

**City of Tallulah
Tallulah, Louisiana**

**Annual Financial Report
As of and for the Year Ended June 30, 2016**

CITY OF TALLULAH
Tallulah, Louisiana

Annual Financial Report

As of and for the Year Ended June 30, 2016

Honorable Paxton J. Branch
Mayor

Gerald Odom
City Clerk

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INDEPENDENT AUDITOR'S REPORT

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

Report on the 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 (City), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements of the City's primary government 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'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's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements as of and for the year ended June 30, 2016. 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 of Tallulah, as of June 30, 2016, 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 of the City of Tallulah, as of June 30, 2016, 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 on pages 9 through 16, schedule of employer's proportionate share of the net pension liability on page 55, schedule of employer contributions on page 55, and budgetary comparison information on pages 57 through 61, 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, the other supplementary information as listed in the table of contents, and the schedule of expenditures of federal awards 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, the other supplemental information as listed in the table of contents, and the schedule of expenditures of federal awards 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 December 30, 2016, 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's internal control over financial reporting and compliance.

LeBlanc Hausknecht, L.L.P.

Metairie, Louisiana

December 30, 2016

REQUIRED SUPPLEMENTARY INFORMATION:

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

City of Tallulah
Management's Discussion and Analysis (MD&A)
June 30, 2016

Our discussion and analysis of the City of Tallulah's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2016.

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, Louisiana 71282.

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

In fiscal year 2016, the City adopted two new statements of financial accounting standards issued by the Governmental Accounting Standards Board:

- *Statement No. 72 – Fair Value Measurement and Application.* This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.
- *Statement No. 73 – Accounting and Financial reporting for Pensions and Related Assets That Are Not Within the Scope of GASB 68, and Amendment to Certain Provision of GASB Statements 67 and 68:* This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement 68, as well as for the assets accumulated for purposes of providing those pensions. It also amends certain provisions of Statement 67 and 68 that are within their respective scopes. This statement also clarifies the application of certain provisions of Statements 67 and 68.

Total governmental activities revenues received for June 30, 2016 were \$3,515 thousand. This is an increase of \$581 thousand or 19.8% from the year ended June 30, 2015. This was due mainly to an increase in capital grants and contributions.

Governmental activities expenses for 2016 were \$3,167 thousand this is an increase of \$26 thousand or .8%. Expenses increased from 2015 to 2016 mainly to increased expenses in the City's fire department as well as increases in general and administrative expenses.

General and administrative, Fire department, Health and welfare, Culture and recreation, Legislative and Interest expenses increased \$29 thousand, \$108 thousand, \$24 thousand \$17 thousand, \$2 thousand, and \$1 thousand respectively, while the Police department, Street department, Transportation expenses decreased \$134 thousand, \$2 thousand, and \$19 thousand, respectively.

Total revenues received through business-type activities for June 30, 2016 were \$3,049 thousand; this is an increase of \$128 thousand, or 4.4% from 2015. Revenues increased mainly due to increases in water and sewer sales.

Business activities expenses for 2016 were \$3,465 thousand which is an increase of \$266 thousand or 8.3% between 2015 and 2016. Expenses increased due to increases in health insurance costs and in sewer line repairs.

For the year ended June 30, 2016, the General Fund reported \$2,517 thousand in revenues; this is an increase of \$29 thousand or 1.2% from the \$2,488 thousand in revenues for the year ended June 30, 2015. This increase was due primarily to a modest increase in sales tax revenues.

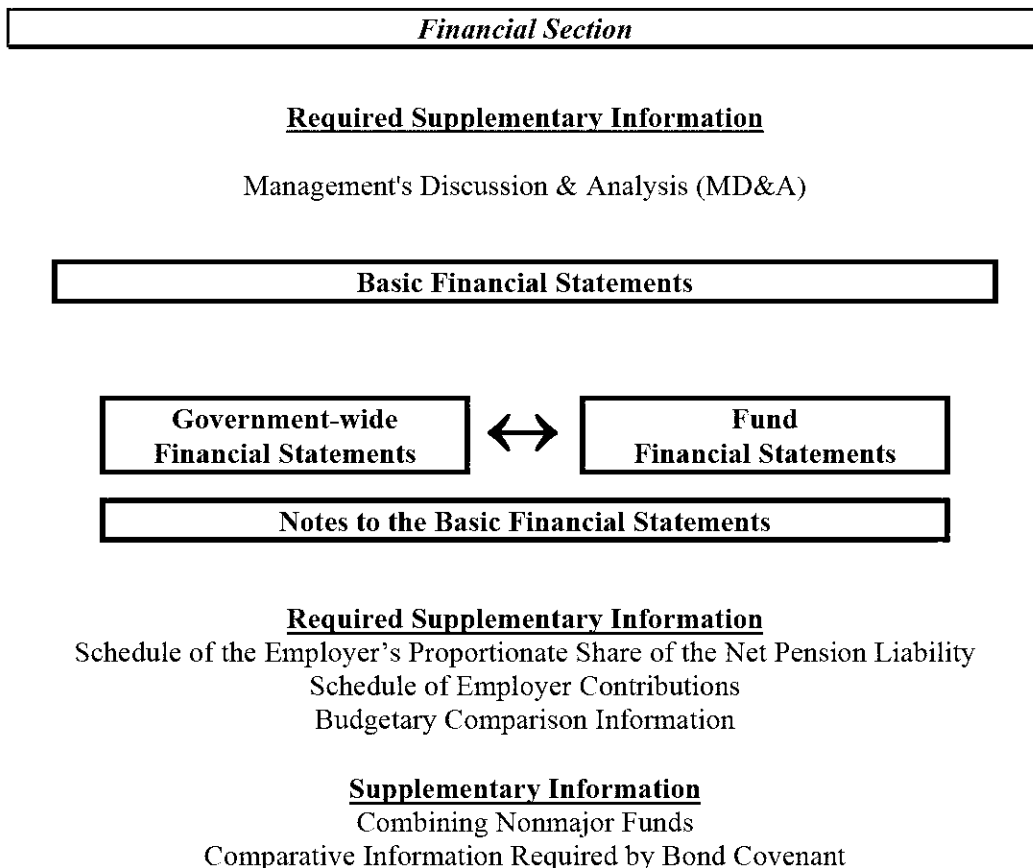
City of Tallulah
Management's Discussion and Analysis (MD&A)
June 30, 2016

Expenditures in the General Fund increased \$221 thousand from the year ended June 30, 2015 to June 30, 2016. In 2015, the City reported \$2,673 thousand in expenditures for the General Fund and \$2,894 thousand in expenditures for 2016. This change represents an 8.3% increase. This increase was due to increases in fire department expenditures and increases in capital outlay on the City's sidewalk improvement project.

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 - General Fund, Section 8 Fund and LCDBG Projects.

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



City of Tallulah
Management's Discussion and Analysis (MD&A)
June 30, 2016

Our auditor will provide assurance in the independent auditor's report, which will be located immediately preceding the 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, and the Supplementary 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 prepare these statements to include all assets, liabilities and deferred outflows/inflows 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 plus deferred outflows of resources and liabilities plus deferred inflows 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 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

City of Tallulah
Management's Discussion and Analysis (MD&A)
June 30, 2016

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 funds (a component of proprietary funds) are the same as business-type activities we report in the government-wide financial statements but provide more detail and additional information, such as cash flows, for proprietary funds.

THE CITY AS A WHOLE

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

Table 1
Net Position
(In Thousands)
June 30, 2016 and 2015

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets						
Current and other assets	\$ 1,282	\$ 803	\$ 173	\$ 444	\$ 1,455	\$ 1,247
Restricted assets	4	4	1,215	847	1,219	851
Capital assets	2,335	1,678	15,516	16,382	17,851	18,060
Total assets	<u>3,621</u>	<u>2,485</u>	<u>16,904</u>	<u>17,673</u>	<u>20,525</u>	<u>20,158</u>
Total deferred outflows of resources	<u>154</u>	<u>171</u>	<u>-</u>	<u>-</u>	<u>154</u>	<u>171</u>
Liabilities						
Current and other liabilities	790	274	705	713	1,495	987
Long-term liabilities	765	971	12,236	12,298	13,001	13,269
Total liabilities	<u>1,555</u>	<u>1,245</u>	<u>12,941</u>	<u>13,011</u>	<u>14,496</u>	<u>14,256</u>
Total deferred outflows of resources	<u>377</u>	<u>199</u>	<u>-</u>	<u>-</u>	<u>377</u>	<u>199</u>
Net Position						
Net investment in capital assets	2,045	1,451	3,291	4,097	5,336	5,548
Restricted	137	155	1,030	660	1,167	815
Unrestricted	(339)	(394)	(358)	(95)	(697)	(489)
Total net position	<u>\$ 1,843</u>	<u>\$ 1,212</u>	<u>\$ 3,963</u>	<u>\$ 4,662</u>	<u>\$ 5,806</u>	<u>\$ 5,874</u>

Net position of the City's governmental activities for June 30, 2016 was \$1,843 thousand. Unrestricted net position that is the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements was a deficit of \$339 thousand.

The net position of our business-type activities for June 30, 2016 was \$3,963 thousand.

