cash drawer. Compensating controls that exist, include the recording of the transactions into the accounting system by the the City Clerk who is not responsible for the collections of receipts, or making bank deposits, and the bank reconciliations being prepared by an outside CPA.

- (b) The City's written documentation has not been updated for the actual procedures being performed. LH found that although the written documentation does not reflect the actual procedures followed, there is a formal process for reconciling cash collections to the general ledger and subsidiary ledgers. At each location, the employees responsible for collections, are reconciling their cash drawers to subsidiary ledger reports on a daily basis, except at the police department where collections are counted and reconciled every few days due to the infrequency of collections. Police department employees do not make deposits; however, two employees count the collections together, documenting the collections on a deposit sheet which is brought to city hall for processing. The recording of cash receipts into the general ledger is performed by the City Clerk who has no cash collection responsibility.
- (c) LH selected the highest dollar week of collections from the general ledger for each collection location and requested the collection documentation for all deposits within that week, and found the following:

**City Hall - collection location 1:**

- ◆ 6 instances where deposits were made 2 days after collection
- ◆ 1 instance where a deposit was made 5 days after collection
- ◆ 1 instance where a deposit was made 7 days after collection
- ◆ 1 instance where a deposit was made 13 days after collection

**Utility Department - collection location 2:**

- ◆ 3 instances where deposits were made 2 days after collection
- ◆ 1 instance where a deposit was made 13 days after collection

**Police Department - collection location 3:**

- ◆ 4 instances where deposits were made 3 days after collection

*The city hall location had 8 deposits that were not supported by documentation. These were ACH transfers into the City's bank account by the contractor who collects occupational license taxes for the City. All deposits for the Utility and Police Department locations were completely supported by appropriate documentation.*

- 7) *The City does not have written documentation or a process specifically defined to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions, by a person who is not responsible for collections.*

**Management's response regarding findings on procedures 5, 6 & 7:**

See attached letter from the City of Tallulah dated January 23, 2018.

**Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)**

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- 8) Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.
- 9) Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:
- (a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.
  - (b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

- (c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.
- 10) Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.
- 11) Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.
- 12) Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.
- 13) If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

***Procedures Performed and Findings: Procedures 8 through 13***

- 8) LH obtained the general ledger and sorted for entity disbursements. Management states that the general ledger population is complete.
- 9) LH randomly selected 25 transactions excluding credit card and fuel charges. LH reviewed the supporting documentation for the 25 transactions, and found the following:
  - (a) The City's policy includes the use of a purchase requisition from a departmental manager, which is reviewed by a city administrative employee, or if over the established dollar threshold, reviewed by the City Clerk, from which a purchase order is prepared. Therefore, the City's policy separates initiation from the approval functions. According to management, purchase requisitions/purchase orders are not required for routine monthly invoices, such as services for waste removal. ***The documentation for 3 out of the 25 transactions reviewed did not include the purchase requisition and purchase order documentation as required by the City's policy.***
  - (b) ***For the 25 transactions reviewed, 4 did not include documentation to verify whether the purchases were approved by a person who did not initiate the purchase.***
  - (c) ***Of the 25 transactions reviewed, 3 transactions were processed for payment without either the required requisition and/or purchase order; 1 transaction was processed without a requisite receiving report/electronic equivalent; 1 transaction was processed with an invoice from a business, but the check was written to an individual and did not***

***include the required approvals; 1 transaction was processed without supporting documentation for meals; and 14 transactions were processed without documentation of approval as evidenced by the Mayor's & the City Clerk's initials on the supporting documentation.***

