

**City of Tallulah
Tallulah, Louisiana**

**General-Purpose Financial Statements
As of and for the Year Ended June 30, 2003
With Supplemental Information Schedules**

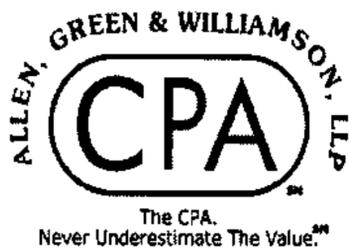


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INDEPENDENT AUDITORS' REPORT

Mayor and Council Members
City of Tallulah
Tallulah, Louisiana

We have audited the accompanying financial statements of City of Tallulah, as of and for the year ended June 30, 2003, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City as of June 30, 2003, and the results of its operations and its cash flows of its proprietary funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 27, 2004, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The information identified in the table of contents as supplemental information is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
February 27, 2004

CITY OF TALLULAH

ALL FUND TYPES AND ACCOUNT GROUP
 Combined Balance Sheet
 June 30, 2003

*****GOVERNMENTAL FUNDS*****

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECTS</u>
ASSETS AND OTHER DEBITS				
Assets:				
Cash and cash equivalents	\$ 573,412	\$ 194,469	\$ 324,479	\$ 100
Investments	0	0	519,510	0
Receivables	229,409	0	0	24,293
Interfund receivables	203,683	32,434	15,691	0
Prepaid expenses	0	0	0	0
Restricted Assets:				
Cash				
Investments				
Land, buildings, equipment and improvements (net of accumulated depreciation)	0	0	0	0
Deferred bond issue costs (net of amortization)	0	0	0	0
Amount available in debt service funds				
Amount to be provided for retirement of general long-term debt	0	0	0	0
TOTAL ASSETS AND OTHER DEBITS	<u>1,006,504</u>	<u>226,903</u>	<u>859,680</u>	<u>24,393</u>
LIABILITIES AND FUND EQUITY				
Current Liabilities (payable from current assets):				
Accounts payable	87,887	4,830	0	24,293
Salaries payables	23,012	0	0	0
Interfund payables	97,634	1,506	0	393
Deferred revenue	0	0	0	0
Total current liabilities (payable from current assets)	<u>208,533</u>	<u>6,336</u>	<u>0</u>	<u>24,686</u>
Current Liabilities (payable from restricted assets):				
Customer deposits	0	0	0	0
Current portion of long-term debt	0	0	0	0
Total current liabilities (payable from restricted assets)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

STATEMENT A

PROPRIETARY FUND - ENTERPRISE	**ACCOUNT GROUPS**		TOTAL (MEMORANDUM ONLY)
	GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	
\$ 674,370	\$ 0	\$ 0	\$ 1,766,830
			519,510
191,333			445,035
133,022		0	384,830
1,311	0	0	1,311
1,373	0	0	1,373
811,807	0	0	811,807
15,985,489	3,636,266		19,621,755
262,638	0	0	262,638
		859,680	859,680
0		2,092,703	2,092,703
<u>18,061,343</u>	<u>3,636,266</u>	<u>2,952,383</u>	<u>26,767,472</u>
55,758	0	0	172,768
12,274	0	0	35,286
285,297	0	0	384,830
22,601	0	0	22,601
<u>375,930</u>		<u>0</u>	<u>615,485</u>
49,455	0	0	49,455
620,228	0	0	620,228
<u>\$ 669,683</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 669,683</u>

(CONTINUED)

CITY OF TALLULAH

ALL FUND TYPES AND ACCOUNT GROUP
 Combined Balance Sheet
 June 30, 2003

*****GOVERNMENTAL FUNDS*****

	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
Long-Term Liabilities:				
Bonds payable	\$ 0	\$ 0	\$ 0	\$ 0
Capital leases payable	0	0	0	0
Due to retirement system	0	0	0	0
Bank loans payable	0	0	0	0
Legal settlement payable	0	0	0	0
Total long-term liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total liabilities	<u>208,533</u>	<u>6,336</u>	<u>0</u>	<u>24,686</u>
Fund Equity:				
Investment in general fixed assets	0	0	0	0
Contributed capital	0	0	0	0
Retained earnings	0	0	0	0
Fund Balances:				
Reserved for debt service	0	0	859,680	0
Unreserved and undesignated	797,971	220,567	0	(293)
Total Fund Equity	<u>797,971</u>	<u>220,567</u>	<u>859,680</u>	<u>(293)</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 1,006,504</u>	<u>\$ 226,903</u>	<u>\$ 859,680</u>	<u>\$ 24,393</u>

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

STATEMENT A

ACCOUNT GROUPS			
PROPREITARY FUND - UTILITY ENTERPRISE	GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	TOTAL (MEMORANDUM ONLY)
\$ 7,899,141	\$ 0	\$ 2,500,582	\$ 10,399,723
0	0	45,409	45,409
0	0	163,006	163,006
0	0	143,386	143,386
0	0	100,000	100,000
<u>7,899,141</u>	<u>0</u>	<u>2,952,383</u>	<u>10,851,524</u>
<u>8,944,754</u>	<u>0</u>	<u>2,952,383</u>	<u>12,136,692</u>
0	3,636,266	0	3,636,266
6,435,337	0	0	6,435,337
2,681,252	0	0	2,681,252
0	0	0	859,680
0	0	0	1,018,245
<u>9,116,589</u>	<u>3,636,266</u>	<u>0</u>	<u>14,630,780</u>
<u>\$ 18,061,343</u>	<u>\$ 3,636,266</u>	<u>\$ 2,952,383</u>	<u>\$ 26,767,472</u>

(CONCLUDED)

CITY OF TALLULAH

ALL GOVERNMENTAL FUNDS
 Combined Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 For the Year Ended June 30, 2003

Statement B

	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	TOTAL (MEMORANDUM ONLY)
REVENUES					
Local sources:					
Taxes:					
Ad valorem	\$ 564,924	\$ 128,181	\$ 132,573	\$ 0	\$ 825,678
Sales	1,013,495	0	0	0	1,013,495
Other taxes, penalties, and interest	17,516	0	0	0	17,516
Licenses and permits	162,197	0	0	0	162,197
Intergovernmental revenues					
Federal grants	29,676	272,857	0	485,864	788,397
State grants	210,805	0	0	0	210,805
Local funds	0	0	0	71,750	71,750
Fees, charges, and commissions					
for services	9,300	0	0	0	9,300
Use of money and property	29,228	1,434	4,875	0	35,537
Fines and forfeitures	48,063	0	0	0	48,063
Miscellaneous revenues	41,611	1,974	0	0	43,585
Total revenues	2,126,815	404,446	137,448	557,614	3,226,323
EXPENDITURES					
Current:					
General government:					
Legislative	47,668	0	0	0	47,668
Financial and administrative	735,571	0	1,891	15,750	753,212
Public safety	906,320	0	0	0	906,320
Public works	485,074	129,809	0	541,864	1,156,747
Health and welfare	0	142,842	0	0	142,842
Culture and recreation	80,482	0	0	0	80,482
Transportation	29,181	0	0	0	29,181
Other	0	0	0	(2)	(2)
Debt service:					
Principal retirement	88,691	0	330,083	0	418,774
Interest and bank charges	8,810	0	29,859	0	38,669
Capital outlay	52,785	0	0	0	52,785
Total expenditures	2,434,582	272,651	361,833	557,612	3,626,678
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	(307,767)	131,795	(224,385)	2	(400,355)

(CONTINUED)

CITY OF TALLULAH

ALL GOVERNMENTAL FUNDS
 Combined Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 For the Year Ended June 30, 2003

Statement B

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	\$ 200,000	\$ 0	\$ 295,043	\$ 0	\$ 495,043
Operating transfers out	(295,043)	0	0	0	(295,043)
TOTAL OTHER FINANCING SOURCES (USES)	(95,043)	0	295,043	0	200,000
EXCESS (Deficiency) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(402,810)	131,795	70,658	2	(200,355)
FUND BALANCES - BEGINNING	1,200,781	88,772	789,022	(295)	2,078,280
FUND BALANCES - ENDING	\$ 797,971	\$ 220,567	\$ 859,680	\$ (293)	\$ 1,877,925

(CONCLUDED)

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

CITY OF TALLULAH

GENERAL FUND

Combined Statement of Revenues, Expenditures,
and Changes in Fund Balances - Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2003

Statement C

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES			
Local sources:			
Taxes:			
Ad valorem	\$ 549,700	\$ 564,924	\$ 15,224
Sales	1,125,000	1,013,495	(111,505)
Other taxes, penalties, and interest	12,500	17,516	5,016
Licenses and permits	133,000	162,197	29,197
Intergovernmental revenues			
Federal grants	29,676	29,676	0
State grants	238,700	210,805	(27,895)
Fees, charges, and commissions for services	28,800	9,300	(19,500)
Use of money and property	30,400	29,228	(1,172)
Fines and forfeitures	80,400	48,063	(32,337)
Miscellaneous revenues	35,500	41,611	6,111
	<u>2,263,676</u>	<u>2,126,815</u>	<u>(136,861)</u>
Total revenues			
EXPENDITURES			
Current:			
General government:			
Legislative	50,000	47,668	2,332
Financial and administrative	1,109,400	735,571	373,829
Public safety	1,010,858	906,320	104,538
Public works	420,650	485,074	(64,424)
Culture and recreation	81,750	80,482	1,268
Transportation	0	29,181	(29,181)
Debt service			
Principal retirement	0	88,691	(88,691)
Interest and bank charges	0	8,810	(8,810)
Capital outlay	0	52,785	(52,785)
	<u>2,672,658</u>	<u>2,434,582</u>	<u>238,076</u>
Total expenditures			
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	<u>\$ (408,982)</u>	<u>\$ (307,767)</u>	<u>\$ 101,215</u>