City of Tallulah
Management's Discussion and Analysis (MD&A)
June 30, 2016

Table 2
Changes in Net Position
(In Thousands)
For the Years Ended June 30, 2016 and 2015

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues						
Charges for services	\$ 77	\$ 62	\$ 3,003	\$ 2,869	\$ 3,080	\$ 2,931
Operating grants and contributions	471	372	45	50	516	422
Capital grants and contributions	648	119	-	-	648	119
General revenues						
Property taxes	503	494	-	-	503	494
Sales tax	1,297	1,271	-	-	1,297	1,271
Other taxes, penalties	305	341	-	-	305	341
License and permits	84	97	-	-	84	97
Grants and contributions not restricted to a program	76	75	-	-	76	75
Miscellaneous	54	103	1	2	55	105
Total Revenues	3,515	2,934	3,049	2,921	6,564	5,855
Functions/Program Expenses:						
Governmental activities						
General and administrative	820	791	-	-	820	791
Police department	621	755	-	-	621	755
Fire department	492	384	-	-	492	384
Street department	762	764	-	-	762	764
Health and welfare	208	184	-	-	208	184
Culture and recreation	150	133	-	-	150	133
Legislative	66	64	-	-	66	64
Transportation	36	55	-	-	36	55
Interest expense	12	11	-	-	12	11
Business-type activities						
Water enterprise	-	-	2,301	2,084	2,301	2,084
Utility enterprise	-	-	1,164	1,115	1,164	1,115
Total Functions/Program Expenses	3,167	3,141	3,465	3,199	6,632	6,340
Increase (decrease) in net position before transfers	348	(207)	(416)	(278)	(68)	(485)
Transfers	283	262	(283)	(262)	-	-
Increase (decrease) in net position	631	55	(699)	(540)	(68)	(485)
Net position – beginning, as originally stated	1,212	2,054	4,662	5,417	5,874	7,471
Prior period adjustment	-	(897)	-	(215)	-	(1,112)
Net position – beginning, as restated	1,212	1,157	4,662	5,202	5,874	6,359
Net position, ending	\$ 1,843	\$ 1,212	\$ 3,963	\$ 4,662	\$ 5,806	\$ 5,874

City of Tallulah
Management's Discussion and Analysis (MD&A)
June 30, 2016

Governmental Activities

The cost of all governmental activities this year was \$3,167 thousand. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$1,970 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, 2016 and 2015

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	2016	2015	2016	2015
Governmental activities				
General and administrative	\$ 820	\$ 791	\$ 768	\$ 741
Police department	621	755	500	647
Fire department	492	384	369	308
Street department	762	764	756	758
Health and welfare	208	184	(665)	(105)
Culture and recreation	150	133	128	110
Legislative	66	64	66	64
Transportation	36	55	36	55
Interest expense	12	11	12	11
Total functions/program expenses	<u>\$ 3,167</u>	<u>\$ 3,141</u>	<u>\$ 1,970</u>	<u>\$ 2,589</u>

Business-type Activities

Revenue of the City's business-type activities (see Table 2) for June 30, 2016 was \$3,049 thousand. This is an increase of \$128 thousand from 2015 to 2016. Expenses for the year ended June 30, 2016 were \$3,465 thousand for the City's business-type activities which increased \$266 thousand from 2015 to 2016.

Business-type activities had a decrease in net position of \$699 thousand. This decrease is due to increased expenses in enterprise funds as well as cash transfers to other funds.

THE CITY'S FUNDS

As the City completed the year, its governmental funds reported a combined fund balance of \$496 thousand, which is a decrease of \$38 thousand in fund balance from last year. The General Fund had an increase in fund balance of \$6 thousand due mainly to an increase in sales tax revenues and cash transfers in from other funds.

The Section 8 fund had a decrease in fund balance of \$7 thousand from 2016 due to an increase in housing assistance payments.

City of Tallulah
Management's Discussion and Analysis (MD&A)
June 30, 2016

The LCDBG Projects fund had ending fund balance of \$44.

The nonmajor governmental funds had a decrease of \$36 thousand. This decrease is mainly due to the Street Fund's increase in capital outlay expenditures of \$16 thousand on the City's sidewalk improvement project.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual amounts available for appropriations were \$103 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 license and permits and fine and forfeiture revenues than was expected.

Overall actual charges to appropriations were \$97 thousand more than budgeted. General and administrative, Police, Street, and Debt service expenditures exceeded their budget amounts \$66 thousand, \$8 thousand, \$59 thousand, and \$9 thousand, respectively. These unfavorable variances were due to unexpected expenditures occurring near year-end.

The original budgeted revenues were increased by \$50 thousand in the final budget as well as the original budgeted expenditures were increased by \$50 thousand in the final budget. The budget revisions included a \$50,000 increase in State grant funding and a corresponding increase in capital outlay for grant expenditures.

CAPITAL ASSETS

At June 30, 2016 and 2015, the City had invested in the following capital assets (in thousands):

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 79	\$ 79	\$ 678	\$ 678	\$ 757	\$ 757
Construction in progress	910	261	-	-	910	261
Infrastructure	647	575	-	-	647	575
Buildings improvements	2,911	2,927	14	14	2,925	2,941
Furniture and equipment	1,469	1,663	967	1,471	2,436	3,134
Plant	-	-	9,900	9,900	9,900	9,900
Transmission lines	-	-	9,087	9,063	9,087	9,063
Water systems	-	-	8,401	8,396	8,401	8,396
Pumping stations	-	-	384	338	384	338
Total capital assets	<u>6,016</u>	<u>5,505</u>	<u>29,431</u>	<u>29,860</u>	<u>35,447</u>	<u>35,365</u>
Accumulated depreciation	<u>3,681</u>	<u>3,827</u>	<u>13,915</u>	<u>13,478</u>	<u>17,596</u>	<u>17,305</u>
Net capital assets	<u>\$ 2,335</u>	<u>\$ 1,678</u>	<u>\$ 15,516</u>	<u>\$ 16,382</u>	<u>\$ 17,851</u>	<u>\$ 18,060</u>

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

DEBT ADMINISTRATION At June 30, 2016, the City had bonds and certificates outstanding of \$190 thousand in which Governmental Funds make the required payments. Enterprise Funds had net outstanding bonds and loans of \$12,225 thousand at June 30, 2016. 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.

City of Tallulah
Management's Discussion and Analysis (MD&A)
June 30, 2016

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 collections. Approximately, 66.0% 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, 2017 as originally adopted decreased \$85 thousand from the 2016 final 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, 2016

	Statement A		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL PRIMARY GOVERNMENT
ASSETS			
Cash and cash equivalents	\$ 185,964	\$ 1,649	\$ 187,613
Receivables, net	832,507	435,470	1,267,977
Internal balances	263,802	(263,802)	-
Restricted assets			
Cash and cash equivalents	3,650	1,214,985	1,218,635
Capital assets			
Land and construction in progress	988,102	678,330	1,666,432
Depreciable assets, net of depreciation	1,347,350	14,837,704	16,185,054
TOTAL ASSETS	3,621,375	16,904,336	20,525,711
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	154,174	-	154,174
TOTAL DEFERRED OUTFLOWS OF RESOURCES	154,174	-	154,174
LIABILITIES			
Accounts, salaries and other payables	790,243	401,376	1,191,619
Interest payable	-	118,416	118,416
Payable from restricted assets - customer deposits	-	185,139	185,139
Long term liabilities			
Due within one year	80,917	347,085	428,002
Due in more than one year	683,758	11,889,472	12,573,230
TOTAL LIABILITIES	1,554,918	12,941,488	14,496,406
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	377,046	-	377,046
TOTAL DEFERRED INFLOWS OF RESOURCES	377,046	-	377,046
NET POSITION			
Net investment in capital assets	2,045,363	3,290,642	5,336,005
Restricted for:			
Debt service	65,127	1,029,846	1,094,973
Section 8 program	71,979	-	71,979
Construction projects	261	-	261
Unrestricted	(339,145)	(357,640)	(696,785)
TOTAL NET POSITION	\$ 1,843,585	\$ 3,962,848	\$ 5,806,433

SEE ACCOMPANYING NOTES AND INDEPENDENT AUDITOR'S REPORT

CITY OF TALLULAH

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Governmental activities:				
General and administrative	\$ 819,763	\$ -	\$ 52,031	\$ -
Police department	621,373	61,607	59,689	-
Fire department	492,068	-	122,571	-
Street department	762,006	-	6,190	-
Health and welfare	207,802	2,719	221,797	648,329
Culture and recreation	150,008	12,525	8,905	-
Legislative	66,170	-	-	-
Transportation	35,966	-	-	-
Interest expense	11,532	-	-	-
Total Governmental Activities	3,166,688	76,851	471,183	648,329
Business-type activities:				
Water activities	2,300,929	1,947,248	46,050	-
Sewer activities	1,164,092	1,055,542	-	-
Total Business-Type Activities	3,465,021	3,002,790	46,050	-
Total Primary Government	\$ 6,631,709	\$ 3,079,641	\$ 517,233	\$ 648,329

General revenues:

Taxes:

Property taxes

Sales tax revenue

Other taxes, penalties

Licenses and permits

Grants and contributions not restricted to a specific program

Earnings on investments

Miscellaneous

Transfers

Total general revenues and transfers

Changes in net position

Net position - beginning

Net position - ending

SEE ACCOMPANYING NOTES AND INDEPENDENT AUDITOR'S REPORT

Statement B

PRIMARY GOVERNMENT		
NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
<i>Governmental Activities</i>	<i>Business-Type Activities</i>	TOTAL
\$ (767,732)	\$ -	\$ (767,732)
(500,077)	-	(500,077)
(369,497)	-	(369,497)
(755,816)	-	(755,816)
665,043	-	665,043
(128,578)	-	(128,578)
(66,170)	-	(66,170)
(35,966)	-	(35,966)
(11,532)	-	(11,532)
<u>(1,970,325)</u>	<u>-</u>	<u>(1,970,325)</u>
-	(307,631)	(307,631)
-	(108,550)	(108,550)
-	(416,181)	(416,181)
<u>(1,970,325)</u>	<u>(416,181)</u>	<u>(2,386,506)</u>
503,258	-	503,258
1,297,253	-	1,297,253
305,048	-	305,048
83,744	-	83,744
76,378	-	76,378
115	328	443
53,333	-	53,333
282,950	(282,950)	-
<u>2,602,079</u>	<u>(282,622)</u>	<u>2,319,457</u>
631,754	(698,803)	(67,049)
<u>1,211,831</u>	<u>4,661,651</u>	<u>5,873,482</u>
<u>\$ 1,843,585</u>	<u>\$ 3,962,848</u>	<u>\$ 5,806,433</u>

BASIC FINANCIAL STATEMENTS:

FUND FINANCIAL STATEMENTS (FFS)

CITY OF TALLULAH
GOVERNMENTAL FUNDS
Balance Sheet
June 30, 2016

Statement C

	<u>GENERAL</u>	<u>SECTION 8</u>	<u>LCDBG PROJECTS</u>	<u>NONMAJOR GOVERNMENTAL</u>	<u>TOTAL</u>
ASSETS					
Cash and cash equivalents	\$ 47,736	\$ 70,124	\$ 44	\$ 68,060	\$ 185,964
Receivables	208,366	1,905	622,236	-	832,507
Interfund receivables	274,310	-	-	1,562	275,872
Restricted assets					
Cash	3,650	-	-	-	3,650
TOTAL ASSETS	<u>534,062</u>	<u>72,029</u>	<u>622,280</u>	<u>69,622</u>	<u>1,297,993</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts, salaries and other payables	144,087	50	622,236	23,870	790,243
Interfund payables	1,562	-	-	10,508	12,070
TOTAL LIABILITIES	<u>145,649</u>	<u>50</u>	<u>622,236</u>	<u>34,378</u>	<u>802,313</u>
FUND BALANCES:					
Restricted	3,650	71,979	44	61,694	137,367
Unassigned	384,763	-	-	(26,450)	358,313
TOTAL FUND BALANCES	<u>388,413</u>	<u>71,979</u>	<u>44</u>	<u>35,244</u>	<u>495,680</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 534,062</u>	<u>\$ 72,029</u>	<u>\$ 622,280</u>	<u>\$ 69,622</u>	<u>\$ 1,297,993</u>

SEE ACCOMPANYING NOTES AND INDEPENDENT AUDITOR'S REPORT

CITY OF TALLULAH

**Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
June 30, 2016**

Statement D

Total fund balances - governmental funds \$ 495,680

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.