- 10) The city administrative employee who records accounts payable in the subsidiary ledger is also responsible for adding new vendors once the required supporting documentation is obtained such as the vendor's W-9, a purchase requisition and purchase order. The City Clerk who is responsible for processing invoices for payment is not prohibited from adding vendors to the system. According to the City Clerk, the accounts payable system, and the set up of vendors is only done by the responsible office clerk, and the City Clerk never accesses the accounts payable system. However, LH has determined there is a weakness in the process, as the City Clerk often bypasses the accounts payable system by processing quick checks directly to the general ledger system. According to the City Clerk, this happens when a vendor comes in to City Hall and needs a check immediately; the compensating control per the City Clerk is that the Mayor also reviews all the supporting documentation and must sign the check.
- 11) The City Clerk who has signatory authority also at times records purchases and processes disbursement checks through the process of preparing quick checks directly to the general ledger system. The City Clerk has stated that the compensating control over this process is that the Mayor must approve the purchases and sign the checks.
- 12) The supply of unused checks are kept in a locked supply room with keys maintained by the City Clerk and the Mayor.
- 13) A signature stamp or signature machine is not used. All checks require dual signatures and are maintained under the control of the signor(s) until mailed.

**Management's response regarding findings on procedures 8 through 13:**

See attached letter from the City of Tallulah dated January 23, 2018.

**Credit Cards/Debit Cards/Fuel Cards/P-Cards**

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- 14) Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
- 15) Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- (a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
  - (b) Report whether finance charges and/or late fees were assessed on the selected statements.
- 16) Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).
- (a) For each transaction, report whether the transaction is supported by:
    - ◆ An original itemized receipt (i.e., identifies precisely what was purchased)
    - ◆ Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
    - ◆ Other documentation that may be required by written policy (e.g., purchase order, written authorization.)
  - (b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.
  - (c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

***Procedures Performed and Findings: Procedures 14 through 16***

- 14) LH obtained a listing of all active credit cards including the card numbers, names of the persons who maintained possession of the cards and management's representation that the listing was complete. The City does not maintain bank debit cards, fuel cards or P-cards. Since the City does not use fuel cards for their fuel purchases, LH describes the City's procedures for fuel purchases, the tests performed, and the results of those tests in the section below titled ***Fuel Purchase Procedures***.
- 15) It was determined that there are 3 active credit cards, and since there were less than 10 active cards, LH randomly selected 1 card (1/3 of all cards) to perform procedures. LH obtained the monthly statements for the period and selected the statement with the largest dollar activity, and reviewed for the following:
- (a) The accounts payable clerk reviews the credit card statements and indicates the appropriate account distribution. This employee is also responsible for reviewing the supporting documentation to verify that all required purchase orders, invoices, receipts and other

supporting documentation is attached prior to recording the invoice in accounts payable. The City Clerk reviews the credit card statements and prepares the checks for payment.

- (b) A finance charge was included on the credit card statement reviewed in the amount of \$1. All other credit card statements reviewed did not include finance charges.
- 16) LH obtained the supporting documentation for all transactions on the credit card statement selected, and found the following:
- (a) There were **8 transactions included on the credit card statement reviewed, out of which there were 2 transactions without an itemized receipt, and no business purpose was indicated on any of the transaction receipts.**
  - (b) LH found that **the City was not following the entity's written policy in that some transactions were not supported by a receipt, and the business purpose was not indicated on the receipts provided as support.** None of the transactions reviewed were subject to public bid law.
  - (c) Since the business purpose was not indicated on any of the supporting documentation, LH could not determine whether there was a violation of Article 7, Section 14. There was 1 transaction for the purchase of an airline ticket that was reimbursed immediately by the Mayor. All other transactions were in compliance with Article 7, Section 14.

### **Fuel Purchase Procedures**

LH discussed the fuel purchase procedures with management and found that the City does not use credit cards or a fuel management company for fuel purchases, instead, has an open account with three local fuel companies for all City fuel purchases. Although **the City's written policy states that if fuel purchases are estimated to total more than \$30,000 in one year, management will publicly bid the fuel purchases in accordance with the public bid law, however, the City has not followed this policy.** The majority of purchases are made from one company and are purchased during regular City Hall business hours, and require a purchase order. The other two fuel companies are used primarily by the police department and sometimes the fire department if necessary on the weekends. These purchases require the purchasing officer to sign the receipt at the time of purchase.