(CONTINUED)

CITY OF TALLULAH

GENERAL FUND
 Combined Statement of Revenues, Expenditures,
 and Changes in Fund Balances- Budget (GAAP Basis) and Actual
 For the Year Ended June 30, 2003

Statement C

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	\$ 225,000	\$ 200,000	\$ (25,000)
Operating transfers out	0	(295,043)	(295,043)
TOTAL OTHER FINANCING SOURCES (USES)	<u>225,000</u>	<u>(95,043)</u>	<u>(320,043)</u>
EXCESS (Deficiency) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(183,982)	(402,810)	(218,828)
FUND BALANCES - BEGINNING	<u>1,200,000</u>	<u>1,200,781</u>	<u>781</u>
FUND BALANCES - ENDING	<u>\$ 1,016,018</u>	<u>\$ 797,971</u>	<u>\$ (218,047)</u>

(CONTINUED)

CITY OF TALLULAH
SPECIAL REVENUE
Combined Statement of Revenues, Expenditures,
and Changes in Fund Balances - Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2003

Statement C

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES			
Local sources:			
Taxes:			
Ad valorem	\$ 120,000	\$ 128,181	\$ 8,181
Intergovernmental revenues			
Federal grants	185,000	272,857	87,857
Use of money and property	0	1,434	1,434
Miscellaneous revenues	0	1,974	1,974
Total revenues	<u>305,000</u>	<u>404,446</u>	<u>99,446</u>
EXPENDITURES			
Current:			
Public works	140,000	129,809	10,191
Health and welfare	165,000	142,842	22,158
Total expenditures	<u>305,000</u>	<u>272,651</u>	<u>32,349</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	<u>0</u>	<u>131,795</u>	<u>131,795</u>
FUND BALANCES - BEGINNING	<u>0</u>	<u>88,772</u>	<u>88,772</u>
FUND BALANCES - ENDING	<u>\$ 0</u>	<u>\$ 220,567</u>	<u>\$ 220,567</u>

(CONCLUDED)

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

CITY OF TALLULAH

PROPRIETARY FUND TYPE - ENTERPRISE FUNDS
 Combined Statement of Revenues, Expenses,
 and Changes in Retained Earnings
 For the Year Ended June 30, 2003

Statement D

OPERATING REVENUES	
Charges for services	\$ 1,890,537
Other operating revenue	<u>225,847</u>
Total operating revenues	<u>2,116,384</u>
OPERATING EXPENSES	
Personal services	689,412
Supplies	151,078
Maintenance	353,454
Utilities	182,751
Miscellaneous	67,840
Uniforms	8,827
Insurance	68,345
Accounting fees	6,500
Bad debt expense	20,735
Depreciation	<u>595,435</u>
Total operating expenses	<u>2,144,377</u>
OPERATING INCOME (Loss)	<u>(27,993)</u>
NONOPERATING REVENUES (EXPENSES)	
Grant revenue	402,233
Interest income	13,726
Interest expense	(456,836)
Operating transfers out	(200,000)
Amortization of bond issue costs	<u>(21,147)</u>
Total nonoperating revenues (expenses)	<u>0</u>
NET INCOME (Loss)	0
Add depreciation on fixed assets acquired with restricted federal grant	<u>0</u>
INCREASE (Decrease) IN RETAINED EARNINGS	0
RETAINED EARNINGS - BEGINNING OF YEAR	<u>0</u>
RETAINED EARNINGS - END OF YEAR	<u>\$ 0</u>

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

CITY OF TALLULAH

PROPRIETARY FUND TYPE - ENTERPRISE FUNDS
 Combined Statement of Cash Flows
 For the Year Ended June 30, 2003

	Statement E
	<u>TOTAL</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Income (Loss)	\$ (27,993)
Adjustments to Reconcile Operating Income (Loss) to Net Cash	
Provided (Used) by operating activities:	
Depreciation	595,435
Decrease (increase) in accounts receivable	57,683
Decrease (increase) in interfund receivable	(63,962)
Increase (decrease) in accounts payable	(98,702)
Increase (decrease) in salaries payable	(1,472)
Increase (decrease) in interfund payables	49,693
Increase (decrease) in deferred revenues	(2,323)
Increase (decrease) in customer deposits liability	1,469
Total adjustments	<u>537,821</u>
 Net cash provided (used) for operating activities	 <u>509,828</u>
 CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES	
Non-operating grant revenue	402,233
Non-operating transfers out	<u>(200,000)</u>
Net cash provided (used) from by noncapital and related financing activities	<u>202,233</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and construction of capital assets	(404,897)
Principal reduction	(156,631)
Interest paid on bonds	<u>456,836</u>
 Net cash provided (used) by capital and related financing activities	 <u>(1,018,364)</u>
 CASH FLOW FROM INVESTING ACTIVITIES	
Earnings on investments	<u>13,726</u>
 Net increase (decrease) in cash and cash equivalents	 (292,577)
 CASH AND CASH EQUIVALENTS - BEGINNING	 <u>1,780,127</u>
 CASH AND CASH EQUIVALENTS - ENDING	 <u>\$ 1,487,550</u>
 NON CASH TRANSACTIONS	
Amortization of bond issue costs	\$ 21,147

City of Tallulah
Notes to the General-Purpose Financial Statements

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City of Tallulah
Notes to the General-Purpose Financial Statements

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 9,163. 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, 2006.

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) Statement No. 14 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 for which the City does not appoint a voting majority but are fiscally dependent on the City.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization were not included because of the nature or significance of the relationship.

Because the City appoints the governing body of the Tallulah 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.

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

A fund is a separate accounting entity with a self-balancing set of accounts that comprises its assets, liabilities, fund equity, revenues, and expenditures. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities (general fixed assets and general long-term obligations) that are not recorded in the "funds" because they do not directly affect net expendable available financial resources. They are concerned only with the measurement of financial position, not with the measurement of results of operations.

Funds are classified into three 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. Fiduciary funds are used to account

City of Tallulah
Notes to the General-Purpose Financial Statements

for assets held for others. The City's current operations require the use of governmental and proprietary fund types described as follows:

Governmental Funds

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

Special revenue funds – are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

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

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

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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 the obligations are expected to be liquidated with expendable available financial resources.

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

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

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

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

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

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

City of Tallulah
Notes to the General-Purpose Financial Statements

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.

The Sewer and Water Enterprise Funds are maintained on the accrual basis of accounting. Revenues are recognize when they are earned, and expenses are recognized when they are incurred.

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

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 a published in the official journal.

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

E. CASH AND CASH EQUIVALENTS Under state law, the City may deposit funds within a fiscal agent bank organized under the laws of the state of Louisiana, the laws of any other state in the union, or the laws of the United States of America. The City may invest in certificates and time deposits of state banks organized under Louisiana laws and national banks having principal offices in Louisiana.

For purposes of the statement of cash flows, cash equivalents include all highly liquid investments with a maturity date of three months or less when purchased.

F. INVESTMENTS Under state law, the City may invest funds in obligations of the United States of America, in federally insured investments, or in time deposits with state banks organized under Louisiana law and national banks having principal offices in Louisiana. Investments in marketable securities (United States Treasury Notes) are reported at their cost on Statement A, which is the same as their market value.

G. FIXED ASSETS Fixed assets used in governmental fund-type operations (general fixed assets) are accounted for in the general fixed asset account group, rather than in the general fund. All purchased fixed assets are valued at cost where historical records are available and at estimated cost where no historical records are available. Approximately 50 percent of fixed assets are valued at actual cost, while remaining 50 percent are valued at estimated cost based on the actual cost of like items. No depreciation has been provided on general fixed assets.

The cost of normal maintenance and repairs that do not add to the value of fixed assets or materially extend their useful lives are not capitalized. Public domain (infrastructure) general fixed assets consisting of roads, bridges, drainage, parking lots, etc. are not capitalized, as these assets are immovable and of value only to the City.

City of Tallulah
Notes to the General-Purpose Financial Statements

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

The fixed assets used in the proprietary fund-type operations are included on the balance sheet of the fund. Depreciation of all exhaustible fixed assets used by the proprietary fund type operations are charged as an expense against operations. Depreciation is computed using the straight-line method over estimated lives of 60 years for the plant, distribution system, and collection system, 3 to 10 years for furniture and equipment.

I. VACATION AND SICK LEAVE 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 take or when employees are paid for accrued leave upon resignation or retirement.

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

K. TOTAL COLUMNS ON THE COMBINED STATEMENTS The total columns on the combined statements are captioned Memorandum Only (overview) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

L. RISK MANAGEMENT The City exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. To handle such risk of loss, the City maintains commercial insurance policies covering its automobiles, professional liability, general liability, and surety bond coverage. There were no significant reductions in insurance coverage during the year ended June 30, 2003.

