

2004

OFFICIAL

**City of Tallulah
Tallulah, Louisiana**

**Annual Financial Report
As of and for the Year Ended June 30, 2004**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2-16-05

**CITY OF TALLULAH
Tallulah, Louisiana**

Annual Financial Report

As of and for the Year Ended June 30, 2004

**Honorable Theodore Lindsey
Mayor**

**Gerald Odom
Clerk**

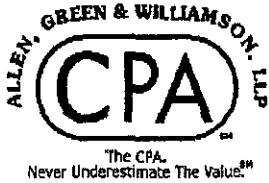
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INDEPENDENT AUDITORS' REPORT

Honorable Theodore Lindsay,
and Members of the City Council
City of Tallulah
Tallulah, Louisiana

Basic Financial Statements We have audited the accompanying *financial statements* of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tallulah as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States 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 opinions.

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. Such legally separate entities are referred to as component units. In our opinion, except for the effect on the financial statements of the omission of a component unit as reflected in Note 1-A of the notes to the basic financial statements, the financial statements present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2004, and the respective changes in financial position and cash flows, if applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated January 20, 2005, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Governmental Accounting Standards Board (GASB) issued Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments in June 1999. The Statement, commonly referred to as the new reporting model, retained much of the reporting under the present reporting model, with modifications, and added new information. The two most significant additions are the Management's Discussion and Analysis (which follows this independent auditors' report) and the Government-Wide Financial Statements (GWFS). The GWFS are prepared on an economic resources measurement focus and a full accrual basis of accounting as explained further in Note 1 of the Notes to the Basic Financial Statements. The most apparent modification to the format of the old reporting model that is being carried forward will be the display of major funds in the Fund Financial Statements (FFS), rather than the traditional fund-type display.

Additional information regarding the new reporting model is included in the Management's Discussion and Analysis and the Notes to the Basic Financial Statements.

Required Supplemental Information The Management's Discussion and Analysis as listed in the table of contents, is not a required part of the *basic financial statements* but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Supplemental Information Our audit was performed for the purpose of forming opinions on the *financial statements* that collectively comprise the City's basic financial statements. The accompanying information identified in the table of contents is presented for purposes of additional analysis and is not a required part of the *basic financial statements*. Such information has been subjected to the auditing procedures applied in the audit of the *basic financial statements* and, in our opinion, is fairly stated, in all material respects, in relation to the *basic financial statements* taken as a whole.

Other information Also, the accompanying other information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements of the City. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Allen, Green & Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP
Monroe, Louisiana

January 20, 2005

REQUIRED SUPPLEMENTAL INFORMATION:

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

City of Tallulah
Management's Discussion and Analysis (MD&A)

Our discussion and analysis of the City of Tallulah's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2004.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year was not prepared. Considering the financial resources necessary to prepare this information for the prior year, and that the GASB Statement No. 34 permits the omission of the comparative information in the first year of adoption of the new reporting model, the City has elected to exclude the information in this report. Subsequent reports will include the comparative information.

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

Total governmental activities revenues received for June 30, 2004 was \$2,568,546, this is a decrease of \$657,777, or 20.39% change from the year ended June 30, 2003. This was due mainly to a decrease in federal grant revenue in 2004 from prior years.

Governmental Expenses for 2004 was \$3,109,489, this is a decrease of (\$517,189), or 14.26% . Expenses decreased from 2003 to 2004 mainly because federal grants are generally expenditure driven in which there is a corresponding decrease in expenditures when the revenues for these grant programs decreases.

For the year ended June 30, 2004, General Fund reported \$2,275,860 in revenues, an increase of \$149,045, or 7.01% from revenue received for the year ended June 30, 2003. This increase is mainly due to an increase in revenues from fines and forfeitures and ad valorem taxes received in 2004.

Expenditures decreased \$51,674 from the year ended June 30, 2004 to June 30, 2003. In 2004, the City reported \$2,382,908 in expenditures for the General Fund and \$2,434,582 in expenditures for 2003. This change represents a 2.12% decrease from 2004 to 2003. This was mainly due to a decrease in expenditures for general government activities.

Total revenues received through business activities for June 30, 2004 was \$2,141,912, this is a decrease of \$390,431, or 15.42% between 2003 to 2004. Revenues decreased mainly because of a decrease in grant revenue from the USDA for the Water Phase II project which reached completion in 2004.