### **Procedures Performed and Findings: Fuel Purchases**

- ◆ LH reviewed all statements from the three fuel vendors and selected the highest dollar value statement for each vendor. A total of 199 transactions were reviewed and tested for:
  - (a) Whether there was evidence that the monthly statement and supporting documentation was reviewed and approved by someone other than the purchaser. LH found that **13 transactions did not contain evidence of review or approval on the supporting documentation.**
  - (b) Report whether finance charges or late fees were assessed on the selected transactions. LH found that there were no finance charges or late charges assessed.
- ◆ For each transaction, report whether the transaction is supported by (1) an original itemized

receipt, (2) documentation of the business purpose, and (3) whether purchased according to City policy. LH found that there were original itemized receipts for each transaction, but *no business / public purpose was indicated on 13 receipts. There were 8 instances where fuel purchases were made during weekdays, and the purchaser did not come into City Hall to obtain a purchase order, and the vendor required by the City for use during weekdays was not used. There was one instance where food was purchased from a fuel vendor with no business purpose indicated.*

- ◆ For each transaction, compare the transaction's detail supporting documentation with the City's written purchasing / disbursement policies and with the Louisiana Public Bid law. LH found that none of the transactions were subject to the Louisiana Public Bid Law. LH also found that *17 transactions were not purchased according to the City's written purchasing / disbursements policy.*
- ◆ For each transaction, compare the City's documentation of the business / public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, and report any exceptions. Since 13 transactions did not contain the business / public purpose, LH could not determine whether there was a violation of Article 7, Section 14. All other transactions were in compliance with Article 7, Section 14.

**Management's response regarding findings on procedures 14 through 16 and Fuel Purchases:**

See attached letter from the City of Tallulah dated January 23, 2018.

**Travel and Expense Reimbursement**

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- 17) Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.
- 18) Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)) and report any amounts that exceed GSA rates.
- 19) Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:
  - (a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

- (b) Report whether each expense is supported by:
- ◆ An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) 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 written policy (e.g., authorization for travel, conference brochure, certificate of attendance)
- (c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.
- (d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

***Procedures Performed and Findings: Procedures 17 through 19:***

- 17) LH obtained from management a general ledger report from which was extracted a listing of all travel and related expense reimbursements, by person, during the fiscal period. Management represented that the data provided is complete.
- 18) LH obtained the City's policy related to travel and expense reimbursements. The City's travel and expense reimbursement policy has been adopted from the LLA best practices. In addition, the City utilized the State of Louisiana's Travel Guide in effect on the dates of travel.
- 19) LH obtained the expense reports and supporting documentation for the three persons who incurred the most travel expenses for the period, and chose the highest travel expense for each person to review in detail and tested for the following:
- (a) ***The City's written policy and procedures over travel and related expense reimbursements states that the Mayor approves all travel and signs the travel voucher; however, LH found that the travel vouchers are signed by the City Clerk only. On the three expense reports reviewed in detail, the following exceptions were noted:***
- ◆ ***4 travel vouchers included reimbursement for meals with no receipts attached and no indication that a per diem was used,***
  - ◆ ***1 of the 3 expense reimbursement checks selected was for travel expenses for an entire year; there were 35 travel vouchers submitted and paid with one check, and none of these travel vouchers had the appropriate approvals; 1 voucher was to travel 106 miles to pay a vendor to avoid a late charge; and, due to the employee holding this years worth of travel reimbursement forms for payment, caused the expenditures to be recorded in the wrong accounting periods.***

- (b) ***There were 4 instances of reimbursement for meals without an itemized receipt and with no indication that a per diem rate was used, no documentation of the individuals participating for meal reimbursements, and as noted above, travel reimbursement vouchers were not approved in accordance with the City's policy.***
- (c) Based on the documentation reviewed by LH for the City's travel and expense reimbursements, there did not appear to be any violations of Article 7, Section 14 of the Louisiana Constitution.
- (d) ***One expense reimbursement check, containing 35 travel voucher forms did not indicate approval in accordance with the City's travel and expense reimbursement policy.***

**Management's response regarding findings on procedures 17 through 19:**

See attached letter from the City of Tallulah dated January 23, 2018.