NOTE 2 - DEPOSITS At June 30, 2003, the City had cash and cash equivalents, net of cash overdrafts (book balances) as follows:

Demand deposits	\$ 913,954
Petty cash	1,824
Time deposits	<u>852,425</u>
Total	<u>\$1,768,203</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Cash and cash equivalents (bank balances) at June 30, 2003, are secured as follows:

Bank balances	<u>\$1,837,973</u>
Federal deposit insurance	\$ 486,754
Pledged securities (uncollateralized)	<u>2,752,117</u>
Total	<u>\$3,238,871</u>

City of Tallulah
Notes to the General-Purpose Financial Statements

Because the pledged securities are held by a custodial bank in the name of the fiscal agent bank rather than in the name of the City, they are considered uncollateralized (Category 3) under the provisions of GASB Codification C20.106; however, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten days of being notified by the City that the fiscal agent bank has failed to pay deposited funds upon demand.

NOTE 3 - LEVIED TAXES The following is a summary of authorized and levied ad valorem taxes:

	<u>Authorized Millage</u>	<u>Levied Millage</u>
City operations	17.93	17.39
Police and fire departments	7.53	7.53
1991 street program	9.48	9.48
1988 general obligation bond	Various	8.10
1981 general obligation bond	Various	.50

The difference between authorized and levied millages is the result of reassessments of taxable property required by Article 7, Section 18(f) of the Louisiana Constitution of 1974.

The following are the principal taxpayers for the parish and city and their combined 2003 assessed valuation:

	<u>Assessed Valuation</u>	<u>Percent of Total</u>
Hibernia National Bank	\$1,246,310	8.20
FBA, LLC	1,155,524	7.76
Bell South Telecommunications	490,330	3.20
Cross Keys Bank	440,810	2.90
Country Ford, Inc.	309,870	2.00
Madison Correctional Center	266,249	1.70
Staple Cotton Cooperative	245,546	1.60
Lubrizul	223,040	1.50
Atmos Energy	200,496	1.30
National Auto/Truck Stops, Inc.	<u>174,000</u>	<u>1.10</u>
	<u>\$4,752,175</u>	<u>31.26</u>

NOTE 4 - RECEIVABLES The following is a summary of receivables at June 30, 2003:

<u>Class of Receivable</u>	<u>General</u>	<u>Capital Projects</u>	<u>Enterprise</u>	<u>Total</u>
Taxes:				
Sales and use	\$ 95,238	\$ 0	\$ 0	\$ 95,238
Other taxes, penalties, and interest	65,347	0	0	65,347
Grants:		0		
Federal	24,293	0	0	24,293
State	43,861	0	0	43,861
Sewer user fees	0	0	52,757	52,757
Water user fees	0	0	130,530	130,530
Other	670	24,293	8,046	33,009
Total	<u>\$229,409</u>	<u>\$24,293</u>	<u>\$191,333</u>	<u>\$445,035</u>

City of Tallulah
Notes to the General-Purpose Financial Statements

NOTE 5 - DUE FROM/TO OTHER FUNDS Individual balances due from/to other funds at June 30, 2003, are as follows:

Due from/to other funds:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General fund	\$203,683	\$ 97,634
Special revenue funds:		
Section 8	16,483	
Street construction	15,951	1,506
Debt Service Funds:		
1998 Obligation	13,951	
1981 Obligation	1,740	
Capital Projects Funds:		
LCBG		293
Fire protection	33,513	100
Sewer enterprise fund		262,967
Water enterprise fund	<u>99,509</u>	<u>22,330</u>
Total	<u>\$384,830</u>	<u>\$384,830</u>

NOTE 6 - CAPITAL ASSETS The following presents the changes in general fixed assets for the year ended June 30, 2003:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental activities:				
Cost				
Land	\$ 78,500	\$ 0	\$0	\$ 78,500
Buildings and improvements	2,344,940	0	0	2,344,940
Furniture and equipment	1,020,650	52,785	0	1,073,435
Assets under capital lease	<u>139,391</u>	<u>0</u>	<u>0</u>	<u>139,391</u>
Capital assets, net	<u>\$3,583,481</u>	<u>\$52,785</u>	<u>\$0</u>	<u>\$3,636,266</u>

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

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
Land	\$ 612,879	\$ 65,451	\$ 678,330
Equipment	312,457	565,775	878,232
Plant	7,866,378	2,034,116	9,900,494
Transmission lines	326,941	2,203,053	2,529,994
Water systems	0	2,980,369	2,980,369
Pumping stations	<u>0</u>	<u>337,944</u>	<u>337,944</u>
Total depreciable assets	9,118,655	8,186,708	17,305,363
Less accumulated depreciation	<u>2,034,894</u>	<u>1,675,158</u>	<u>3,710,052</u>
Net depreciable assets	7,083,761	6,511,550	13,595,311
Add construction in progress	<u>0</u>	<u>2,390,178</u>	<u>2,390,178</u>
Total plant and equipment	<u>\$7,083,761</u>	<u>\$8,901,728</u>	<u>\$15,985,489</u>

NOTE 7 - PENSION PLANS Substantially all employees of the City of Tallulah are members of either the Firefighters' Retirement System of Louisiana, the Municipal Police Retirement System of Louisiana, or the Social Security System. The state retirement systems are each multiple-employer, public employee retirement systems (PERS), controlled and administered by separate boards of trustees.

City of Tallulah
Notes to the General-Purpose Financial Statements

FIREFIGHTERS' RETIREMENT SYSTEM OF LOUISIANA Membership in the Louisiana Firefighters' Retirement System is mandatory for all full-time firefighters employed by a municipality, parish, or fire protection district that did not enact an ordinance before January 1, 1980, exempting itself from participation in the System. Employees are eligible to retire at or after age 55 with at least 12 years of creditable service or at or after age 50 with at least 20 years of creditable service. Upon retirement, members are entitled to a retirement benefit, payable monthly for life, equal to 3⅓ percent of their final-average salary for each year of creditable service, not to exceed 100 percent of their final-average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least 12 years of service and do not withdraw their employee contributions may retire at or after age 55 (or at or after age 50 with at least 20 years of creditable service at termination) and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Firefighters' Retirement System, Post Office Box 94095, Baton Rouge, Louisiana 70804, or by calling (225) 925-4060.

Plan members are required by state statute to contribute 8.0 percent of their annual covered salary and the City of Tallulah is required to contribute an actuarially determined rate. The current rate is 9.0 percent of annual covered payroll. The contribution requirements of plan members and the City of Tallulah are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer 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. The City of Tallulah's contributions to the System for the years ending June 30, 2003, 2002, and 2001, were \$13,427, \$10,742, and \$9,347, respectively, equal to the required contributions for each year.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM All full-time police department employees engage in law enforcement are required to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3⅓ percent of the final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified previously and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained in writing to the Municipal Police Employees' Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (225) 929-7411.

Plan members are required by state statute to contribute 7.5 percent of their annual covered salary and the City of Tallulah is required to contribute at an actuarially determined rate. The current rate is 9.0 percent of annual covered payroll. The contribution requirements of plan members and the City of Tallulah are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer 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. The City of Tallulah's contributions to the System for the years ended June 30, 2003, 2002, and 2001, were \$21,945, \$23,079, and \$23,394, respectively, equal to the required contributions for each year.

NOTE 8 - BANK LOANS PAYABLE During the year ended June 30, 1997, the City secured a bank loan to finance the construction of a factory building. The amount of the loan was \$376,813 with a 7.0 percent interest. The remaining principal in the amount of \$143,386 is due in annual installments of \$51,894 through 2007. Loan payments are made from the general fund.

City of Tallulah
Notes to the General-Purpose Financial Statements

NOTE 9 - CHANGES IN LONG-TERM OBLIGATIONS The following is a summary of long-term obligation transactions for the year ended June 30, 2003:

	<u>Bonded Debt</u>	<u>Capital Leases</u>	<u>Other</u>	<u>Legal Settlements</u>	<u>Total</u>
Long-term debt at July 1, 2002	\$2,773,882	\$89,237	\$353,531	\$150,000	\$3,366,650
Additions	0	0	0	100,000	100,000
Retirements	<u>273,300</u>	<u>43,828</u>	<u>47,139</u>	<u>150,000</u>	<u>514,267</u>
Long-term debt at June 30, 2003	<u>\$2,500,582</u>	<u>\$45,409</u>	<u>\$306,392</u>	<u>\$100,000</u>	<u>\$2,952,383</u>

The classification "other" consists of \$163,006 which represents the balance remaining as a result of the City of Tallulah's Police Retirement Fund merging with the Municipal and State Police Retirement System of Louisiana, and \$143,386, representing a bank loan.