USING THIS ANNUAL REPORT

The City's annual report consists of a series of financial statements that show information for the City as a whole, and its funds. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. For our governmental activities, the fund financial statements tell how we financed our services in the short-term as well as what remains for future spending. Fund statements also may give you some insights into the City's overall financial health. Fund financial statements also report the City's operations in more detail than the governmental-wide financial statements by providing information about the City's most significant funds - the General Fund.

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

City of Tallulah
Management's Discussion and Analysis (MD&A)

Financial Section

Required Supplemental Information

Management's Discussion & Analysis (MD&A)

Basic Financial Statements

**Government-wide
Financial Statements**



**Fund
Financial Statements**

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Other Reports Required by Government Auditing Standards

Schedule of Comments and Recommendations

Other Information

Summary Schedule of Prior Audit Findings
Corrective Action Plan for Auditor's Current-Year Comments and
Recommendations

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

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

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

City of Tallulah
Management's Discussion and Analysis (MD&A)

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

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

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

THE CITY AS A WHOLE

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

City of Tallulah
Management's Discussion and Analysis (MD&A)

Table 1
Net Assets
June 30, 2004

	Governmental Activities	Business-type Activities	Total
	2004	2004	2004
Current and other assets	\$ 1,617,513	\$ 743,706	\$ 2,361,219
Restricted assets	0	899,973	899,973
Capital assets, net	796,862	15,398,773	16,195,635
Total assets	<u>2,414,375</u>	<u>17,042,452</u>	<u>19,456,827</u>
Current and other liabilities	233,568	146,542	380,110
Long-term liabilities	2,499,590	8,341,810	10,841,400
Total Liabilities	<u>2,733,158</u>	<u>8,488,352</u>	<u>11,221,510</u>
Net assets			
Invested in capital assets, net of related debt	(571,018)	8,198,810	7,627,792
Unrestricted	252,235	355,290	607,525
Total net assets	<u>\$ (318,783)</u>	<u>\$ 8,554,100</u>	<u>\$ 8,235,317</u>

Net assets of the City's governmental activities for June 30, 2004 were (\$318,783). Unrestricted net assets that are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements was \$252,235.

The net assets of our business-type activities for June 30, 2004 was \$8,554,100.

City of Tallulah
Management's Discussion and Analysis (MD&A)

Table 2
Changes in Net Assets
For the Year Ended June 30, 2004

	Governmental Activities	Business-type Activities	Total
	2004	2004	2004
Revenue:			
Program revenues			
Charges for service	\$ 137,113	\$ 2,128,757	\$ 2,265,870
Operating grants and contributions	240,042	0	240,042
Capital grants and contributions	0	0	0
General revenues			
Property taxes, levied for utility enterprise	754,366	0	754,366
Sales tax revenue	1,011,524	0	1,011,524
Other taxes, penalties	11,461	0	11,461
License and permits	170,384	0	170,384
Earnings on investments	7,126	13,155	20,281
Miscellaneous	236,530	0	236,530
Total Revenues	2,568,546	2,141,912	4,710,458
Functions/Program Expenses:			
Governmental Activities			
General and administrative	671,674	0	671,674
Police department	533,992	0	533,992
Fire department	451,445	0	451,445
Street department	621,968	0	621,968
Health & Welfare	158,705	0	158,705
Culture and recreation	143,193	0	143,193
Legislative	46,624	0	46,624
Transportation	22,650	0	22,650
Interest expense	166,292	0	166,292
Business-type Activities			
Utility enterprise	0	2,657,438	2,657,438
Total Functions/Program Expenses	2,816,543	2,657,438	5,473,981
Increase (decrease) in net assets before transfers	(247,997)	(515,526)	(763,523)
Transfers	46,963	(46,963)	0
Increase (decrease) in net assets	(201,034)	(562,489)	(763,523)
Net assets - beginning	(117,749)	9,116,589	8,998,840
Net assets - ending	\$ (318,783)	\$ 8,554,100	\$ 8,235,317

City of Tallulah
Management's Discussion and Analysis (MD&A)

Governmental Activities

The cost of all governmental activities this year was \$5,473,981. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$1,777,351 because some of the cost was paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions. Transfers from the Utility Enterprise Fund of \$46,963 accounted for a part of the remaining revenue.