**Contracts**

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- 20) Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.
- 21) Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:
  - (a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.
  - (b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
    - ◆ If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)
    - ◆ If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.
  - (c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.
  - (d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.
  - (e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule

***Procedures Performed and Findings: Procedures 20 & 21***

- 20) LH requested and obtained a listing from management of all contracts in effect during the fiscal period and management's representation that the listing is complete.
- 21) LH sorted general ledger transactions for payments to contract vendors, selected the 5 highest paid contract vendors, and obtained the contracts and paid invoices and found the following:
- (a) For the 5 vendors selected, there were formal written contracts that support the the services arrangements and the amounts paid.
  - (b) For the 5 vendors selected, it was found that none of the contracts were subject to the Louisiana public bid law. Three of the vendors selected were professional services contracts, one was a real estate contract and one was for software support services.
  - (c) For the 5 vendors selected, none of the contracts had been amended.
  - (d) LH obtained the largest payment made to each of the 5 contract vendors selected and obtained the supporting invoices. The invoices were compared to the contract terms, and it was found that all payments reviewed were in accordance with contract terms.
  - (e) According to the City Clerk, contracts are to be approved by the City Council. LH requested minutes for approval of the 5 vendor contracts. ***Only one of the 5 vendor contracts was approved by the City Council as evidenced in the minutes.***

**Management's response regarding findings on procedures 20 & 21:**

See attached letter from the City of Tallulah dated January 23, 2018.

***Payroll and Personnel***

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- 22) Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:
- (a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.
  - (b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.
- 23) Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

- (a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (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.).
  - (b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.
  - (c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.
- 24) Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.
- 25) Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

***Procedures Performed and Findings: Procedures 22 through 25***

- 22) LH obtained a listing of employees and their related salaries and management's representation that the listing was complete. Five employees were randomly selected and their personnel files were obtained and were reviewed for the following:
- (a) Compensation paid to each employee during the period under review were made in accordance with the City's documentation in the employee's personnel file as to the hourly rate. The City does not have employment contracts for any employees other than the Mayor, the City Clerk and the Police Chief which are set by ordinance. The City does not have a pay rate structure for positions within the City.
  - (b) Of the 5 employee's hourly rates reviewed, ***1 employee had a \$1 per hour raise that was not documented within the personnel file.***
- 23) Attendance and leave records were obtained and LH randomly selected one pay period in which leave was taken by at least one employee. Twenty-five employees were randomly selected and reviewed for the following:
- (a) For the twenty-five employees selected for review, all employees had documented their daily attendance and leave.
  - (b) All attendance records included the supervisor's signature for approval.

- (c) There was written documentation maintained by the City for all employees entitled to vacation and sick pay.
- 24) LH obtained from management a list of employees terminated during the fiscal period, and management's representation that the listing was complete. The two largest termination payments were selected and the personnel files were obtained. Both termination payments were correctly calculated and paid; however, ***the documentation did not include evidence of approval by management.***
- 25) Supporting documentation for payroll taxes and retirement contributions was obtained from management for the fiscal period. Following are the findings:
- ◆ ***Beginning with pay period 8/24/16 through 12/28/16, federal form 941 taxes were paid late. These taxes were paid beginning 1/17/17 through 2/21/17, some being almost 5 months late.***
  - ◆ ***Louisiana withholding tax was paid 17 days late in one quarter and 28 days late in another quarter.***
  - ◆ ***Louisiana unemployment tax was paid 28 days late in one quarter and 5 days late in another quarter.***
  - ◆ ***Pension contributions were paid late every month in the fiscal period, ranging from 5 days late up to 116 days late.***
  - ◆ ***LH found that for one quarter the federal payroll tax return was filed late. For three quarters state payroll tax returns were filed late.***
  - ◆ ***LH found that pension contribution reports were filed late for every month in the fiscal period.***

As of year end, all payroll tax and retirement contribution payments were caught up and paid.