Bonded debt payable at June 30, 2003, are comprised of the following individual issues:

General obligation bonds:

\$260,000 – General Obligation Bonds. The remaining principal is due in annual installments of \$4,782 to \$14,527 through October 8, 2021, with interest of 5 percent. Debt retirement payments are made from the 1982 General Obligation Bond Debt Service Fund. \$ 185,960

\$640,000 – 1998 Refunding Bonds. The remaining principal is due in annual installments of \$15,000 to \$80,000 through March 1, 2008, with interest of 4.95 percent. Debt retirement payments are made from the 1998 General Obligation Bond Debt Service Fund. 350,000

\$327,740 – Certificates of Indebtedness. The principal will be due in annual installments of \$42,187 June 30, 2011. Interest is 4.50 percent. 269,622

Total general obligation bonds 805,582

Revenue bond – \$2,390,000 – 1998 Public Improvement Refunding Bonds. The remaining principal is due in annual installments of \$175,000 to \$260,000 through July 1, 2009. Interest rates are 3.90 percent to 5.00 percent. Debt retirement payments are made from the 1998 Public Improvement Bond Debt Service Fund. 1,695,000

Total bonded debt payable from Governmental fund-type funds \$2,500,582

Water Revenue bonds

\$6,500,000 – Principal is due in annual installments of \$140,000 to \$465,000 through September 1, 2024. Interest rates are 4.00 percent to 5.50 percent. Debt retirement payments are made from the Water Enterprise Fund. \$6,065,000

\$1,733,000 – Principal is due in monthly installments starting February 26, 2003, of \$8,356 through January 26, 2041. Interest rate is 4.875 percent. Debt retirement payments are made from the Water Enterprise Fund. 1,726,369

\$728,000 – Principal is due in monthly installments starting August 20, 2002, through August 20, 2042. Interest rate is 4.50 percent. Debt retirement payments are made from the Water Enterprise Fund. 728,000

Total revenue bonds payable from Water Enterprise Fund \$8,519,369

City of Tallulah
Notes to the General-Purpose Financial Statements

As shown on Statement A, \$859,680 is available in debt service funds to service the bonded debt in the general long-term debt account group. The annual requirements to amortize all outstanding debt at June 30, 2003 are as follows:

Year	General Long-Term Debt			Enterprise Funds		
	Principal	Interest	Total	Principal	Interest	Total
2004	\$ 470,395	\$140,773	\$ 611,168	\$ 171,474	\$ 448,754	\$ 620,228
2005	461,729	119,159	580,888	189,868	441,359	631,227
2006	421,331	98,298	519,629	196,071	433,061	629,132
2007	364,523	77,507	442,030	212,332	419,050	631,382
2008	366,745	56,846	423,591	223,655	403,853	627,508
2009-2013	747,533	89,525	837,058	1,360,466	1,782,307	3,142,773
2014-2018	65,598	22,231	87,829	1,759,592	1,394,039	3,153,631
2019-2023	54,529	6,971	61,500	2,250,514	894,336	3,144,850
2024-2028	0	0	0	801,394	391,726	1,193,120
2029-2033	0	0	0	426,242	276,768	703,010
2034-2038	0	0	0	540,146	162,864	703,010
2039-2043	0	0	0	387,615	32,681	420,296
Total	<u>\$2,952,383</u>	<u>\$611,310</u>	<u>\$3,563,693</u>	<u>\$8,519,369</u>	<u>\$7,080,798</u>	<u>\$15,600,167</u>

General obligation bonds totaling \$805,582 at June 30, 2003, 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 percent of the assessed value of taxable property in the City. The City is within that statutory limitation.

NOTE 10 - CONTRIBUTED CAPITAL The City has received grants from various federal, state, and local agencies to finance the acquisition and construction of the enterprise fund fixed assets. The amount, shown as contributed capital on the balance sheet, is reduced each year by the amount of depreciation expense recognized on fixed assets constructed or acquired with the grant funds. At June 30, 2003, accumulated reduction of contributed capital related to those assets is \$1,757,983.

NOTE 11 - LITIGATION AND CLAIMS At June 30, 2003, the City is involved in several lawsuits. The City reached a settlement of one lawsuit subsequent to year end. A long-term liability has been accrued in the General Long-term Obligations Fund in the amount of \$100,000. In the opinion of the City's legal counsel, the outcome of any remaining lawsuits will not materially affect the financial statements.

NOTE 12 - SEGMENT INFORMATION The City maintains two enterprise funds which provide water and sewer services. Segment information for the year ended June 30, 2003, was as follows:

	Water Fund	Sewer Fund	Total Enterprise Funds
Operating revenues	\$1,610,492	\$505,892	\$2,116,384
Depreciation and amortization expense	467,083	149,499	616,582
Operating income (loss)	249,191	(277,184)	(27,993)
Operating transfers out	200,000	0	200,000
Net income (loss)	(15,010)	(275,007)	(290,017)
Property, plant, and equipment –			
Additions	402,233	0	402,233
Net working capital	433,771	190,335	624,106
Total assets	10,510,832	7,550,511	18,061,343
Total equity	1,891,948	7,224,641	9,116,589

SUPPLEMENTAL INFORMATION

**City of Tallulah
Special Revenue Funds**

SECTION 8 – The Section 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.

STREET PROGRAM – The Street Program Fund accounts for the maintenance of the City streets. Major means of financing is provided by a specific City-wide ad valorem tax.

BUILDING REPAIR – The Building Repair Fund accounts for repairs and maintenance of the City hall funded by a grant from the state of Louisiana.

TEC BUILDING – The TEC Building Fund accounts for revenue received from the rental of a City-owned building.

CITY OF TALLULAH
SPECIAL REVENUE FUNDS
 Combining Balance Sheet
 June 30, 2003

Exhibit 1

	<u>SECTION 8</u>	<u>STREET PROGRAM</u>	<u>BUILDING REPAIR</u>	<u>TEC BUILDING</u>	<u>TOTAL</u>
ASSETS					
Cash and cash equivalents	\$ 116,090	\$ 68,241	\$ 10	\$ 10,128	\$ 194,469
Interfund receivables	<u>16,483</u>	<u>15,951</u>	<u>0</u>	<u>0</u>	<u>32,434</u>
TOTAL ASSETS	<u>132,573</u>	<u>84,192</u>	<u>10</u>	<u>10,128</u>	<u>226,903</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts, salaries and other payables	0	4,830	0	0	4,830
Interfund payables	<u>0</u>	<u>1,506</u>	<u>0</u>	<u>0</u>	<u>1,506</u>
TOTAL LIABILITIES	0	6,336	0	0	6,336
FUND BALANCES:					
Unreserved and undesignated	<u>132,573</u>	<u>77,856</u>	<u>10</u>	<u>10,128</u>	<u>220,567</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 132,573</u>	<u>\$ 84,192</u>	<u>\$ 10</u>	<u>\$ 10,128</u>	<u>\$ 226,903</u>

CITY OF TALLULAH

SPECIAL REVENUE FUNDS
 Combining Schedule of Revenues, Expenditures,
 and Changes in Fund Balances
 For the Year Ended June 30, 2003

Exhibit 2

	<u>SECTION 8</u>	<u>STREET PROGRAM</u>	<u>BUILDING REPAIR</u>	<u>TEC BUILDING</u>	<u>TOTAL</u>
REVENUES					
Local sources:					
Taxes					
Ad valorem	\$ 0	\$ 128,181	\$ 0	\$ 0	\$ 128,181
Intergovernmental revenues	272,857	0	0	0	272,857
Use of money and property	584	704	0	146	1,434
Miscellaneous revenues	1,974	0	0	0	1,974
Total revenues	275,415	128,885	0	146	404,446
EXPENDITURES					
Current:					
Public works	0	129,809	0	0	129,809
Health and welfare	142,842	0	0	0	142,842
Total expenditures	142,842	129,809	0	0	272,651
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	132,573	(924)	0	146	131,795
FUND BALANCES - BEGINNING	0	78,780	10	9,982	88,772
FUND BALANCES - ENDING	\$ 132,573	\$ 77,856	\$ 10	\$ 10,128	\$ 220,567

**City of Tallulah
Debt Service Funds**

1998 GENERAL OBLIGATION BOND FUND – The 1998 General Obligation Bond Fund accumulates monies for payment of \$640,000 General Obligation Bonds dated January 22, 1998, issued for the purpose of providing for defeasement of the 1988 General Obligation Bonds. Funding is provided by an ad valorem tax.

1988 CERTIFICATES OF INDEBTEDNESS FUND – The 1988 Certificates of Indebtedness Fund accumulates monies for payment of the \$700,000 Certificates of Indebtedness dated February 1, 1988, issued for the purpose of refunding and extending certain obligations incurred by the City. Funding is provided from the excess of annual revenues accruing to the budget of the City for a ten-year period. These certificates were retired during the year ended June 30, 2000.

1981 GENERAL OBLIGATION BOND FUND – The 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 PUBLIC IMPROVEMENT BOND FUND – The 1998 Public Improvement Bond Fund accumulates monies for payment of the \$2,390,000 Revenue Refunding Bonds dated March 12, 1998, issued for the purpose of providing for defeasement of the 1989 Public Improvement Bonds. Funding is provided by a two percent sales tax.