Costs of capital assets	\$ 6,016,102	
Depreciation expense to date	<u>(3,680,650)</u>	
		2,335,452

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	154,174	
Deferred inflows related to pensions	<u>(377,046)</u>	
		(222,872)

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, 2016 are:		
Bonds payable	(78,332)	
Certificates of indebtedness	(111,735)	
Capital leases	(100,022)	
Compensated absences payable	(22,974)	
Net pension liability	<u>(451,612)</u>	
		<u>(764,675)</u>

Total net position - governmental activities \$ 1,843,585

SEE ACCOMPANYING NOTES AND INDEPENDENT AUDITOR'S REPORT

CITY OF TALLULAH
GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended June 30, 2016

Statement E

	<u>GENERAL</u>	<u>SECTION 8</u>	<u>LCDBG PROJECTS</u>	<u>NONMAJOR GOVERNMENTAL</u>	<u>TOTAL</u>
REVENUES					
Local sources:					
Taxes:					
Ad valorem	\$ 364,258	\$ -	\$ -	\$ 139,000	\$ 503,258
Sales	1,297,253	-	-	-	1,297,253
Other taxes, penalties and interest	305,048	-	-	-	305,048
Licenses and permits	83,744	-	-	-	83,744
Intergovernmental revenues	313,803	191,709	622,236	26,093	1,153,841
Rental income	12,525	-	-	-	12,525
Use of money and property	30	39	2	44	115
Fines and forfeitures	61,607	-	-	-	61,607
Miscellaneous revenues	79,088	32,807	-	-	111,895
	<u>2,517,356</u>	<u>224,555</u>	<u>622,238</u>	<u>165,137</u>	<u>3,529,286</u>
Total revenues					
EXPENDITURES					
Current:					
General and administrative	805,325	-	7,950	173	813,448
Police Department	671,417	-	-	-	671,417
Fire Department	408,694	-	-	-	408,694
Street Department	547,505	-	-	143,533	691,038
Health and welfare	-	231,802	-	-	231,802
Culture and recreation	138,803	-	-	-	138,803
Legislative	66,170	-	-	-	66,170
Transportation	35,966	-	-	-	35,966
Capital outlay	179,890	-	622,636	42,093	844,619
Debt service:					
Principal retirement	33,279	-	-	10,951	44,230
Interest and bank charges	6,913	-	-	4,619	11,532
	<u>2,893,962</u>	<u>231,802</u>	<u>630,586</u>	<u>201,369</u>	<u>3,957,719</u>
Total expenditures					
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	<u>\$ (376,606)</u>	<u>\$ (7,247)</u>	<u>\$ (8,348)</u>	<u>\$ (36,232)</u>	<u>\$ (428,433)</u>

(Continued)

CITY OF TALLULAH
GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended June 30, 2016

Statement E

	<u>GENERAL</u>	<u>SECTION 8</u>	<u>LCDBG PROJECTS</u>	<u>NONMAJOR GOVERNMENTAL</u>	<u>TOTAL</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ 275,000	\$ -	\$ 8,350	\$ 300	\$ 283,650
Transfers out	(300)	-	-	(400)	(700)
Capital lease proceeds	107,959	-	-	-	107,959
TOTAL OTHER FINANCING SOURCES (USES)	<u>382,659</u>	<u>-</u>	<u>8,350</u>	<u>(100)</u>	<u>390,909</u>
NET CHANGE IN FUND BALANCES	6,053	(7,247)	2	(36,332)	(37,524)
FUND BALANCES - BEGINNING	<u>382,360</u>	<u>79,226</u>	<u>42</u>	<u>71,576</u>	<u>533,204</u>
FUND BALANCES - ENDING	<u>\$ 388,413</u>	<u>\$ 71,979</u>	<u>\$ 44</u>	<u>\$ 35,244</u>	<u>\$ 495,680</u>

(Concluded)

SEE ACCOMPANYING NOTES AND INDEPENDENT AUDITOR'S REPORT

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, 2016**

	Statement F
Total net change in fund balances - governmental funds	\$ (37,524)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the period:	
Capital outlays	\$ 844,619
Depreciation	<u>(186,751)</u>
	657,868
Some pension benefits/(expenses) related the pension plans reported in the Statement of Activities do not represent the receipt of or require use of current financial resources and therefore, are not reported in the governmental funds.	46,145
Employer pension contributions made subsequent to the measurement date are reported in the governmental funds as expenditures, whereas these amounts are deferred and recognized as pension expense in the subsequent year.	26,802
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.	44,230
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, amounts taken (\$31,376) exceeded the vacation earned (\$29,184) by \$2,192.	2,192
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.	<u>(107,959)</u>
Total net change in net position - governmental activities.	<u>\$ 631,754</u>

SEE ACCOMPANYING NOTES AND INDEPENDENT AUDITOR'S REPORT

CITY OF TALLULAH

PROPRIETARY FUND TYPE - ENTERPRISE FUNDS
 Statement of Net Position
 June 30, 2016

Statement G

	WATER FUND	SEWER FUND	TOTAL
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ -	\$ 1,649	\$ 1,649
Receivables, net	282,923	152,547	435,470
Restricted Assets:			
Cash and cash equivalents	1,064,237	150,748	1,214,985
 Total Current Assets	 1,347,160	 304,944	 1,652,104
Noncurrent Assets			
Capital Assets			
Land and construction in progress	65,451	612,879	678,330
Depreciable assets, net of depreciation	4,261,885	10,575,819	14,837,704
 Total Noncurrent Assets	 4,327,336	 11,188,698	 15,516,034
 TOTAL ASSETS	 5,674,496	 11,493,642	 17,168,138
LIABILITIES			
Current Liabilities			
Accounts, salaries and other payables	101,578	299,798	401,376
Interfund payables	196,227	67,575	263,802
Interest payable	118,416	-	118,416
Payable from restricted assets - customer deposits	185,139	-	185,139
Compensated absences	6,558	4,607	11,165
Revenue bonds payable - current	290,000	-	290,000
Loans payable - current	-	45,920	45,920
 Total Current Liabilities	 \$ 897,918	 \$ 417,900	 \$ 1,315,818

(Continued)

CITY OF TALLULAH

PROPRIETARY FUND TYPE - ENTERPRISE FUNDS

Statement of Net Position

June 30, 2016

Statement G

	WATER FUND	SEWER FUND	TOTAL
Noncurrent Liabilities			
Revenue bonds payable, net	\$ 9,104,204	\$ -	\$ 9,104,204
Loans payable	-	2,785,268	2,785,268
Total Noncurrent Liabilities	9,104,204	2,785,268	11,889,472
TOTAL LIABILITIES	10,002,122	3,203,168	13,205,290
NET POSITION			
Net investment in capital assets	(5,066,868)	8,357,510	3,290,642
Restricted for debt service	879,098	150,748	1,029,846
Unrestricted	(139,856)	(217,784)	(357,640)
TOTAL NET POSITION	\$ (4,327,626)	\$ 8,290,474	\$ 3,962,848

(Concluded)

SEE ACCOMPANYING NOTES AND INDEPENDENT AUDITOR'S REPORT

CITY OF TALLULAH

PROPRIETARY FUND TYPE - ENTERPRISE FUNDS

Statement of Revenues, Expenses,
and Changes in Fund Net Position
For the Year Ended June 30, 2016

Statement H

	WATER FUND	SEWER FUND	TOTAL
OPERATING REVENUES			
Charges for services	\$ 1,947,248	\$ 1,049,542	\$ 2,996,790
Other operating revenue	-	6,000	6,000
Total operating revenues	<u>1,947,248</u>	<u>1,055,542</u>	<u>3,002,790</u>
OPERATING EXPENSES			
Personal services	457,626	234,268	691,894
Supplies	195,293	19,632	214,925
Maintenance	89,820	312,583	402,403
Utilities	120,178	69,613	189,791
Miscellaneous	149,654	60,836	210,490
Uniforms	7,145	3,288	10,433
Insurance	15,139	10,261	25,400
Professional services	26,295	54,045	80,340
Depreciation	691,445	274,641	966,086
Total operating expenses	<u>1,752,595</u>	<u>1,039,167</u>	<u>2,791,762</u>
OPERATING INCOME (Loss)	<u>194,653</u>	<u>16,375</u>	<u>211,028</u>
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental	46,050	-	46,050
Interest income	269	59	328
Interest expense & Other charges	(390,365)	(124,925)	(515,290)
Bond issuance costs	(157,969)	-	(157,969)
Total nonoperating revenues (expenses)	<u>(502,015)</u>	<u>(124,866)</u>	<u>(626,881)</u>
Income(Loss) before capital contributions and transfers	(307,362)	(108,491)	(415,853)
TRANSFERS			
Transfers in	8,406	-	8,406
Transfers out	(175,000)	(116,356)	(291,356)
Total Transfers	<u>(166,594)</u>	<u>(116,356)</u>	<u>(282,950)</u>
NET CHANGE IN NET POSITION	(473,956)	(224,847)	(698,803)
NET POSITION - BEGINNING	<u>(3,853,670)</u>	<u>8,515,321</u>	<u>4,661,651</u>
NET POSITION - ENDING	<u>\$ (4,327,626)</u>	<u>\$ 8,290,474</u>	<u>\$ 3,962,848</u>