**Management's response regarding findings on procedures 22 through 25:**

See attached letter from the City of Tallulah dated January 23, 2018.

**Ethics (excluding nonprofits)**

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- 26) Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.
- 27) Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

***Procedures Performed and Findings: Procedures 26 & 27***

- 26) LH requested documentation of ethics training for the five employees selected for procedure # 22. Management presented proof of ethics training for all five employees .
- 27) According to management, there were no ethics violations reported to the entity during the fiscal period.

**Management's response regarding findings on procedures 26 & 27:**

N/A, no findings

***Debt Service (excluding nonprofits)***

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- 28) If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.
- 29) If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.
- 30) If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

***Procedures Performed and Findings: Procedures 28 through 30***

- 28) There was no new debt issuance during the fiscal period.
- 29) LH obtained supporting documentation and verified that the City met all debt obligations for the fiscal period. The City maintained debt reserves for each respective bond amount; however, ***all bonds did not have the required reserved amounts.*** The Water Improvement Bonds, Refunding Series 2012 and 2016 met the required reserve amount, while ***the USDA Loan and Certificate of Indebtedness did not have the required reserves.***
- 30) The City's millage collections for the Sewer Bond did not exceed the debt service payment. Additionally, it was noted that the City made an additional debt service payment in the current fiscal year due to excess collections from prior years. It was noted that, in the current year, the City reduced the millage for the Sewer bond from a 16.75 mill to a 15.52 mill as a result of excess collections in the past.

**Management's response regarding findings on procedures 28 through 30:**

See attached letter from the City of Tallulah dated January 23, 2018.

**Other**

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- 31) Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
- 32) Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at ) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.
- 33) If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

***Procedures Performed and Findings: Procedures 31 through 33***

- 31) LH inquired of management as to whether they were aware of any misappropriations of public funds during the fiscal period. Per our discussions with management, ***it was found that equipment had been stolen from the City's Public Works Barn with an estimated value of \$9,105.*** The theft was of small tools and equipment that were below the City's capitalization policy. The theft occurred on two separate instances. Police reports were filed on both instances. The LLA and District Attorney have not been informed as the investigation is still in process.
- 32) LH observed the posting of the notice required by R.S. 24:523.1 regarding the reporting of misappropriation, fraud, waste, or abuse of public funds at each City location.
- 33) LH did not observe or identify any exceptions regarding management's representations in the procedures above.

***Management's response regarding findings on procedures 31 through 33:***

See attached letter from the City of Tallulah dated January 23, 2018.

**Conclusion**

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We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

*LeBlanc Hausknecht, L.L.P.*

Metairie, Louisiana  
January 23, 2018



## Office of the Mayor

### CITY OF TALLULAH CITY RESPONSE TO FINDINGS OF AGREED UPON PROCEDURES AUDIT

For the Period of July 1, 2016 – June 30, 2017

#### Procedure 1:

The City's policy does not cover how vendors are added to the vendor list.

(b) Vendors are added to the vendor list from a prescribed procedure that heretofore has not been written into the procedures that should be contained for financial transactions of the City Clerk's office. That procedure will be added for future reference.

(d) The City's policy for the receiving, recording and the preparing of deposits is partially covered in the policy for the utility and police departments but does not mention the collection of receipts at City Hall. City Hall collections include ad valorem taxes and other intergovernmental revenues.

Such a procedure for receiving, recording and preparing deposits has been a long standing method, but it has apparently been overlooked as far as a written procedure is concerned. That missing procedure will be added during the current fiscal year.

(i) The City does not have a written ethics policy.

The City's "unwritten" ethics policy is to require each employee to attend the State mandated ethics training seminar each year and score satisfactorily on the ending test. That policy shall be included in the City's written procedures and policies.

(j) The City does not have a written policy for debt service.

City management will consult city attorneys on what should be considered an adequate and fitting debt service policy for which the City should comply.