CITY OF TALLULAH

DEBT SERVICE FUNDS
Combining Balance Sheet
June 30, 2003

Exhibit 3

	1998 GENERAL OBLIGATION BOND	1988 CERTIFICATES OF INDEBTEDNESS	1981 GENERAL OBLIGATION BOND	1998 PUBLIC IMPROVEMENT BOND	TOTAL
ASSETS					
Cash and cash equivalents	\$ 0	\$ 952	\$ 44,315	\$ 279,212	\$ 324,479
Investments	519,510	0	0	0	519,510
Receivables	0	0	0	0	0
Interfund receivables	0	0	1,740	13,951	15,691
TOTAL ASSETS	519,510	952	46,055	293,163	859,680
FUND BALANCES:					
Unreserved and undesignated	519,510	952	46,055	293,163	859,680
TOTAL FUND BALANCES	\$ 519,510	\$ 952	\$ 46,055	\$ 293,163	\$ 859,680

CITY OF TALLULAH

DEBT SERVICE FUNDS
 Combining Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 For the Year Ended June 30, 2003

Exhibit 4

	1998 GENERAL OBLIGATION BOND	1988 CERTIFICATES OF INDEBTEDNESS	1981 GENERAL OBLIGATION BOND	1998 PUBLIC IMPROVEMENT BOND	TOTAL
REVENUES					
Local sources:					
Taxes					
Ad valorem	\$ 0	\$ 0	\$ 14,702	\$ 117,871	\$ 132,573
Use of money and property	3,850	11	138	876	4,875
Total revenues	3,850	11	14,840	118,747	137,448
EXPENDITURES					
Current:					
Finance and administrative	1,891	0	0	0	1,891
Debt service:					
Principal retirement	264,270	0	5,813	60,000	330,083
Interest and bank charges	0	0	9,602	20,257	29,859
Total expenditures	266,161	0	15,415	80,257	361,833
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	(262,311)	11	(575)	38,490	(224,385)
OTHER FINANCING SOURCES (USES)					
Transfers in	295,043	0	0	0	295,043
TOTAL OTHER FINANCING SOURCES	295,043	0	0	0	295,043
NET CHANGE IN FUND BALANCES	32,732	11	(575)	38,490	70,658
FUND BALANCES - BEGINNING	486,778	941	46,630	254,673	789,022
FUND BALANCES - ENDING	\$ 519,510	\$ 952	\$ 46,055	\$ 293,163	\$ 859,680

**City of Tallulah
Capital Projects Funds**

LCDBG CAPITAL PROJECTS FUND – The Louisiana Community Development Block Grant Fund accounts for major improvements to the streets of the City. Financing is provided by a grant from the United States Department of Housing and Urban Development through the Louisiana Division of Administration.

FIRE PROTECTION CAPITAL PROJECTS FUND – The Fire Protection Capital Projects Fund accounts for the acquisition of equipment and the construction of a new fire station. Interim financing is provided by loans from the Federal Housing Administration.

CITY OF TALLULAH
 CAPITAL PROJECTS FUNDS
 Combining Balance Sheet
 June 30, 2003

Exhibit 5

	LCDBG	FIRE PROTECTION	TOTAL
ASSETS			
Cash and cash equivalents	\$ 100	\$ 0	\$ 100
Receivables	24,293	0	24,293
TOTAL ASSETS	24,393	0	24,393
 LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts, salaries and other payables	24,293	0	24,293
Interfund payables	293	100	393
TOTAL LIABILITIES	24,586	100	24,686
 FUND BALANCES:			
Unreserved and undesignated	(193)	(100)	(293)
TOTAL LIABILITIES AND FUND BALANCES	\$ 24,393	\$ 0	\$ 24,393

CITY OF TALLULAH

CAPITAL PROJECTS FUNDS
 Combining Schedule of Revenues, Expenditures,
 and Changes in Fund Balances
 For the Year Ended June 30, 2003

Exhibit 6

	LCDBG	FIRE PROTECTION	TOTAL
REVENUES			
Local sources:			
Intergovernmental - local funds	\$ 71,750	\$ 0	\$ 71,750
Miscellaneous revenues	0	0	0
Federal grants	485,864	0	485,864
Total revenues	557,614	0	557,614
EXPENDITURES			
Current:			
General and administrative	15,750	0	15,750
Public works	541,864	0	541,864
Other	(2)	0	(2)
Total expenditures	557,612	0	557,612
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	2	0	2
FUND BALANCES - BEGINNING	(195)	(100)	(295)
FUND BALANCES - ENDING	\$ (193)	\$ (100)	\$ (293)

City of Tallulah
Proprietary Fund Type - Enterprise Funds

WATER FUND – The water Enterprise Fund accounts for the operations of the City's water department. Financing is provided primarily by fees from water sales. Major expenses of the fund are personal services and depreciation.

SEWER FUND – The Sewer Enterprise Fund accounts for the operations of the City's sewer system. Financing is provided primarily by user fees. Major expenses of the fund are personal services and depreciation.

CITY OF TALLULAH
ENTERPRISE FUND
Combining Balance Sheet
June 30, 2003

Exhibit 7

	WATER FUND	SEWER FUND	TOTAL
ASSETS			
Current Assets:			
Cash	\$ 295,201	\$ 379,169	\$ 674,370
Receivables	138,576	52,757	191,333
Interfund receivables	99,509	33,513	133,022
Prepaid expenses	0	1,311	1,311
Total Current Assets	<u>533,286</u>	<u>466,750</u>	<u>1,000,036</u>
Restricted Assets:			
Cash	1,373	0	1,373
Investments	811,807	0	811,807
Total Restricted Assets	<u>813,180</u>	<u>0</u>	<u>813,180</u>
Long-term Assets			
Property, plant and equipment (net of accumulated depreciation)	8,901,728	7,083,761	15,985,489
Deferred bond issuance costs (net of amortization)	262,638	0	262,638
TOTAL ASSETS	<u>10,510,832</u>	<u>7,550,511</u>	<u>18,061,343</u>
LIABILITIES AND FUND EQUITY			
LIABILITIES:			
Current Liabilities (payable from current assets):			
Accounts payable	45,154	10,604	55,758
Salaries payable	9,430	2,844	12,274
Interfund payables	22,330	262,967	285,297
Deferred revenue	22,601	0	22,601
Total Current Liabilities (payable from current assets)	<u>99,515</u>	<u>276,415</u>	<u>375,930</u>
Current Liabilities (payable from restricted assets):			
Customer deposits	0	49,455	49,455
Current portion of long-term debt	620,228	0	620,228
Total Current Liabilities (payable from restricted assets)	<u>620,228</u>	<u>49,455</u>	<u>669,683</u>
Long-term debt - revenue bonds payable	7,899,141	0	7,899,141
TOTAL LIABILITIES	<u>8,618,884</u>	<u>325,870</u>	<u>8,944,754</u>
FUND EQUITY			
Contributed capital, (net of amortization)	0	6,435,337	6,435,337
Restricted earnings	1,891,948	789,304	2,681,252
Total Fund Equity	<u>1,891,948</u>	<u>7,224,641</u>	<u>9,116,589</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 10,510,832</u>	<u>\$ 7,550,511</u>	<u>\$ 18,061,343</u>

CITY OF TALLULAH

ENTERPRISE FUNDS
 Combining Schedule of Revenues, Expenses,
 and Changes in Retained Earnings
 For the Year Ended June 30, 2003

Exhibit 8

	WATER FUND	SEWER FUND	TOTAL
OPERATING REVENUES			
Charges for services	\$ 1,544,678	\$ 345,859	\$ 1,890,537
Other operating revenue	65,814	160,033	225,847
Total operating revenues	<u>1,610,492</u>	<u>505,892</u>	<u>2,116,384</u>
OPERATING EXPENSES			
Personal services	451,030	238,382	689,412
Supplies	148,735	2,343	151,078
Maintenance	135,159	218,295	353,454
Utilities	92,984	89,767	182,751
Miscellaneous	22,957	44,883	67,840
Uniforms	6,381	2,446	8,827
Insurance	44,458	23,887	68,345
Accounting fees	6,500	0	6,500
Bad debt expense	12,406	8,329	20,735
Depreciation	445,936	149,499	595,435
Capital outlay	(5,245)	5,245	0
Total operating expenses	<u>1,361,301</u>	<u>783,076</u>	<u>2,144,377</u>
OPERATING INCOME (Loss)	<u>249,191</u>	<u>(277,184)</u>	<u>(27,993)</u>
NONOPERATING REVENUES (EXPENSES)			
Grant revenue	402,233	0	402,233
Interest income	11,549	2,177	13,726
Interest expense	(456,836)	0	(456,836)
Operating transfers out	(200,000)	0	(200,000)
Amortization of bond issue costs	(21,147)	0	(21,147)
Total nonoperating revenues (expenses)	<u>(264,201)</u>	<u>2,177</u>	<u>(262,024)</u>
NET INCOME (Loss)	<u>(15,010)</u>	<u>(275,007)</u>	<u>(290,017)</u>
Add depreciation on fixed assets acquired with contributed capital	0	136,555	136,555
INCREASE IN RETAINED EARNINGS	<u>(15,010)</u>	<u>(138,452)</u>	<u>(153,462)</u>
RETAINED EARNINGS - BEGINNING OF YEAR	<u>1,906,958</u>	<u>927,756</u>	<u>2,834,714</u>
RETAINED EARNINGS - END OF YEAR	<u>\$ 1,891,948</u>	<u>\$ 789,304</u>	<u>\$ 2,681,252</u>

CITY OF TALLULAH
ENTERPRISE FUNDS
Combining Schedule of Cash Flows
For the Year Ended June 30, 2003