SEE ACCOMPANYING NOTES AND INDEPENDENT AUDITOR'S REPORT

CITY OF TALLULAH

PROPRIETARY FUND TYPE - ENTERPRISE FUNDS

Statement of Cash Flows

For the Year Ended June 30, 2016

Statement I

	WATER FUND	SEWER FUND	TOTAL
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,888,771	\$ 1,042,314	\$ 2,931,085
Payments to employees	(468,160)	(239,175)	(707,335)
Payments to others	(381,610)	(460,026)	(841,636)
Other receipts	50,000	6,000	56,000
Net cash provided (used) for operating activities	<u>1,089,001</u>	<u>349,113</u>	<u>1,438,114</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Earnings on investments	269	59	328
Net cash provided (used) for investing activities	<u>269</u>	<u>59</u>	<u>328</u>
CASH FLOW (USES) FROM NONCAPITAL FINANCING ACTIVITIES:			
Operating grants	46,050	-	46,050
Transfers in	8,406	-	8,406
Transfers out	(175,000)	(116,356)	(291,356)
Net cash provided (used) for noncapital financing activities	<u>(120,544)</u>	<u>(116,356)</u>	<u>(236,900)</u>
CASH FLOW (USES) FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	(67,929)	(32,201)	(100,130)
Proceeds from bond refunding	4,776,388	-	4,776,388
Bond issuance costs	(157,969)	-	(157,969)
Principal payment bonds	(4,790,000)	(44,203)	(4,834,203)
Interest & penalties paid on debt	(415,115)	(124,925)	(540,040)
Net cash provided (used) for capital and related financing activities	<u>-</u>	<u>(201,329)</u>	<u>(855,954)</u>
Net increase (decrease) in cash and cash equivalents	314,101	31,487	345,588
CASH AND CASH EQUIVALENTS - BEGINNING	<u>750,136</u>	<u>120,910</u>	<u>871,046</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>1,064,237</u>	<u>152,397</u>	<u>1,216,634</u>
RECONCILIATION TO BALANCE SHEET			
Cash	-	1,649	1,649
Restricted assets - cash	1,064,237	150,748	1,214,985
	<u>\$ 1,064,237</u>	<u>\$ 152,397</u>	<u>\$ 1,216,634</u>

(Continued)

CITY OF TALLULAH

PROPRIETARY FUND TYPE - ENTERPRISE FUNDS

Statement of Cash Flows

For the Year Ended June 30, 2016

	Statement I		
	WATER FUND	SEWER FUND	TOTAL
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 194,653	\$ 16,375	\$ 211,028
Adjustments to reconcile operating income to net cash provided (used) for operating activities:			
Depreciation	691,445	274,641	966,086
(Increase) decrease in accounts receivable	(58,477)	(7,228)	(65,705)
(Increase) decrease in interfund receivable	50,000	-	50,000
Increase (decrease) in accounts payable	16,627	(998)	15,629
Increase (decrease) in compensated absences	(22)	(1,252)	(1,274)
Increase (decrease) in interfund payable	196,227	67,575	263,802
Increase (decrease) in deposits due others	(1,452)	-	(1,452)
Net cash provided (used) by operating activities	<u>\$ 1,089,001</u>	<u>\$ 349,113</u>	<u>\$ 1,438,114</u>

(Concluded)

SEE ACCOMPANYING NOTES AND INDEPENDENT AUDITOR'S REPORT

City of Tallulah
Notes to the Basic Financial Statements
For Year Ended June 30, 2016

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City of Tallulah
Notes to the Basic Financial Statements
For Year Ended June 30, 2016

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 a potential for the organization to provide specific financial 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 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.

City of Tallulah
Notes to the Basic Financial Statements
For Year Ended June 30, 2016

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.

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 resources 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.

City of Tallulah
Notes to the Basic Financial Statements
For Year Ended June 30, 2016

Fund Financial Statements (FFS)

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

With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current 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 fiscal year.

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

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

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

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

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

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

Proprietary Funds Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. With this measurement focus, all assets, all liabilities and all deferred outflows/inflows associated with the operation of these funds are included on the statement of net position.

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.

City of Tallulah
Notes to the Basic Financial Statements
For Year Ended June 30, 2016

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 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.

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.

City of Tallulah
Notes to the Basic Financial Statements
For Year Ended June 30, 2016

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 12 months of continuous service and has given two weeks' notice of resignation.

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.

M. RESTRICTED ASSETS Certain grants received by the City contained restrictions on spending for specific purposes. In the Sewer Enterprise Fund, accounts related to debt covenants are restricted. In the Water Enterprise Fund, the customer deposits as well as accounts related to debt covenants are restricted.

City of Tallulah
Notes to the Basic Financial Statements
For Year Ended June 30, 2016

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, 2016 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 position 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. 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 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.

Restricted amounts are considered to have been spent first when an expenditure has incurred for purposes for which both restricted and unrestricted fund balance is available. 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.

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.

City of Tallulah
Notes to the Basic Financial Statements
For Year Ended June 30, 2016

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 and 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.

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, 2016:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	\$ 2,689,650	\$ 2,786,303	\$ (96,653)
Section 8	220,000	231,802	(11,802)

B. Deficit Fund Balances The following fund had a deficit fund balance at June 30, 2016:

<u>Fund</u>	<u>Deficit Amount</u>
Water	\$ 4,327,626
Street	26,450

NOTE 3 - DEPOSITS AND INVESTMENTS

Cash and cash equivalents consist of the following at June 30, 2016:

Petty Cash	\$ 1,125
Demand deposits	998,145
Money market mutual funds	406,978
	<u>\$ 1,406,248</u>

Deposits

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.

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, 2016, the City's had a bank balance of \$1,009,429, in which \$754,469 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

City of Tallulah
Notes to the Basic Financial Statements
For Year Ended June 30, 2016

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, 2016:

Money market mutual funds of \$406,978 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 September 24, 2015 with a due date and collection date of December 31, 2015 and a lien date of January 1, 2016.

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

	<u>Maximum Millage</u>	<u>Levied Millage</u>
General Fund Operations	8.10	8.10
Police, Fire, Streets & Bridges	7.53	7.53
General Purposes	9.22	9.22
Streets, Roads, Drainage	8.69	8.69
1981 Sewer Bond	N/A	1.0

City of Tallulah
Notes to the Basic Financial Statements
For Year Ended June 30, 2016

NOTE 5 - RECEIVABLES The following is a summary of receivables at June 30, 2016:

<u>Class of Receivables</u>	<u>General</u>	<u>Section 8</u>	<u>LCDBG Projects</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Taxes:						
Sales & use	\$ 103,172	\$ -	\$ -	\$ -	\$ -	\$ 103,172
Other taxes	3,725	-	-	-	-	3,725
State revenue	21,839	-	-	46,050	-	67,889
Federal revenue	-	1,905	622,236	-	-	624,141
Due from other governments	19,240	-	-	-	-	19,240
Other	60,390	-	-	-	-	60,390
Water user fees	-	-	-	241,153	-	241,153
Sewer user fees	-	-	-	-	155,431	155,431
Gross receivables	208,366	1,905	622,236	287,203	155,431	1,275,141
Less allowance for doubtful accounts	-	-	-	(4,280)	(2,884)	(7,164)
Net total receivables	<u>\$ 208,366</u>	<u>\$ 1,905</u>	<u>\$ 622,236</u>	<u>\$ 282,923</u>	<u>\$ 152,547</u>	<u>\$ 1,267,977</u>

NOTE 6 - INTERFUND TRANSACTIONS/BALANCES Individual balances due from/to other funds at June 30, 2016, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water Fund	\$ 196,227
General Fund	Sewer Fund	67,575
General Fund	Nonmajor Governmental	10,508
Nonmajor Governmental	General Fund	1,562
Total		<u>\$ 275,872</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	\$ 175,000
General Fund	Sewer Fund	100,000
LCDBG Projects	Sewer Fund	7,950
LCDBG Projects	Nonmajor Governmental	400
Nonmajor Governmental	General Fund	300
Water Fund	Sewer Fund	8,406
Total		<u>\$ 292,056</u>

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

City of Tallulah
Notes to the Basic Financial Statements
For Year Ended June 30, 2016

NOTE 7 - CAPITAL ASSETS The changes in capital assets are as follows:

A summary of the changes in governmental activities capital assets for the year ended June 30, 2016:

	Balance Beginning	Additions	Deletions	Balance Ending
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 78,500	\$ -	\$ -	\$ 78,500
Construction in progress	260,873	720,969	72,240	909,602
Capital assets, not being depreciated	339,373	720,969	72,240	988,102
Depreciable assets				
Infrastructure	575,255	72,240	-	647,495
Buildings and improvements	2,926,785	-	15,450	2,911,335
Furniture and equipment	1,663,453	123,650	317,933	1,469,170
Total	5,165,493	195,890	333,383	5,028,000
Less: accumulated depreciation	(3,827,282)	(186,751)	(333,383)	(3,680,650)
Depreciable capital assets, net	1,338,211	9,139	-	1,347,350
Total capital assets, net	\$ 1,677,584	\$ 730,108	\$ 72,240	\$ 2,335,452

Depreciation expense was charged to governmental activities as follows:

General and administrative	\$ 7,470
Police department	35,483
Fire department	59,760
Street department	72,833
Culture and recreation	11,205
Total	<u>\$ 186,751</u>

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

	Balance Beginning	Additions	Deletions	Ending Balance
Business-type activities:				
Capital assets not being depreciated				
Land	\$ 678,330	\$ -	\$ -	\$ 678,330
Capital assets, not being depreciated	678,330	-	-	678,330
Depreciable assets				
Building & Improvements	14,241	-	-	14,241
Equipment	1,470,773	23,664	528,329	966,108
Plant	9,900,494	-	-	9,900,494
Transmission lines	9,062,611	24,576	-	9,087,187
Water systems	8,395,551	5,840	-	8,401,391
Pumping stations	337,944	46,050	-	383,994
Capital assets, depreciable	29,181,614	100,130	528,329	28,753,415
Less accumulated depreciation	(13,477,954)	(966,086)	(528,329)	(13,915,711)
Depreciable capital assets, net	15,703,660	(865,956)	-	14,837,704
Total capital assets, net	\$16,381,990	\$ (865,956)	\$ -	\$15,516,034

City of Tallulah
Notes to the Basic Financial Statements
For Year Ended June 30, 2016

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

Water	\$ 691,445
Sewer	274,641
Total	\$ 966,086

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.

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.

City of Tallulah
Notes to the Basic Financial Statements
For Year Ended June 30, 2016

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.

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 9% of the employees' earnable compensation excluding overtime by including state supplemental pay.