#### Procedure 2:

The financial reports included monthly budget to actual and year to date budget to actual comparisons. Financial reports presented for the months of November 2016 through June 2017 showed that management was deficit spending during the current year. The minutes had no reference to the deficit spending other than to mention in the February 23, 2017 minutes that the police department had gone over budget due to increased vehicle repair costs. There was no reference to a formal/written plan to eliminate the deficit spending.

During each fiscal year, the City's expenses remain relatively stable barring an unforeseen happening, but revenues do not follow that pattern. The annual budget exhibits the months where revenues are scant compared to months when revenues are plentiful. The budget captures these fluctuations, and the overall object is to at least break even for the year. This situation has been pointed out to the City Council, and they understand and comprehend it. Therefore, deficit spending during some months is met with surplus activity during other months for an overall net effect of break-even.

Procedures 3 & 4:

(b) The bank reconciliations are prepared by an outside CPA and Approved by the City Clerk who has involvement with the transactions associated with the bank accounts. The fact that an outside CPA performs this function mitigates the lack of internal control for this function.

The City Clerk who has heavy involvement with the transactions associated with bank accounts does review each bank account reconciliation performed by the outside CPA.

Procedures 5 6 &7:

The City's written policy on collections included the requirement that each employee responsible for collecting cash is (1) bonded, and (2) each employee who is responsible for entering data into the billing system is to be prohibited from collecting payments, and (3) each employee who collects payments is to be assigned their own cash drawer. There was not mention in the written documentation that employees responsible for collecting cash are prohibited from making deposits, or reconciling the related bank accounts.

6 (a) The City's policy of having good separation of duties regarding financial transactions is well established and in play. It shall be further added in writing that the City's office financial procedures on collections of cash are prohibited from making deposits or reconciling a related bank account as is the standing practice currently.

6 (c) City Hall Collections –

- 6 instances where deposits were made 2 days after collection;
- 1 instance where a deposit was made 5 days after collection;
- 1 instance where a deposit was made 7 days after collection;
- 1 instance where a deposit was made 13 days after collection.

The City Clerk stresses that all deposits other than water and sewer fund deposits should be made NO LATER THAN 3 business days after collection and will investigate the reasons for late deposits and put an end to the situation.

Utility Department Collections –

- 3 instances where deposits were made 2 days after collection;
- 1 instance where deposits were made 13 days after collections;

The City Clerk will investigate the occurrence of very late deposits and ensure that such an event shall not happen in the future.

Police Department Collections –  
4 instances where deposits were made 3 days after collection.

As previously explained the City Clerk will delve into the issue of late deposits and secure cooperation among employees in resolving the problem.

Procedures 8 through 13:

9 (a) The documentation for 3 out of the 25 transactions reviewed did not include the purchase requisition and purchase order documentation as required by the City's policy.

It has always been City policy for a manager requisition or minimally a purchase order to precede a purchase. The only exception is for monthly service type expenses such as window cleaning, weekly door mat replacement, etc. The City Clerk will ensure that this practice continues without inconsistencies where the purchase order is missing.

(b) For the 25 transactions reviewed, 4 did not include documentation to verify whether their purchases were approved by a person who did not initiate the purchase.

The standard procedure is that the person approving the requisition initializes the requisition. In the case of the manager bringing the purchase request directly to the City Clerk or Mayor, they sign the purchase order and the requisition is waived. The City Clerk will endeavor to see that this procedure is carried out without failures in the future.

(c) Of the 25 Transactions reviewed, 3 transactions were processed for payment without either the required requisition and/or purchase order; 1 transaction was processed without a requisite receiving report/electronic equivalent; 1 transaction was processed with an invoice from a business, but the check was written to an individual and did not include required approvals; 1 transaction was processed without supporting documentation for meals; and 14 transactions were processed without documentation of approval as evidenced by the Mayor's and the City Clerk's initials on the supporting documentation.