Exhibit 9

	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTAL</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating Income (Loss)	\$ 249,191	\$ (277,184)	\$ (27,993)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by operating activities:			
Depreciation	445,936	149,499	595,435
Decrease (increase) in accounts receivable	69,598	(11,915)	57,683
Decrease (increase) in interfund receivable	(45,300)	(18,662)	(63,962)
Increase (decrease) in accounts payable	(71,707)	(26,995)	(98,702)
Increase (decrease) in salaries payable	(1,472)		(1,472)
Increase (decrease) in interfund payables	22,212	27,481	49,693
Increase (decrease) in deferred revenues	(2,760)	437	(2,323)
Increase (decrease) in customer deposits liability	(3,707)	5,176	1,469
Total adjustments	<u>412,800</u>	<u>125,021</u>	<u>537,821</u>
Net cash provided (used) for operating activities	<u>661,991</u>	<u>(152,163)</u>	<u>509,828</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES			
Non-operating grant revenue	402,233		402,233
Non-operating transfers out	(200,000)	0	(200,000)
Net cash provided (used) from by noncapital and related financing activities	<u>202,233</u>	<u>0</u>	<u>202,233</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	(404,897)	0	(404,897)
Principal reduction	(156,631)	0	(156,631)
Interest paid on bonds	(456,836)	0	456,836
Net cash provided (used) by capital and related financing activities	<u>(1,018,364)</u>	<u>0</u>	<u>(1,018,364)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Earnings on investments	<u>11,549</u>	<u>2,177</u>	<u>13,726</u>
Net increase (decrease) in cash and cash equivalents	(142,591)	(149,986)	(292,577)
CASH AND CASH EQUIVALENTS - BEGINNING	<u>1,250,972</u>	<u>529,155</u>	<u>1,780,127</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 1,108,381</u>	<u>\$ 379,169</u>	<u>\$ 1,487,550</u>
NON CASH TRANSACTIONS			
Amortization of bond issue costs	\$ 21,147	\$ 0	\$ 21,147

City of Tallulah

Exhibit 10

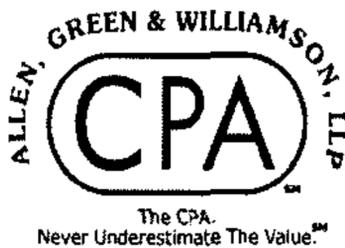
Schedule of Compensation Paid Council Members
For the Year Ended June 30, 2003

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 \$500 per month. The mayor receives \$525 per month.

Janet Clark	\$ 1,000
Eddie Elledge	5,000
Charles Finlayson	6,725
Alberta Glispy	1,000
Doris Greene	5,000
Gloria Hayden	1,000
Billy James	5,025
Tommy Watson	<u>5,050</u>
TOTAL	<u>\$29,800</u>

**OTHER REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS AND
BY OFFICE OF MANAGEMENT AND BUDGET (OMB) CIRCULAR NO. A-133**

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



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1963 - 2000

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

Mayor and Council Members
City of Tallulah
Tallulah, Louisiana

We have audited the general-purpose financial statements of City of Tallulah, (the City) as of and for the year ended June 30, 2003, and have issued our report thereon dated February 27, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the City's general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and as identified in the accompanying Schedule of Findings and Questioned Costs item 03-F2, 03-F5 and 03-F6.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control over financial reporting. However, we noted several matters involving internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over financial reporting that, in our judgement, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the general-purpose financial statements. The reportable conditions are described in the accompanying Schedule of Finding and Questioned Costs as items 03-F1, 03-F3 and 03-F4, and 03-F7.

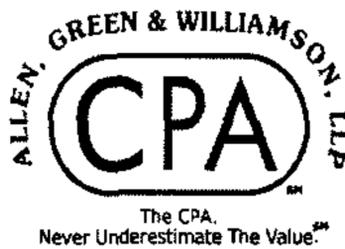
A material weakness is a condition in which the design or operation of one or more of internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general-purpose financial statements being audited may occur and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

This report is intended solely for the information and use of the Aldermen, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Allen, Green & Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
February 27, 2004



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1963 – 2000

Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular No. A-133

Mayor and Council Members
City of Tallulah
Tallulah, Louisiana

Compliance

We have audited the compliance of the City of Tallulah with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular No. A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2003. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America; and OMB Circular No. A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular No. A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular No. A-133.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Allen, Green & Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
February 27, 2004

City of Tallulah
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2003

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM NAME	<u>CFDA Number</u>	<u>Pass-Through Grantor No.</u>	<u>Expenditures</u>
CASH FEDERAL AWARDS			
United States Department of Housing and Urban Development Passed Through Office of the Governor, Division of Administration Community Development Block Program – States Program	14.228	107-900349	\$ 485,864
Direct Programs: Section 8 Housing Program	14.177	LA242V0003	272,857
United States Department of Agriculture Passed through Rural Utilities Services - Water and Waste Disposal Systems for Rural Communities	10.760		402,233
United States Department of Justice LLEBG-2002	16.592	2002LBBX3408	<u>29,676</u>
TOTAL FEDERAL AWARDS			<u>\$1,190,630</u>

City of Tallulah
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2003

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

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

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

Capital Projects	
LCDBG	\$ 485,864
Special Revenue	
Section 8	272,857
Enterprise Fund	
Water Fund	402,233
General Fund	
LLEBG-2002	<u>29,676</u>
Total	<u>\$1,190,630</u>

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

NOTE 5 - FEDERAL AWARDS For those funds that have matching revenues and state funding, federal expenditures were determined by deducting matching revenues from total expenditures. In accordance with PIH98-14 "federal awards" do not include operating income from rents or investments (or other non-federal sources). The entire amount of operating subsidy received during the fiscal year is considered to be "expended" during the fiscal year.

City of Tallulah
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2003

PART I - Summary of the Auditors' Results

Financial Statement Audit

- i. The type of audit report issued was unqualified.
- ii. There were four reportable conditions required to be disclosed by Government Auditing Standards, issued by the Comptroller General of the United States of America.

The reportable conditions were not considered to be material weaknesses.

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

Audit of Federal Awards

- iv. There were no reportable conditions required to be disclosed by OMB Circular No. A-133.
- v. The type of report the auditor issued on compliance for major programs was unqualified.
- vi. The audit disclosed no audit findings which the auditor is required to report under OMB Circular No. A-133, Section .510(a).
- vii. The major federal programs are:
 - CFDA #14.228 Community Development Block Grant
 - CFDA #10.760 Water and Waste Disposal Systems for Rural Communities
- viii. The dollar threshold used to distinguish between Type A and Type B programs as described in OMB Circular No. A-133, Section .520(b) was \$300,000.
- ix. The auditee qualifies as a low-risk auditee under OMB Circular No. A-133, Section .530.

City of Tallulah
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2003

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

Reference # and title: **03-F1** **Personnel Files Incomplete**

Entity-wide or program/department specific: This finding is specific to payroll.

Criteria or specific requirement: Personnel files should contained some form of proof of existence such as I-9, copy of driver's license, social security or birth certificate.

Condition found: In examining twenty-five personnel files, twenty were found to have no proof of existence of employee.

Possible asserted effect (cause and effect):

Cause: The city was unaware of the need to maintain forms of identification in personnel files.

Effect: There is no proof of existence maintained in personnel files.

Recommendations to prevent future occurrences: The City should have completed forms for proof of existence (I-9s) in personnel file for each employee.

Reference # and title: **03-F2** **Independent Contractor Versus Employee**

Entity-wide or program/department specific: This finding is specific to payroll.

Criteria or specific requirement: All payments to employees should be processed through the payroll process.

Condition found: Recently the Internal Revenue Service began a payroll audit of the City. One issue is whether payments to certain vendors should be considered independent contractors versus an employee.

Possible asserted effect (cause and effect):

Cause: It was more expedient to pay through accounts payable.

Effect: Potentially some payments may should be treated as employees rather than independent contractors.

Recommendations to prevent future occurrences: The City should review all vendor payments to ensure all individuals defined by IRS regulations regarding payroll are included in the payroll process.

Reference # and title: **03-F3** **Travel Expense and Reimbursement**

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

Criteria or specific requirement: Travel expense should be documented by the retention of actual receipts for expenses which are not paid on a per diem basis, such as hotel expenses.

Condition found: In testing ten travel expenditures, none were found to have receipts for expenses other than the line items charge on the monthly credit card statements.

City of Tallulah
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2003

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

Possible asserted effect (cause and effect):

Cause: The City does not have an approved travel policy stating the procedure by which travel expense are to be paid or documentation needed or which sets the per diem rate of reimbursement.

Effect: The agency does not retain complete receipts for travel expenses.

Recommendations to prevent future occurrences: The City should formalize their practice into a travel policy, which is adopted by the council, stating the procedures to be followed and documentation required.

Reference # and title: **03-F4** **Untimely Cash Deposit**

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

Criteria or specific requirement: Good cash management requires that cash receipts be deposited on a timely basis. AG&W considers deposits within three banking days as being timely.

Condition found: In testing cash receipts, it was noted that six of twenty-five cash deposits for the General Fund and seven of ten cash deposits for the Water/Sewer Funds were not deposited on a timely basis (within three business days).