For the year ended June 30, 2016, total contributions due for employers and employees were 39.5%. 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 29.5% and 10%, respectively. The employer and employee contribution rates for all Non-Hazardous duty members hired after January 1, 2013 were 31.5% 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 32.0% and 7.5%, respectively. City of Tallulah's contributions to the MPERS for the year ended June 30, 2016 was \$26,802.

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 2016, the City recognized \$10,206 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, 2016, the City reported a liability of \$451,612 for its proportionate share of the MPERS's Net Pension Liability (NPL). The NPL was measured as of June 30, 2015, 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, 2015 as compared to

City of Tallulah
Notes to the Basic Financial Statements
For Year Ended June 30, 2016

the total of all employers' contributions to MPERS during the year ended 2015. As of June 30, 2015, the most recent measurement date, the City's proportions and the changes in proportion from the prior measurement date was 0.057648%, or a decrease of 0.057387%.

For the year ended June 30, 2016, the City recognized a total pension benefit of \$59,338 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 Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 8,298
Changes of assumptions	39,406	65
Net difference between projected and actual earnings on pension plan investments	-	8,576
Changes in proportion and differences between employer contributions and proportionate share of contributions	87,966	360,107
Employer contributions subsequent to the measurement date	26,802	-
Total	\$ 154,174	\$ 377,046

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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
MPERS	\$ (78,078)	\$ (78,077)	\$ (106,681)	\$ 13,162

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, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurements:

Valuation Date	June 30, 2015
Actuarial Cost Method	Entry age normal cost
Expected Remaining Service Lives	4 years
Investment Rate of Return	7.5%, net of investment exp.
Inflation Rate	2.875% per annum
Cost of Living Adjustments	Not substantively automatic
Salary Increases, including inflation and merit	Varying from 9.75% to 4.25% after 23 years

City of Tallulah
Notes to the Basic Financial Statements
For Year Ended June 30, 2016

Mortality assumptions were set based upon an experience study for the period July 1, 2010 through June 30, 2014. The RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables Projected to 2029 using Scale AA as published by the Society of Actuaries (set-back 1 year for females) were selected for annuitants and beneficiary mortality. For employees, the RP-2000 Employee table setback 4 years for males and set back 3 years for females were selected. The RP-2000 Disabled Lives Mortality Table set back 5 years for males and set back 3 years for females was selected for disabled annuitants. Setbacks in these tables were used to approximate mortality improvement.

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 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	Long-Term Expected Portfolio Real Rate of Return
Equity	52%	3.47%
Fixed income	20%	0.46%
Alternatives	23%	1.15%
Other	5%	0.20%
Totals	100%	5.28%
Inflation		3.00%
Expected nominal return		8.28%

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%
\$627,917	\$451,612	\$303,871

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

City of Tallulah
Notes to the Basic Financial Statements
For Year Ended June 30, 2016

Payables to the Pension Plan. At June 30, 2016, the City had \$4,423 in payables to MPERS for the June 2016 employee and employer legally required contributions.

DEFINED CONTRIBUTION PLAN

Nationwide Retirement Solutions' 457 Governmental Plan and 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, 2016, the City made employer contributions of \$82,555 and employee contributions of \$44,825. At June 30, 2016, the City had \$1,950 in payables to the 457 plan for the June 2016 employee and employer required contributions.

NOTE 9 - ACCOUNTS, SALARIES AND OTHER PAYABLES The accounts, salaries and other payables at fiscal year ended June 30, 2016 are as follows:

<u>Class of Payables</u>	<u>General</u>	<u>Section 8</u>	<u>LCDBG Projects</u>	<u>Nonmajor Governmental</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Accounts Payable	\$ 121,195	\$ 50	\$ 592,697	\$ 23,870	\$ 99,878	\$ 299,025	\$1,136,715
Retainage Payable	-	-	29,539	-	-	-	29,539
Wages Payable	22,892	-	-	-	1,700	773	25,365
Net total payable	<u>\$ 144,087</u>	<u>\$ 50</u>	<u>\$ 622,236</u>	<u>\$ 23,870</u>	<u>\$ 101,578</u>	<u>\$ 299,798</u>	<u>\$1,191,619</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 \$61,483 is recognized as intergovernmental revenue and public safety expenditures. Of the \$61,483 recognized, the State paid \$49,483 to City police officers and \$12,000 to City firemen.

NOTE 11 - 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 Indebtness 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 were paid from the General fund.

City of Tallulah
Notes to the Basic Financial Statements
For Year Ended June 30, 2016

During the year ended June 30, 2016, the following changes occurred in governmental activities long-term liabilities:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
General obligation bonds	\$ 89,283	\$ -	\$ 10,951	\$ 78,332	\$ 11,499
Certificate of indebtedness	137,077	-	25,342	111,735	26,356
Capital Leases	-	107,959	7,937	100,022	20,088
Compensated absences	25,166	29,184	31,376	22,974	22,974
Net pension liability	719,668	-	268,056	451,612	-
Total	<u>\$ 971,194</u>	<u>\$ 137,143</u>	<u>\$ 343,662</u>	<u>\$ 764,675</u>	<u>\$ 80,917</u>

During the year ended June 30, 2016, the following changes occurred in business-type activities long-term liabilities:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
Revenue bonds	\$ 9,410,000	\$ 4,665,000	\$ 4,790,000	\$ 9,285,000	\$ 290,000
Bond premiums	-	111,388	2,184	109,204	-
Loans payable	2,875,391	-	44,203	2,831,188	45,920
Compensated absences	12,439	14,646	15,920	11,165	11,165
Total	<u>\$ 12,297,830</u>	<u>\$ 4,791,034</u>	<u>\$ 4,852,307</u>	<u>\$ 12,236,557</u>	<u>\$ 347,085</u>

The following is a summary of long-term obligation transactions for the year ended June 30, 2016:

	Issue Dates	Maturity Dates	Interest Rates	Original Amount	Governmental Activities	Business-type Activities
Governmental activities						
General Obligation Bonds:						
Series 1981	10/8/1981	10/1/2021	5.000%	\$ 260,000	\$ 78,332	
Certificate of Indebtedness:						
Series 2009 - USDA Fire Truck	3/31/2010	3/31/2020	4.000%	250,000	111,735	
Business-type activities						
Enterprise Funds						
Utilities System Revenue Bonds:						
Water Revenue Refunding Bonds Series 2012	6/22/2012	9/1/2031	2.6-5.0%	5,275,000		\$ 4,620,000
Water Revenue Refunding Bonds Series 2016	2/24/2016	9/1/2032	2.0-4.0%	4,665,000		4,665,000
Loans payable (USDA):						
Sewer Rehab Phase I	9/6/2006	9/6/2046	4.375%	2,660,000		2,383,207
Sewer Rehab Phase II	9/6/2006	9/6/2046	4.375%	500,000		447,981
Totals					<u>190,067</u>	<u>12,116,188</u>
Current Portion of Debt					<u>(37,855)</u>	<u>(335,920)</u>
Total Long Term Portion of Debt					<u>\$ 152,212</u>	<u>\$ 11,780,268</u>

City of Tallulah
Notes to the Basic Financial Statements
For Year Ended June 30, 2016

General obligation bonds totaling \$78,332 at June 30, 2016, 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 \$14,105,232. The City is within the statutory limitation of \$4,936,831. The 1981 Debt Service fund has \$41,952 available to service the bonded debt in the Governmental fund-type funds.

The annual requirements to amortize all outstanding debt at June 30, 2016 are as follows:

Year	General Long-Term Debt			Water Enterprise Fund		Sewer Enterprise Fund	
	Principal	Interest	Total	Principal	Interest	Principal	Interest
2017	\$ 37,855	\$ 8,385	\$ 46,240	\$ 290,000	\$ 348,707	\$ 45,920	\$ 123,207
2018	39,484	6,757	46,241	455,000	336,957	48,232	120,896
2019	41,183	5,057	46,240	470,000	325,092	50,385	118,743
2020	42,774	3,283	46,057	475,000	311,691	52,634	116,494
2021	28,771	2,060	30,831	490,000	297,960	54,984	114,144
2022-2026	-	-	-	2,705,000	1,220,044	314,000	531,640
2027-2031	-	-	-	3,285,000	609,016	390,623	455,017
2032-2036	-	-	-	1,115,000	36,303	485,945	359,695
2037-2041	-	-	-	-	-	604,528	241,113
2042-2046	-	-	-	-	-	752,047	93,593
2047	-	-	-	-	-	31,890	196
Total	<u>\$190,067</u>	<u>\$ 25,542</u>	<u>\$215,609</u>	<u>\$ 9,285,000</u>	<u>\$ 3,485,770</u>	<u>\$ 2,831,188</u>	<u>\$ 2,274,738</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 Indebtness 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.

Water Improvement Bonds, Refunding Series 2012 and 2016 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.

City of Tallulah
Notes to the Basic Financial Statements
For Year Ended June 30, 2016

- 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, 2016, 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.

Required Debt Reserves: The required debt reserves and amounts reserved as of June 30, 2016 for the City are as follows:

	<u>Debt Issued</u>	<u>Required Reserve</u>	<u>Amount Reserved</u>
Governmental Activities:			
Certificate of Indebtness - Series 2009 Fire Truck	\$ 250,000	\$ 19,650	\$ 3,650
Total Governmental Activities	<u>250,000</u>	<u>19,650</u>	<u>3,650</u>
Business Activities:			
Water Fund:			
Water Improvement Bonds, Refunding Series 2012	5,275,000	449,073	
Water Improvement Bonds, Refunding Series 2016	4,665,000	408,557	968,466
Total Water Fund	<u>9,940,000</u>	<u>857,630</u>	<u>968,466</u>
Sewer Fund:			
Sewer Rehab Phase I	2,660,000	138,879	
Sewer Rehab Phase II	500,000	26,091	150,748
Total Sewer Fund	<u>3,160,000</u>	<u>164,970</u>	<u>150,748</u>
Total Business Activities	<u>13,100,000</u>	<u>1,022,600</u>	<u>1,119,214</u>
Grand Total	<u>\$ 13,350,000</u>	<u>\$ 1,042,250</u>	<u>\$ 1,122,864</u>

Bond Refunding: On February 24, 2016, the City issued \$4,665,000 in water revenue bonds with interest rates ranging for 2.0% to 4.0% to provide resources for funding a debt service reserve fund and for the redemption of \$4,410,000 of outstanding Series 2007 Water Refunding Bonds which had interest rates ranging from 4.3% to 5.0%. The net proceeds of \$4,618,419 (including a \$111,388 premium and after payment of \$157,969 in underwriter fee’s and bond issuance costs) plus \$197,425 in transfers from the Series 2007 debt service funds were used for bond redemption including accrued interest of \$4,516,029 and establishment of \$192,715 debt service fund and \$100,000 construction fund. The refunding resulted in a present value savings of \$307,219 in future debt service payments over the next seventeen years for an economic benefit of \$304,371.