The City Clerk will ensure that all documents leading to a legitimate purchase are contained with the invoice of the purchase. Travel expenses will hence forth be supported by the receipt of hotel/motel if an overnight stay, and per diem for expenses will continue to be the norm. The Mayor and City Clerk each have a hand in all purchases in that each is a signatory for every check that leaves City Hall. Some individuals with small local businesses request payment be made to them personally especially if a sole proprietorship is involved.

Procedures 14 through 16:

16) LH obtained the supporting documentation for all transactions on the credit card statement selected, and found the following:

(a) There were 8 transactions included on the credit card statement reviewed, out of which there were 2 transactions without an itemized receipt, and no business purpose was indicated on any of the transaction receipts.

Personnel in the administrative office will be advised by the City Clerk that all accompanying receipts resulting in a credit card charge shall be fully documented.

(b) LH found that the City was not following the entity's written policy in that some transactions were not supported by a receipt, and the business purpose was not indicated on the receipts provided as support. None of the transactions reviewed were subject to public bid law.

Again, the City Clerk will instruct administrative personnel to fully ensure that all credit card statement receipts shall be well documented and held until the appropriate statement arrives for matching.

(c) Since business purpose was not indicated on any of the supporting documentation, LH could not determine whether there was a violation of Article 7, Section 14. There was 1 transaction for the purchase of an airline ticket that was reimbursed immediately by the Mayor. All other transactions were in compliance with Article 7, Section 14.

The airline ticket mentioned was that of the Mayor's son who accompanied his father, the Mayor, and several officials to Washington, DC.

#### Fuel Purchase Procedures:

(a) LH found that 13 transactions did not contain evidence of review or approval on the supporting documentation.

Fuel purchases are made by purchase order according to City Hall financial procedures. However, sometimes during weekends when no one is present to sign a purchase order, the purchase is made anyway along with the employee's signature on the invoice. In the future, it will be an added procedure for the City Clerk to initial the purchase invoice prior to payment.

(b) No business/public purpose was indicated on 13 receipts. There were 8 instances where fuel purchases were made during weekdays, and the purchaser did not come into City Hall to obtain a purchase order, and the vendor required by the City for use during weekdays was not used. There was one instance where food was purchased from a fuel vendor with no business purpose indicated.

This particular issue appears to be a travel expense associated with transporting prisoners to a given destination where the police officer in charge may have to refuel in order to return. Consequently, given the time involved in the trip, he may also make a food purchase along the way. These charges are always done by credit card, and those particular expenses are given to the Deputy City Clerk and filed awaiting the credit card billing where they are matched with the credit card statement.

LH also found that 17 transactions were not purchased according to the City's written purchasing/disbursements policy.

The City Clerk shall demand that all purchases and disbursements be made according to procedures associated with such actions.

#### Procedures 17 through 19:

(a) The City's written policy and procedures over travel and related expense reimbursements states that the Mayor approves all travel and signs the travel voucher; however, LH found that the travel vouchers are signed by the City Clerk only. On the three expense reports reviewed in detail the following exceptions were noted:

4 travel vouchers included reimbursement for meals and no receipts attached and no indication that a per diem was used;

1 of the 3 expense reimbursement checks selected was for travel expenses for an entire year; there were 35 travel vouchers submitted and paid with one check, and none of these travel vouchers had to appropriate approvals; 1 voucher was to travel 106 miles to pay a vendor to avoid a late charge; and, due to the employee holding this years' worth of travel reimbursement forms for payment, caused the expenditures to be recorded in the wrong accounting periods.

There were 4 instances of reimbursement for meals without and itemized receipt and with no indication that a per diem rate was used, no documentation of the individuals participating for meal reimbursements, and as noted above, travel reimbursement vouchers were not approved in accordance with City's policy.

One expense reimbursement check, containing 35 travel voucher forms did not indicate approval in accordance with the City's travel and expense reimbursement policy.

City management realizes the need to better control travel expenses issues from all standpoints. Starting immediately all travel vouchers will be submitted for payment on a regular basis so that expense is accounted for in proper accounting periods as well as having been submitted in a timely manner.