Possible asserted effect (cause and effect):

Cause: The City departed from previous procedures.

Effect: Cash deposits were not made on a timely basis.

Recommendations to prevent future occurrences: The City should ensure that all cash receipts are deposited on a timely basis (within three business days).

Reference # and title: **03-F5** **Donation of Public Funds**

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

Criteria or specific requirement: Article 7, Section 14 of the Louisiana Constitution prohibits donation of public funds.

Condition found: In reading the board minutes for August 8, 2003, it was noted that the board approved giving \$1,686 in public funds to a private organization.

Possible asserted effect (cause and effect):

Cause: The board members voted unanimously to give agency funds to a private organization.

Effect: The City is in violation of Article 7, Section which prohibits donation of public funds.

Recommendations to prevent future occurrences: The City should ensure that all Louisiana Revised Statutes are followed in the future.

City of Tallulah
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2003

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

Reference # and title: **03-F6** **Violation of Local Government Act**

Entity-wide or program/department specific: This finding is related to the entity as a whole.

Criteria or specific requirement: The "Louisiana Local Government Act" requires budgets be amended if expected actual revenues are five percent less than budgeted revenues or expected actual expenditures are 5% greater than budgeted expenditures.

Condition found: The City's budgeted revenue exceeded that of actual revenue by seven percent in the general fund.

Possible asserted effect (cause and effect):

Cause: The City did not make amendments as needed to the budget.

Effect: The agency is in violation of Louisiana Revised Statute LSA-R.S. 39:1309-1310.

Recommendations to prevent future occurrences: The City should ensure the budget is amended in order to comply with the Local Government Act.

Reference # and title: **03-F7** **Credit Card Purchases**

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

Criteria or specific requirement: Original signed receipts should be required from persons receiving merchandise for credit card expenditures. The line item description that appears on the credit card statement is not a substitute for these original signed receipts.

Condition found: In testing the vendor file for credit card purchases from the City's Sam's Club Direct charge card there were no actual signed receipts from persons receiving the merchandise.

Possible asserted effect (cause and effect):

Cause: The City's practice was that the receipts were not required to be submitted to the Clerk's office. The City, heretofore, had considered the line item description on the credit card statement as sufficient documentation.

Effect: Unable to assure that charges were correct in amount and were received by person reflected on statement.

Recommendation to prevent future occurrences: The City should require original signed receipts for charges to all credit cards. The City should review all charge card purchases for unapproved purchases and/or personal purchases charged to the City. These receipts should be retained with the paid credit card statements. Abuses of the City's charge cards should be dealt with in the appropriate manner.

Other Information

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

City of Tallulah
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2003

Reference # and title: **02-F1** **Payroll Advance**

Condition found: An employee of the City was granted, in proper channels and procedure, a raise beginning in July 2002. However, on June 25, 2002, the employee was given \$1,200 in advance of the raise. This represents a loan of funds from a political subdivision of the state, in violation of Article VII, Section 14 of the Louisiana Constitution.

Recommendation: Recommendation was made that the employee refund the unearned portion of the advance immediately and that the City refrain from granting payroll advances in the future.

Corrective action taken: City administrators fully understand the violation of this transaction with a City employee and will never again handle an employee raise in this fashion.

Reference # and title: **02-F2** **Overpayment of Mayor's Salary**

Condition found: The mayor was overpaid \$4,243 in compensation. The overpayment was the result of the mayor authorizing and receiving payment for unused annual leave. According to Louisiana R. S. 33:404.1, "The board of aldermen shall by ordinance fix the compensation of the mayor." This action is achieved through the annual budget ordinance and subsequent budget amendments. By authorizing the additional compensation for unused annual leave, the mayor was in violation of the above referenced statute. The mayor has agreed to reimburse the City for overpaid salary received.

Recommendation: Recommendation was made that the City refrain from paying the mayor compensation over and above that authorized by the board of aldermen.

Corrective action taken: There was a misunderstanding by the Mayor and City Clerk on this issue. Since the City's personnel manual allowed for payment of unused vacation to an employee, the Mayor was erroneously included in this "employee" category when in fact he is an elected official. We now understand that the Mayor as an elected official does not enjoy this employee benefit. The mayor reimbursed the City \$4,243 on October 21, 2003.

Reference # and title: **02-F3** **Related-Party Transactions**

Condition found: A member of the board of aldermen was paid a fee for cleaning the fair grounds. The alderman represents that she was no more than a conduit for the monies going to the people who actually did the work. However, in applying substance over form, she was the contractor and the others who were paid for the work were subcontractors to her. Additionally, the City paid an employee \$4,470 for contract work performed after work hours or on weekends. Both instances violate LSA-R.S. 42:1113 of the *Ethics Code*, which states that "No public servant, . . ., shall bid on or enter into any contract, subcontract, or other transaction that is under the supervision or jurisdiction of the agency of such public servant."

Recommendation: It was recommended that the City refrain from engaging in transactions with members of the board of aldermen, employees, or other public servants of the City. It was further recommended that the City refrain from the appearance of contracting with such persons by using them as conduits for payment to actual service providers.

Corrective action taken: A council member was erroneously paid less than \$200 to act as a "conduit" payment to an individual to clear trash from the Fair grounds prior to a public event. This was a very unusual transaction at the time and was done for quick convenience without proper thought to all the ramifications involved. City administrators now understand the error and will not make such a transaction with a council member or City employee in the future.

The City employee who was paid \$4,470 for work performed after work hours and on weekends was heavily involved in the City's mosquito abatement program and spent many hours spraying and spreading larvae killer compounds. This individual was authorized to perform these functions by the City Council more than ten years ago and has performed these duties ever since during mosquito breeding seasons. However, in the past, such amounts of pay have been included in his payroll check which was not the case during the past fiscal year. All such mosquito abatement program wages are included in the employee's payroll records.

City of Tallulah
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2003

Reference # and title: 02-F4 Violation of Local Government Budget Act

Condition found: The City's actual expenditures exceeded budgeted amounts by more than the 5% variance allowed by the Local Government Budget Act. Louisiana revised Statutes 39:1310-1311, provide that the budget shall be amended when "Total actual expenditures and other uses plus projected expenditures and other uses for the remainder of the year, within a fund, are exceeding the total budgeted expenditures and other uses by 5% or more." While the budget was amended by the board of aldermen, the amendment failed to account for all of the budget-to-actual variances and, consequently, still had an excessive unfavorable variance.

Recommendation: It was recommended that the chief executive and administrative officials take greater care in the preparation of amended budgets to ensure that the 5% variance is not violated.

Corrective action taken: See current-year finding 03-F6.

Reference # and title: 02-F5 Unauthorized Use of Charge Cards For Employee Purchases

Condition found: In our test of expenditures we noted three instances of charges on the City's Sam's Club Direct charge card that appeared to be personal in nature. One for a DVD video, one for a photo album and another for denim shorts. This represents a violation of Article VII, Section 14 of the Louisiana Constitution as a donation of public funds. This is caused by a weakness in internal control whereby purchases are made without prior approval, and credit card charges are not scrutinized closely to uncover personal purchases by employees.

Recommendation: The City should review all charge card purchases for unapproved purchases and/or personal purchases charged to the City. Abuses of the City's charge cards should be dealt with in the appropriate manner.

Corrective action taken: These personal charges on the City's Sam's Club Direct charge account were reimbursed shortly after the time of purchase with the understanding that such acts were not to occur in the future. See current-year finding 03-F7.

Reference # and title: 02-F6 Need to Maintain Proper and Complete Accounting Records

Condition found: The City has not maintained an adequate set of accounting records for its water system rehabilitation program. The Office of Management and Budget's *Uniform Administrative Requirements For Grants and Cooperative Agreements to State and Local Governments* (OMB Common Rule), Section 20, requires the maintenance of accounting records. The Section requires that grantee records adequately identify the source and application of funds. The records must contain information pertaining to grant awards and authorizations, obligations, unobligated balances, assets, liabilities, expenditures and income. Management was unable to provide documentation on grant amounts. The grant revenue was posted to bond proceeds rather than a separate grant revenue account.

Recommendation: The City's management should establish and maintain adequate records that not only document the type, source, and use of funds but also demonstrate compliance with the terms and conditions of grant and loan agreements.

Corrective action taken: For Phase I of the water rehabilitation program, the accounting of the project failed to designate separately federal loans received versus federal grants. All revenues were classified as "Federal Loans/Grants" with no distinction between the two categories. It was not known at the time that such a distinction should be made although to have done so would seem to be a practical presentation. All federal revenues are classified as either loans or grants.

City of Tallulah
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2003

Reference # and title: **02-F7** **City Failed to Prepare and Issue an IRS Form 1099**

Condition found: Between July 1998 and March 2002, the City paid Mr. Curtis Brown \$178,350 for various labor jobs including removal of trees and debris from streets. The invoices accepted by the City from Mr. Brown often contained vague specifications as to the date, location, or service provided. Invoices and supporting documentation for 20 payments totaling \$15,650 were missing. In addition, the City failed to prepare and issue an Internal Revenue Service (IRS) Form 1099 to Mr. Brown for 1998 through 2000 and the Form 1099 issued to Mr. Brown for 2001 was understated by \$11,900. Mr. Brown stated that he did not file a state or federal income tax return for any of these years.