City of Tallulah
Notes to the Basic Financial Statements
For Year Ended June 30, 2016

NOTE 12 - CAPITAL LEASES This year the City entered into two 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	\$ 4,449
Case 580N Backhoe	63,472	6,347	6,347

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013, were as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>
2017	\$ 24,361
2018	24,361
2019	24,361
2020	24,361
2021	14,250
Total minimum lease payments	111,694
Less: amount representing interest	(11,672)
Present value of minimum lease payments	<u>\$ 100,022</u>

NOTE 13 - OPERATING LEASES 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 \$999.04. Total cost for the operating lease was \$11,988 for the year ended June 30, 2016. The minimum lease payments for these leases are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>
2017	\$ 11,988
2018	7,992
Total	<u>\$ 19,980</u>

NOTE 14 - PLEDGED REVENUES The City has pledged future water and sewer customer revenues, net of specified operating expenses to repay \$9,285,000 in water revenue bonds payable and \$2,831,188 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 \$12,770,770 and \$5,105,926 respectively. Water principal and interest paid for the current year was \$795,115 and total net revenue (loss) per Statement H was \$(307,352). Sewer principal and interest paid for the current year was \$169,128 and total net revenue (loss) per Statement H was \$(108,491). See Note 11 for additional information on the Water and Sewer revenue bonds/loans payable.

City of Tallulah
Notes to the Basic Financial Statements
For Year Ended June 30, 2016

NOTE 15 - 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 government anticipates such amounts, if any will be immaterial.

In November 2014, the Louisiana Court of Appeals affirmed the judgement 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 judgement is rendered. The City is not insured against this asserted claim. No liability has been recorded for this judgement.

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 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, 2016 which include the Ethel Street Drainage, Harlem Street Drainage and LCDBG sewer project. At June 30, 2016, the City had a \$496,408 in outstanding contracts for the LCDBG sewer project.

NOTE 16 - 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.

City of Tallulah
Notes to the Basic Financial Statements
For Year Ended June 30, 2016

NOTE 17 - FUND BALANCE CLASSIFICATION DETAILS The following are details of the fund balance classification:

	<u>General Fund</u>	<u>Section 8</u>	<u>LCDBG Projects</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Restricted for:					
Debt service	\$ 3,650	\$ -	\$ -	\$ 61,477	\$ 65,127
Section 8 program	-	71,979	-	-	71,979
Construction projects	-	-	44	217	261
Unassigned	384,763	-	-	(26,450)	358,313
Total	<u>\$ 388,413</u>	<u>\$ 71,979</u>	<u>\$ 44</u>	<u>\$ 35,244</u>	<u>\$ 495,680</u>

NOTE 18 - NEW GASB STANDARD In fiscal year 2016, the City adopted two new statements of financial accounting standards issued by the Governmental Accounting Standards Board:

- *Statement No. 72 – Fair Value Measurement and Application* accounting standard issued by the Governmental Accounting Standards Board. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.
- *Statement No. 73 – GASB 73 – Accounting and Financial reporting for Pensions and Related Assets That Are Not Within the Scope of GASB 68, and Amendment to Certain Provision of GASB Statements 67 and 68:* This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement 68, as well as for the assets accumulated for purposes of providing those pensions. It also amends certain provisions of Statement 67 and 68 that are within their respective scopes. This statement also clarifies the application of certain provisions of Statements 67 and 68.

NOTE 19 - 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 of the City through December 30, 2016, the date the financial statements were issued, and concluded that no subsequent events have occurred that would require recognition in the Financial Statements or disclosure in the Notes to the Financial Statements.

REQUIRED SUPPLEMENTARY INFORMATION

City of Tallulah
Pension Supplementary Information
As of and for the Year Ended June 30, 2016

Exhibit 1-1

Schedule of the 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%

*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

Fiscal Year*	(a) Statutorily Required Contribution	(b) Contributions in relation to the statutorily required contribution	(a-b) Contribution Deficiency (Excess)	Covered-employee payroll	Contributions as a percentage 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%

*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.*

SEE INDEPENDENT AUDITOR'S REPORT

City of Tallulah
Pension Supplementary Information
As of and for the Year Ended June 30, 2016

Notes to Required Supplementary Information for Pensions

Changes in benefit terms: MPERS's Board of Trustees approved a 3% COLA effective November 1, 2014.

Changes of assumptions: For fiscal year 2016 due to an actuarial experience study and expectations of future experience, mortality, retirement, DROP entry, and withdrawal rates were changed. Family statistics were also updated based on more recent measures available from the United States Census Bureau and the salary scale assumption was decreased. For amounts reported in 2016, mortality assumptions were based on an experience study for the period July 1, 2010 through June 20, 2014. The RP-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. 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.

For the fiscal year ending 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 2016, 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 fiscal year 2016, the inflation rate was decreased from 3.00% used in 2015 to 2.875%.

SEE INDEPENDENT AUDITOR'S REPORT

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.

SEE INDEPENDENT AUDITOR'S REPORT

CITY OF TALLULAH
GENERAL FUND
Budgetary Comparison Schedule
For the Year Ended June 30, 2016

Exhibit 2-1

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	(BUDGETARY BASIS)	(NEGATIVE)
BUDGETARY FUND BALANCES, Beginning	\$ -	\$ 382,360	\$ 382,360	\$ -
Resources (inflows)				
Local sources:				
Taxes				
Ad valorem	355,000	355,000	364,258	9,258
Sales and use	1,195,990	1,195,990	1,297,253	101,263
Other taxes, penalties, and interest	278,600	278,600	305,048	26,448
Licenses and permits	135,850	135,850	83,744	(52,106)
Intergovernmental revenues	256,820	306,820	313,803	6,983
Rental income	8,990	8,990	12,525	3,535
Use of money and property	-	-	30	30
Fines and forfeitures	85,975	85,975	61,607	(24,368)
Miscellaneous revenues	81,910	81,910	79,088	(2,822)
Transfers from other funds	240,515	240,515	275,000	34,485
Amounts available for appropriations	2,639,650	3,072,010	3,174,716	102,706
Charges to appropriations (outflows)				
Current:				
General and administrative	739,255	739,255	805,325	(66,070)
Police Department	663,550	663,550	671,417	(7,867)
Fire Department	409,680	409,680	408,694	986
Street Department	489,005	489,005	547,505	(58,500)
Culture and recreation	161,235	161,235	138,803	22,432
Legislative	66,000	66,000	66,170	(170)
Transportation	48,000	48,000	35,966	12,034
Capital outlay	21,900	71,900	71,931	(31)
Debt service:				
Principal retirement	30,825	30,825	33,279	(2,454)
Interest expense	-	-	6,913	(6,913)
Transfers to other funds	10,200	10,200	300	9,900
Total charges to appropriations	2,639,650	2,689,650	2,786,303	(96,653)
BUDGETARY FUND BALANCES, ENDING	\$ -	\$ 382,360	\$ 388,413	\$ 6,053

SEE INDEPENDENT AUDITOR'S REPORT

CITY OF TALLULAH
SECTION 8
Budgetary Comparison Schedule
For the Year Ended June 30, 2016

Exhibit 2-2

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	(BUDGETARY BASIS)	FINAL BUDGET POSITIVE (NEGATIVE)
BUDGETARY FUND BALANCES, Beginning Resources (inflows)	\$ -	\$ 79,226	\$ 79,226	\$ -
Local sources:				
Intergovernmental revenues	220,000	220,000	191,709	(28,291)
Use of money and property	-	-	39	39
Miscellaneous revenues	-	-	32,807	32,807
Amounts available for appropriations	<u>220,000</u>	<u>299,226</u>	<u>303,781</u>	<u>4,555</u>
Charges to appropriations (outflows)				
Current:				
Health and welfare	<u>220,000</u>	<u>220,000</u>	<u>231,802</u>	<u>(11,802)</u>
Total charges to appropriations	<u>220,000</u>	<u>220,000</u>	<u>231,802</u>	<u>(11,802)</u>
BUDGETARY FUND BALANCES, ENDING	<u>\$ -</u>	<u>\$ 79,226</u>	<u>\$ 71,979</u>	<u>\$ (7,247)</u>

SEE INDEPENDENT AUDITOR'S REPORT

City of Tallulah

Notes to the Budgetary Comparison Schedule
For the Year Ended June 30, 2016

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, 2016 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	\$ 2,689,650	\$ 2,786,303	\$ (96,653)
Section 8	220,000	231,802	(11,802)

SEE INDEPENDENT AUDITOR'S REPORT

City of Tallulah

**Notes to the Budgetary Comparison Schedule
For the Year Ended June 30, 2016**

Note C - BUDGET TO GAAP RECONCILIATION - Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures

	GENERAL FUND	SECTION 8
<u>Sources/inflows of resources:</u>		
Actual amounts (budgetary basis) "available for appropriation" from the Budgetary Comparison Schedule	\$ 3,174,716	\$ 303,781
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes.	(382,360)	(79,226)
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.	(275,000)	-
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	2,517,356	224,555
<u>Uses/outflows of resources:</u>		
Actual amounts (budgetary basis) "Total charges to appropriation" from the Budgetary Comparison Schedule	2,786,303	231,802
The cost of the assets purchased through capital lease proceeds are not included for budgetary purposes but as capital outlay for the Statement of Revenues and Expenditures and Changes in Fund Balances.	107,959	-
Transfers to other funds classified as expenditures for budgetary purposes and as an operating transfer for financial reporting.	(300)	-
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 2,893,962	\$ 231,802

SEE INDEPENDENT AUDITOR'S REPORT

SUPPLEMENTARY INFORMATION

CITY OF TALLULAH

NONMAJOR GOVERNMENTAL FUNDS
 Combining Balance Sheet - By Fund Type
 June 30, 2016