It has commonly been a practice for the City Clerk to sign travel vouchers, so either the City's policy will be amended, or the practice will be discontinued.

All meal purchases for reimbursement will be submitted with invoices unless the travel is on a per diem basis. Furthermore, travel reimbursement vouchers shall as of the present follow precisely the City's travel and reimbursement policy.

#### Procedures 20 & 21

(e) According to the City Clerk, contracts are to be approved by the City Council. LH requested minutes for approval of the 5 vendor contracts. Only one of the 5 vendor contracts was approved by the City Council as evidenced in the minutes.

In each case, contracts of importance are put before the Council for approval. However, those of less importance that could be considered mundane fall within the per view of the Mayor who legally represents the City in signing such contracts necessary for day to day city operations.

#### Procedures 22 through 25:

22 (b) Of the 5 employees' hourly rates reviewed, 1 employee had a \$1 per hour raise that was not documented within the personnel file.

It is the City Clerk's office procedure that all raises be documented and placed in the employee's personnel file for future reference. In this particular case, the documented raise was obviously lost or misplaced. It will be added to the employee's personnel file.

25) Supporting documentation for payroll taxes and retirement contributions was obtained from management for the fiscal period. Following are the findings:

Beginning with pay period 8/24/16 through 12/28/16, federal form 941 taxes were paid late. These taxes were paid beginning 1/17/17 through 2/21/17, some being almost 5 months late.

Louisiana withholding tax was paid 17 days late in one quarter and 28 days late in another quarter.

Louisiana unemployment tax was paid 28 days late in one quarter and 5 days late in another quarter.

Pension contributions were paid late every month in the fiscal period, ranging from 5 days late up to 116 days late.

LH found that for one quarter the federal payroll tax return was filed late. For three quarters state payroll tax returns were filed late.

LH found that pension contribution reports were filed late for every month in the fiscal period.

The City found itself in a serious cash flow situation during the fiscal year with the brunt of it falling within the third quarter. Thus, most payroll taxes and pension contributions were filed late as cash requirements allowed. We have since solved this problem by obtaining a short-term loan to fill in the lean months when cash is scarce prior to those months when it is much more plentiful. It might be said that the City has obtained a line of credit from a local bank which will allow the payment of all payroll taxes and pension contributions on time as is currently the case.

Procedures 26 & 27:

No findings.

Procedures 28 through 30:

29) LH obtained supporting documentation and verified that the City met all debt obligations for the fiscal period. The City maintained debt reserves for each respective bond amount; however, all bonds did not have the required reserved amounts. The Water Improvement Bonds, Refunding Series 2012 and 2016 met the required amount, while the USDA Loan and Certificate of Indebtedness did not have the required reserves.

The reserves for the USDA Loan and Certificate of Indebtedness require a certain amount be deposited in the reserve accounts each quarter. That practice was ongoing until the major expense of maintaining the sewer works of the City became so costly that no funds were available to be transferred into the reserve funds. The City hopes that all funds spent on sewer repair will not be in vain creating a lesser

amount of costly repair which will allow the City to once again resume funding of the reserve accounts until the desired amounts have been reached.

Procedures 31 through 33:

31) LH inquired of management as to whether they were aware of any misappropriations of public funds during the fiscal period. Per our conversations with management, it was found that equipment had been stolen from the City's Public Works Barn with an estimated value of \$9,105. The theft was of small tools and equipment that were below the City's capitalization policy. The theft occurred on two separate instances. Police reports were filed on both instances. The LLA and District Attorney have not been informed as the investigation is still in process.

The City strives to keep all movable equipment and tools locked behind closed doors each night, but still a theft occurs with break-ins, etc. Management has installed more lighting in the area as a measure against such theft occurrences. Should the problem prevail, the City will need to explore the use of alarm systems as a deterrent if workable and not too costly.



Paxton J. Branch, Mayor

1/23/2018

Date