Corrective action taken: The City is no longer contracting with Mr. Curtis Brown.

City of Tallulah
Corrective Action Plan for Current-Year Findings and Questioned Costs
For the Year Ended June 30, 2003

Reference # and title: 03-F1 Personnel Files Incomplete

Condition: Personnel files should contained some form of proof of existence such as I-9, copy of driver's license, social security or birth certificate.

In examining twenty-five personnel files, twenty were found to have no proof of existence of employee.

Corrective action planned: The City will update personnel files to include documentation of proof of existence for current employees. In the future, this information will be required upon employment of an individual with the City.

Person responsible for corrective action:

Gerald Odom, City Clerk	Phone: (318) 574-0964
City of Tallulah	Fax: (318) 574-2773
204 North Cedar	
Tallulah, LA 71282	

Reference # and title: 03-F2 Independent Contractor Versus Employee

Condition: All individuals as defined by IRS laws and regulations should be included in the payroll process.

Recently the Internal Revenue Service began a payroll audit of the City. One issue is whether payments to certain vendors should be considered independent contractors versus an employee.

Corrective action planned: The City will ensure all individuals defined by IRS laws and regulations regarding payroll are included in payroll process.

Person responsible for corrective action:

Gerald Odom, City Clerk	Phone: (318) 574-0964
City of Tallulah	Fax: (318) 574-2773
204 North Cedar	
Tallulah, LA 71282	

Reference # and title: 03-F3 Travel Expense and Reimbursement

Condition: Travel expense should be documented by the retention of actual receipts for expenses which are not paid on a per diem basis, such as hotel expenses.

In testing ten travel expenditures, none were found to have receipts for expenses other than the line items charge on the monthly credit card statements.

Corrective action planned: The City will adopt a travel policy to ensure consistency in the payment of travel expense and, when necessary, retain original receipts for reimbursed expenses.

Person responsible for corrective action:

Gerald Odom, City Clerk	Phone: (318) 574-0964
City of Tallulah	Fax: (318) 574-2773
204 North Cedar	
Tallulah, LA 71282	

City of Tallulah
Corrective Action Plan for Current-Year Findings and Questioned Costs
For the Year Ended June 30, 2003

Reference # and title: **03-F4** **Untimely Cash Deposit**

Condition: Good cash management requires that cash receipts be deposited on a timely basis. AG&W considers deposits within three banking days as being timely.

In testing cash receipts, it was noted that six of twenty-five cash deposits for the General Fund and seven of ten cash deposits for the Water/Sewer Funds were not deposited on a timely basis (within three business days).

Corrective action planned: The City will establish procedures to ensure that deposits are deposited on a timely basis (within three business days).

Person responsible for corrective action:

Gerald Odom, City Clerk	Phone: (318) 574-0964
City of Tallulah	Fax: (318) 574-2773
204 North Cedar	
Tallulah, LA 71282	

Reference # and title: **03-F5** **Donation of Public Funds**

Condition: Article 7, Section 14 of the Louisiana Constitution prohibits donation of public lands.

Corrective action planned: The City will take the necessary steps to ensure that, in the future, there are no donations of public funds in order to be in compliance with state law.

Person responsible for corrective action:

Gerald Odom, City Clerk	Phone: (318) 574-0964
City of Tallulah	Fax: (318) 574-2773
204 North Cedar	
Tallulah, LA 71282	

Reference # and title: **03-F6** **Violation of Local Government Act**

Condition: The "Louisiana Local Government Act" requires budgets be amended if expected actual revenues are five percent less than budgeted revenues or expected actual expenditures are 5% greater than budgeted expenditures.

Corrective action planned: The City will periodically compare actual revenues and expenditures to those of budgeted revenues and expenditures. The City will adopt amendments as necessary in order to be in compliance with Budget Act.

Person responsible for corrective action:

Gerald Odom, City Clerk	Phone: (318) 574-0964
City of Tallulah	Fax: (318) 574-2773
204 North Cedar	
Tallulah, LA 71282	

City of Tallulah
Corrective Action Plan for Current-Year Findings and Questioned Costs
For the Year Ended June 30, 2003

Reference # and title: **03-F7** **Credit Card Purchases**

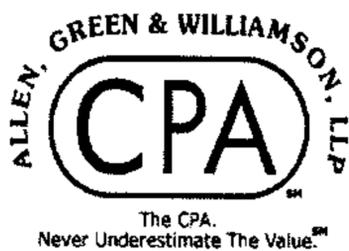
Condition: Original signed receipts should be required from persons receiving merchandise for credit card expenditures. The line item description that appears on the credit card statement is not a substitute for these original signed receipts.

In testing the vendor file for credit card purchases from the City's Sam's Club Direct charge card there were no actual signed receipts from persons receiving the merchandise.

Corrective action planned: The City will require signed receipts for all credit card purchases in the future. Also, the City will review all charges to credit cards to ensure that all charges are proper in nature and amount.

Person responsible for corrective action:

Gerald Odom, City Clerk	Phone: (318) 574-0964
City of Tallulah	Fax: (318) 574-2773
204 North Cedar	
Tallulah, LA 71282	



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1963 - 2000

Management Letter

Board of Commissioners
City of Tallulah
Tallulah, Louisiana

In planning and performing our audit of the general-purpose financial statements of the City of Tallulah, for the year ended June 30, 2003, we considered the City's internal control to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit, we noted certain matters involving internal control and other operational matters that is presented for your consideration. This letter does not affect our report dated February 27, 2004, on the financial statements of the City. We will review the status of these comments during our next audit engagement. Our comments and recommendations, which has been discussed with appropriate members of management, are intended to improve internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

03-M1 Yield on Investments

Comment: The City has funds invested in low interest yielding bank accounts, sometimes as low as 2/10 of one percent.

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

Management's response: The City will investigate areas in which to invest funds in order to increase the yield of interest earnings on investments.

03-M2 Related Party Transactions

Comment: The Louisiana State Code of Ethics states that the agency is not allowed to conduct business with related parties.

In testing vendor files, it was noted that the agency paid the brother of an employee of the agency. The amount of the payment was \$40.

Recommendation: The City will refrain from engaging in transactions with related parties.

Management's response: In the future, the City will not conduct business with family members.

03-M3 Vendor Disbursements

Comment: All vendor payments should be made from original invoice.

In testing vendor files, it was found that three vendors were paid from faxed copies of invoices.

Recommendation: The City should ensure that all disbursements made to vendors are from the original invoice.

Management's response: The City will ensure in the future to require original invoice from vendors for payment.

03-M4 City of Tallulah vs Morgan Watson

Comment: In the fall of 2000, the City of Tallulah engaged Morgan Watson and Mel-Jordan-Lace, Inc. to perform the services which would result in a map of the boundaries of the City to be used for redistricting purposes. The City paid Morgan Watson the sum of \$60,000 for the services. In August, 2001, the City learned that Mr. Watson had sub-contracted the project out to Messinger and Associates, but did not pay the firm for their services. As a result, the City had to pay an additional \$43,000 to Messinger and Associates in order to receive the completed map. The City filed suit against Morgan Watson and Mel-Jordan-Lace, Inc., on December 21, 2001, requesting reimbursement of the \$60,000.

Recommendation: The City, in conjunction with the Madison Parish District Attorney, should aggressively pursue the lawsuit against Morgan Watson to recover funds which the defendant owes the City.

Management's response: The City will actively pursue this lawsuit and strongly encourage the District Attorney's office to assist the City in its efforts to recover the funds paid to defendant.

03-M5 Purchases made from Doug's IGA

Comment: In examining charges to the City's account with Doug's IGA (supermarket), it was noted that there were no receipts and that payments were being made from the statements for the period July 2002 through April 2003. In April 2003 the City Council expressed concern regarding the appropriateness of expenditures to Doug's IGA. Items examined from May 2003 through February 2004 reflected that documentation for these payments were dramatically improved. There were signed cash register receipts and generally a purchase order or requisition for each charge. Also, the monthly charges dropped significantly after the council's complaint and the implementation of the tougher documentation requirement.

As part of the investigation of this matter, three of the five council members were contacted and asked for any additional input/concern they may have regarding this matter.

Recommendation: The City should continue requiring receipts for all purchases made from Doug's IGA.

Management's response: The City will continue requiring receipts for all charges made to the account at Doug's IGA.

03-M6 Cell Phone Charges

Comment: In examining the charges incurred by the City for cell phone usage by employees, the charges were found to be excessive in amount. During one month, an employee had 3,530 minutes used at a cost of \$772.34. The City has since canceled the service with Nextel for the 15 cell phones which were in use. Cingular now provides the service for six cell phones used by the City.

Recommendation: The City should adopt a policy regarding the use of cell phones by employees. The policy should include a statement that if the cell phone usage is excessive, the employee will be required to reimburse the City. The City should then monitor the cell phone usage and be reimbursed for all charges that are deemed to be improper in nature.

Management's response: The City will adopt an official policy regarding the use of cell phones by employees which states employees will reimburse the City for any improper charges. The City will then monitor the usage of cell phones by employees. If it is determined that improper usage of the cell phones has occurred, the City will require that those amounts be reimbursed by the employee.

* * * * *

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

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

Allen, Green & Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
February 27, 2004