Exhibit 3

	SPECIAL REVENUE STREET	DEBT SERVICE	ETHEL STREET CAPITAL PROJECT	TOTAL
ASSETS				
Cash and cash equivalents	\$ 7,928	\$ 59,915	\$ 217	\$ 68,060
Interfund receivables	-	1,562	-	1,562
TOTAL ASSETS	7,928	61,477	217	69,622
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts, salaries and other payables	23,870	-	-	23,870
Interfund payables	10,508	-	-	10,508
TOTAL LIABILITIES	34,378	-	-	34,378
FUND BALANCES:				
Restricted	-	61,477	217	61,694
Unrestricted	(26,450)	-	-	(26,450)
Total Fund Balances	(26,450)	61,477	217	35,244
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,928	\$ 61,477	\$ 217	\$ 69,622

SEE INDEPENDENT AUDITOR'S REPORT

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, 2016

Exhibit 4

	SPECIAL REVENUE STREET	DEBT SERVICE	ETHEL STREET CAPITAL PROJECT	TOTAL
REVENUES				
Local sources:				
Taxes:				
Ad valorem	\$ 124,655	\$ 14,345	\$ -	\$ 139,000
Intergovernmental revenues	-	-	26,093	26,093
Use of money and property	15	29	-	44
Total revenues	<u>124,670</u>	<u>14,374</u>	<u>26,093</u>	<u>165,137</u>
EXPENDITURES				
Current:				
General and administrative	-	-	173	173
Street Department	143,533	-	-	143,533
Capital outlay	16,000	-	26,093	42,093
Debt service:				
Principal retirement	-	10,951	-	10,951
Interest and bank charges	-	4,619	-	4,619
Total expenditures	<u>159,533</u>	<u>15,570</u>	<u>26,266</u>	<u>201,369</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	<u>(34,863)</u>	<u>(1,196)</u>	<u>(173)</u>	<u>(36,232)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	300	300
Transfers out	(400)	-	-	(400)
TOTAL OTHER FINANCING SOURCES	<u>(400)</u>	<u>-</u>	<u>300</u>	<u>(100)</u>
NET CHANGE IN FUND BALANCES	(35,263)	(1,196)	127	(36,332)
FUND BALANCES - BEGINNING	<u>8,813</u>	<u>62,673</u>	<u>90</u>	<u>71,576</u>
FUND BALANCES - ENDING	<u>\$ (26,450)</u>	<u>\$ 61,477</u>	<u>\$ 217</u>	<u>\$ 35,244</u>

SEE INDEPENDENT AUDITOR'S REPORT

City of Tallulah

Nonmajor Debt Service Funds

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

CITY OF TALLULAH
NONMAJOR DEBT SERVICE FUNDS
 Combining Balance Sheet
 June 30, 2016

Exhibit 5

	1981 GENERAL OBLIGATION BONDS	1998 GENERAL OBLIGATION BONDS	TOTAL
ASSETS			
Cash and cash equivalents	\$ 40,390	\$ 19,525	\$ 59,915
Interfund receivables	1,562	-	1,562
TOTAL ASSETS	41,952	19,525	61,477
FUND BALANCES:			
Restricted	41,952	19,525	61,477
TOTAL FUND BALANCES	\$ 41,952	\$ 19,525	\$ 61,477

SEE INDEPENDENT AUDITOR'S REPORT

CITY OF TALLULAH

NONMAJOR DEBT SERVICE FUNDS
 Combining Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 For the Year Ended June 30, 2016

Exhibit 6

	1981 GENERAL OBLIGATION BONDS	1998 GENERAL OBLIGATION BONDS	TOTAL
REVENUES			
Local sources:			
Taxes			
Ad valorem	\$ 14,345	\$ -	\$ 14,345
Use of money and property	19	10	29
Total revenues	<u>14,364</u>	<u>10</u>	<u>14,374</u>
EXPENDITURES			
Current:			
Debt service:			
Principal retirement	10,951	-	10,951
Interest and bank charges	4,540	79	4,619
Total expenditures	<u>15,491</u>	<u>79</u>	<u>15,570</u>
NET CHANGE IN FUND BALANCES	(1,127)	(69)	(1,196)
FUND BALANCES - BEGINNING	<u>43,079</u>	<u>19,594</u>	<u>62,673</u>
FUND BALANCES - ENDING	<u>\$ 41,952</u>	<u>\$ 19,525</u>	<u>\$ 61,477</u>

SEE INDEPENDENT AUDITOR'S REPORT

City of Tallulah

**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, 2016 and 2015

Exhibit 7

	2016 WATER FUND	2015 WATER FUND	2016 SEWER FUND	2015 SEWER FUND RESTATED
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ -	\$ -	\$ 1,649	\$ 24,361
Receivables, net	282,923	224,446	152,547	145,319
Interfund receivables	-	50,000	-	-
Restricted Assets:				
Cash and cash equivalents	1,064,237	750,136	150,748	96,549
Total Current Assets	1,347,160	1,024,582	304,944	266,229
Noncurrent Assets				
Land and construction in progress	65,451	65,451	612,879	612,879
Depreciable assets	4,261,885	4,885,401	10,575,819	10,818,259
Total Noncurrent Assets	4,327,336	4,950,852	11,188,698	11,431,138
TOTAL ASSETS	5,674,496	5,975,434	11,493,642	11,697,367
LIABILITIES				
Current Liabilities				
Accounts, salaries and other payable	101,578	84,951	299,798	300,796
Interfund payables	196,227	-	67,575	-
Interest payable	118,416	140,982	-	-
Payable from restricted assets - customer deposits	185,139	186,591	-	-
Compensated absences	6,558	6,580	4,607	5,859
Revenue bonds payable - current	290,000	380,000	-	-
Loans payable - current	-	-	45,920	44,359
Total Current Liabilities	\$ 897,918	\$ 799,104	\$ 417,900	\$ 351,014

(Continued)

CITY OF TALLULAH

PROPRIETARY FUND TYPE - ENTERPRISE FUNDS
 Comparative Statement of Net Position
 June 30, 2016 and 2015

				Exhibit 7
	2016 WATER FUND	2015 WATER FUND	2016 SEWER FUND	2015 SEWER FUND RESTATED
Noncurrent Liabilities				
Revenue bonds payable, net	\$ 9,104,204	\$ 9,030,000	\$ -	\$ -
Loans payable	-	-	2,785,268	2,831,032
Total Noncurrent Liabilities	<u>9,104,204</u>	<u>9,030,000</u>	<u>2,785,268</u>	<u>2,831,032</u>
TOTAL LIABILITIES	<u>10,002,122</u>	<u>9,829,104</u>	<u>3,203,168</u>	<u>3,182,046</u>
NET POSITION				
Net investment in capital assets	(5,066,868)	(4,459,148)	8,357,510	8,555,747
Restricted	879,098	563,545	150,748	96,549
Unrestricted	<u>(139,856)</u>	<u>41,933</u>	<u>(217,784)</u>	<u>(136,975)</u>
TOTAL NET POSITION	<u>\$ (4,327,626)</u>	<u>\$ (3,853,670)</u>	<u>\$ 8,290,474</u>	<u>\$ 8,515,321</u>

(Concluded)

SEE INDEPENDENT AUDITOR'S REPORT

CITY OF TALLULAH

SCHEDULE OF COMPENSATION PAID TO COUNCIL MEMBERS
June 30, 2016

Exhibit 8

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.

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>

CITY OF TALLULAH

SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER
PAYMENTS TO AGENCY HEAD

June 30, 2016

Exhibit 9

Agency Head Name: Mayor Paxton Branch

Salary	\$65,500
Benefits - retirement	19,800
Benefits – Long Term Disability	376
Benefits – 2 weeks vacation	2,520
Car allowance	6,000
Reimbursements	7,824
Travel	4,347
Total	106,367

CITY OF TALLULAH
FINANCIAL DATA SCHEDULE
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

Submission Type: Audited / Non-A-133

FYE 06/30/2016

		14.871 Housing Choice Vouchers	<u>Total</u>
111	Cash - Unrestricted	\$ 70,124	\$ 70,124
124	Accounts Receivable - Other Gov't	<u>1,905</u>	<u>1,905</u>
190	Total Assets	<u><u>72,029</u></u>	<u><u>72,029</u></u>
312	Accounts Payable <= 90 Days	<u>50</u>	<u>50</u>
300	Total Liabilities	<u><u>50</u></u>	<u><u>50</u></u>
508.1	Invested in Capital Assets, Net of Related Debt	-	-
511.1	Restricted Net Assets	-	-
512.1	Unrestricted Net Assets	<u>71,979</u>	<u>71,979</u>
513	Total Equity / Net Assets	<u><u>71,979</u></u>	<u><u>71,979</u></u>
600	Total Liabilities and Equity / Net Assets	<u><u>\$ 72,029</u></u>	<u><u>\$ 72,029</u></u>

CITY OF TALLULAH
FINANCIAL DATA SCHEDULE
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

Submission Type: Audited / Non-A-133

FYE 06/30/2016

	<u>14.871 Housing Choice Vouchers</u>	<u>Total</u>
70800 HUD PHA Operating Grants	191,709	191,709
71100 Investment Income - Unrestricted	39	39
71500 Other Revenue	<u>32,807</u>	<u>32,807</u>
70000 Total Revenue	<u>224,555</u>	<u>224,555</u>
91600 Office Expenses	32,610	32,610
91800 Travel	303	303
91900 Other	650	650
96900 Total Operating Expenses	<u>33,563</u>	<u>33,563</u>
97000 Excess of Operating Revenue over Operating Expenses	190,992	190,992
97300 Housing Assistance Payments	168,393	168,393
97350 HAP Portability - In	<u>29,846</u>	<u>29,846</u>
90000 Total Expenses	<u>231,802</u>	<u>231,802</u>
10000 Excess (Deficiency) of Total Revenue Over (Under) Total	<u>(7,247)</u>	<u>(7,247)</u>
11030 Beginning Equity	79,226	79,226
11170 Administrative Fee Equity	<u>71,979</u>	<u>71,979</u>
11180 Housing Assistance Payments Equity	<u>-</u>	<u>-</u>
11190 Unit Months Available	<u>660</u>	<u>660</u>
11210 Number of Unit Months Leased	<u>577</u>	<u>577</u>

**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 (the City) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 30, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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. 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. (Finding 2016-001).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Tallulah's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying letter titled "Management's Corrective Action Plan." The City's response was 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 Hauskrecht, L.L.P.

Metairie, Louisiana

December 30, 2016

CITY OF TALLULAH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

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 was one (1) significant deficiency required to be disclosed by *Government Auditing Standards*, issued by the Comptroller General of the United States of America (see Finding 2016-001).
- iii. No instances of noncompliance considered material to the financial statements, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

Federal Awards

- iv. There were no material weaknesses or significant deficiencies 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 to be reported 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
- viii. The dollar threshold to distinguish between Type A and Type B programs was \$750,000.
- ix. The City of Tallulah did not qualify as a low-risk auditee.

CITY OF TALLULAH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

PART II – FINANCIAL STATEMENT FINDINGS

Finding 2016-001: Cash Management

Cash Disbursements

Entity-wide 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.

Cash Deposits

Entity-wide 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.

CITY OF TALLULAH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Part III – FEDERAL AWARD PROGRAMS FINDINGS AND QUESTIONED COSTS

None

CITY OF TALLULAH

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

FINDING 2015-001: CASH MANAGEMENT

Cash Disbursements

Condition: Incurring late fees and finance fees in addition to forfeiture of discounts for not paying in a timely manner. One invoice paid late incurred a late fee of \$17.04. Once invoice was not paid within 30 days, thus forfeiting 10%, net 30 discount, resulting in a potential savings of \$13.97.

Recommendation: Invoices should be paid within 30 days upon received invoice. If the City lacks funds to do so, arrangements should be made with vendors for a longer window to pay.

Current Status: Unresolved; see current year Finding 2016-001

Cash Deposits

Condition: In a test of forty deposits totaling \$559,657, it was noted that five of the deposits which totaled \$8,578 were deposited more than three business days after being received. The other four deposits were made 8-14 days after being received.

Recommendation: 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.

Current Status: Unresolved; see current year Finding 2016-001

FINDING 2015-002 POLICE TICKETS – FORMAL TRACKING SYSTEM

Condition: City lacks controls over collection and accuracy of police ticket income.

Recommendation: City should establish procedures at every level of the police ticket income collection. We recommend that the police department accurately track all police tickets on the manual or electronic ledger, whichever they choose to proceed with. We recommend they maintain collecting checks and money orders for all payments. All payments should be made out to 'The City of Tallulah' only. When deposits are counted to send to the Clerk's office, the person counting the deposits should keep track of each ticket number that was paid and write the ticket number accordingly on the deposit summary. The police department should enforce increased controls over the collection and tracking of all tickets. Collection of paid tickets should be monitored by video equipment in police department and the ledger should be signed off by two (2) people on each page to indicate its accuracy.

Current Status: Resolved



Office of the Mayor

**MANAGEMENT'S CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2016**

This letter is in response to the Schedule of Findings and Questioned Costs, and outlines the City of Tallulah's views and corrective action plan.

Financial Statement Findings

2016-001: Cash Management

Beginning immediately, the City Clerk will ensure that credit card statements shall be given high priority for quick payment upon receipt each month, thereby eliminating the issue of late payment fees and interest charges. It will be understood by the entire staff that all deposits shall be made immediately or well within the 2-3 day allowable period.

Anticipated completion date: Ongoing throughout the fiscal year ended June 30, 2017.

Person responsible for the above corrective actions:

Gerald Odom, City Clerk
Phone: (318) 574-2773
204 North Cedar
Tallulah, LA 71282

**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 (the 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, 2016. The City's major federal program is 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, 2016.

Report on Internal Control over Compliance

Management of the City 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 not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

December 30, 2016

CITY OF TALLULAH

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM NAME	CFDA Number	Pass-Through Grantor No.	Expenditures
United States Department of Housing and Urban Development			
Direct Program:			
Section 8 Housing Choice Vouchers	14.871		\$ 191,709
Passed Through Louisiana Department of Administration:			
Community Development Block Grant - States Program	14.228	708708	590,776
United States Department of Homeland Security			
Passed Through Madison Parish Police Jury			
Emergency Preparedness: Hazard Mitigation Grant	97.039	1603n-065-0001	26,093
Delta Regional Authority			
Direct Program:			
Delta Area Economic Development	90.201		31,460
TOTAL FEDERAL AWARDS			<u>\$ 840,038</u>

CITY OF TALLULAH

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards ("Schedule") includes the federal grant activity for the City of Tallulah (the City) under programs of the federal government for the years ended June 30, 2016. 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, wherein certain types of expenditures are not allowable or are limited to reimbursement.

MANAGEMENT LETTER

December 30, 2016

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

In planning and performing our audit of the financial statements of City of Tallulah as of and for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered The City of Tallulah's (The City) internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

However, during our audit we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses and matters that are opportunities for strengthening internal controls and operating efficiency. This letter summarizes our comments and suggestions regarding those matters. Our separate letter dated December 30, 2016, contains our communication of significant deficiencies in the Company's internal control. This letter does not affect our report dated December 30, 2016, on the financial statements of The City of Tallulah.

Police Ticket Issuance

The Louisiana Legislative Auditor has provided guidance for local governments to assist in establishing policies with regard to traffic tickets. The City has utilized that guidance in establishing its policy for the operations and controls over traffic tickets. The City has made progress over the past year in improving internal controls by developing and maintaining an electronic spreadsheet ledger of all issued traffic tickets. Our testing in this area revealed that the tickets are securely stored, a written log of all tickets issued to officers with ticket numbers is maintained, copies of outstanding tickets could be located, and the proper amounts were collected and deposited timely on paid tickets.

To increase the accountability of ticket books issued to officers, we suggest that the City include in its policy the requirement that the manual ledger of issued ticket books include the name and signature of the officer receiving those tickets and the signature of the employee issuing those tickets to the officer.

Purchase Orders

The City uses a purchase order system for most purchases of goods and services. The established policy includes an authorization signature on the purchase order. According to the City's policy, any purchase order that is in excess of \$1,000 is to be authorized by either the Mayor or the City Clerk. Our audit revealed several purchase orders that were signed by office clerks for purchases in excess of \$1,000. We recommend that this policy be conveyed to employees working in the office to ensure this control is not being bypassed. This policy provides a level of control, by allowing management to be aware of large purchases and to prevent any unnecessary purchases.

Old Outstanding Checks

The bank reconciliation for customer deposits on the Water Fund contained multiple old outstanding checks. The City should review whether any of these checks are within the timeframe to be reported and remitted to the State Unclaimed Property Division. Information on the requirements of the state law on unclaimed property can be found on the Louisiana Department of the Treasury website.

Accounts Receivable on the Utility Funds

During our audit we found that the accounts receivable balance included amounts due from customers that had been disconnected from service due to lack of payment. In accordance with the City's policy for utility disconnect, after

sixty (60) days without payment, the meter for the customer is locked and the water is turned off; after ninety (90) days without payment, the account is written off and the customer's deposit of sixty (\$60) dollars is forfeited as part of the payment on the balance due. The City is not following its policy to write off the balances of inactive customers.

We recommend that the City review the accounts of all inactive customers and write off uncollectible balances, and institute procedures to operate in accordance with the policy.

Cash Collections and Deposits – Ad Valorem Tax

Collections of receipts at the City office are primarily for Ad Valorem tax. The software system that controls the billing and collections of Ad Valorem tax produces a daily cash out report that becomes part of the receipt and deposit documentation. The software was newly installed in the current year. The initial reports produced from the software provided a breakdown of receipts into checks and cash. Later in the year the reports printed as part of the deposit information did not provide this breakdown.

To increase internal controls over cash collections we recommend that the report that shows the cash / check breakdown be produced, that someone other than the clerk collecting the cash be responsible for counting and reconciling cash to the daily report, and that management conduct periodic test counts and reconciliations to daily receipt reports and bank deposit records.

Capital Assets – Policy and Procedures

The City's policy for the safeguarding of capital assets includes the maintenance of a detail asset ledger which is updated each year for asset additions and disposals. The detail asset ledger does not include a location of the asset or an asset tag number. The City's policy as explained to us is that vehicles are tracked by serial number and large assets are tagged for inventory. Our inquiry in the current year revealed that an annual inventory is not being taken. Failure to periodically perform an inventory of assets exposes the municipality to possible loss, theft and misuse of its assets.

To increase internal controls over capital assets we recommend that the City begin a program to document on its detail fixed asset ledger (asset inventory), the location of each capital asset and the assigned serial number or tag number. Every asset that is not currently tagged, should be, and the tag number included on asset inventory. On an annual basis, before year end, the City should provide each department head with a copy of the asset inventory, in a format that the department head can check mark for each inventory item observed, indicate whether the asset has a new location, or an "x" if the asset cannot be located. Each department head should be made accountable for the assets in their department. Upon completion of the inventory, each department head should sign and date their inventory list to be remitted to the City Clerk for reconciling to the accounting records. The inventory lists should be retained by the City Clerk as documentation that a physical inventory had been performed.

Lack of Supporting Documentation for Purchases

Policies implemented by the City should be followed to ensure the appropriate documentation is maintained, and that purchases are reasonable, necessary and solely for the public purpose / function of the municipality. In a test of 308 transactions including purchases on credit cards, forty-seven (47) transactions did not have appropriate supporting documentation to verify whether the purchase was reasonable, necessary and for a valid public purpose. The exceptions included meals and hotel bills charged on credit cards with invoices attached but without a business purpose indicated, and other purchases where the attached invoice could not be read, or was a credit card charge without a supporting invoice. Management has not adequately reviewed supporting documentation for completeness. By not requiring the appropriate supporting documentation be maintained for all purchases, including support for the public purpose / function of the purchase, could result in the misuse of public funds. Following are some recommendations that could be put in place to increase internal controls over disbursements.

- Management (the Mayor & or City Clerk) should review all cash disbursements documentation and credit card statements and supporting documentation prior to payment to ensure all supporting documentation is complete. Appropriate supporting documentation would include a properly executed purchase order, a receiving report or

delivery receipt, an invoice and approval by the Mayor. This documentation should be maintained for every disbursement.

- Any purchase / credit card charge without appropriate supporting documentation requires a detailed explanation and description and the written approval of the mayor.
- Employees should be made responsible for obtaining receipts/documentation as proof of purchase and for documenting the business purpose on the receipts. Receipts for any meals and entertainment expenditures also must contain documentation of the names of all persons participating and the business discussed. Hotel bills or conference fees should be documented by retaining with the receipts a copy of the event or conference brochure.

Conclusion

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Company personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management of The City of Tallulah, and is not intended to be, and should not be, used by anyone other than those specified parties.

Sincerely,

LeBlanc Hauskrecht, L.L.P.

Metairie, Louisiana

December 30, 2016