Table 3 presents the cost of each of the City's governmental activities as well as each programs net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

Table 3
 Governmental Activities
 For the Year Ended June 30, 2004

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Governmental Activities				
General and administrative	\$ 671,674		\$ 642,193	
Police Department	533,992		398,408	
Fire Department	451,445		395,213	
Street Department	621,968		621,968	
Health and welfare	158,705		72,326	
Culture and recreation	143,193		73,714	
Legislative	46,624		46,624	
Transportation	22,650		22,650	
Interest expense	166,292		166,292	
Total Functions/Program Expenses	\$ 2,816,543		\$ 2,439,388	
Business-type Activities				
Utility enterprise		<u>\$2,657,438</u>		<u>\$ 528,681</u>

Business-type Activities

Revenues of the City's business-type activities (see Table 2) for June 30, 2004 was \$2,141,912.

As stated previously, revenues of the City's business-type activities for June 30, 2004 was \$2,141,912, this is a decrease of \$390,431 from 2003 to 2004. Expenses for the year ended June 30, 2004 was 2,657,438 for the City's business-type activities which increased \$35,078 from 2003 to 2004.

Business-type activities had a decrease in net assets of \$562,489 from 2004 to 2003.

City of Tallulah
Management's Discussion and Analysis (MD&A)

THE CITY'S FUNDS

As the City completed the year, its governmental funds reported a combined fund balance of \$1,383,945, which is a decrease of \$493,980 in fund balance from last year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues exceeded budgeted revenues by \$50,894. This favorable variance was due to an unexpected increase in revenues received from Ad Valorem taxes, state grants, and fines and forfeitures.

Overall actual expenditures exceeded budgeted expenditures by \$340,776. The Police Department exceeded its budget amounts \$85,326, this unfavorable variance was due to an increase in unexpected expenditures due to repair of police vehicles and also additional cost of the retirement for policemen.

The Fire Department exceeded its budget amounts \$14,931, this unfavorable variance was due to an increase in additional repairs and maintenance and also additional cost of the retirement cost for firemen.

The Street Department exceeded its budget amounts \$88,526, this unfavorable variance was due to an increase in additional repairs and maintenance.

CAPITAL ASSET

Capital Assets

At June 30, 2004 and 2003, the City had invested in the following capital assets:

Capital Assets
June 30, 2004 and 2003

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	\$ 78,500	\$ 78,500	\$ 678,330	\$ 678,330	\$ 756,830	\$ 756,830
Buildings and improvements	2,344,940	2,344,940	0	0	2,344,940	2,344,940
Furniture and equipment	1,118,773	1,073,435	898,278	878,232	2,017,051	1,951,667
Assets under capital lease	139,391	139,391	0	0	139,391	139,391
Plant	0	0	9,900,494	9,900,494	9,900,494	9,900,494
Transmission lines	0	0	2,529,994	2,529,994	2,529,994	2,529,994
Water systems	0	0	5,427,566	2,980,369	5,427,566	2,980,369
Pumping stations	0	0	337,944	337,944	337,944	337,944
Total capital assets	<u>3,681,604</u>	<u>3,636,266</u>	<u>19,772,606</u>	<u>17,305,363</u>	<u>23,454,210</u>	<u>20,941,629</u>
Accumulated depreciation	2,884,742	2,729,557	4,373,833	3,710,052	7,258,575	6,439,609
Construction in progress	0	0	0	2,390,178	0	2,390,178
Net depreciable assets	<u>\$ 796,862</u>	<u>\$ 906,709</u>	<u>\$15,398,773</u>	<u>\$15,985,489</u>	<u>\$16,195,635</u>	<u>\$16,892,198</u>

City of Tallulah
Management's Discussion and Analysis (MD&A)

Construction in progress was transferred out of the governmental activities into the business-type activities because the ongoing construction project is actually to improve the water and sewer systems of the City.

DEBT ADMINISTRATION At June 30, 2004, the City had bonds outstanding of \$2,161,990 in which Governmental Funds make the require payments. Governmental Funds also make payments for capital leases, balance of \$15,734, a legal settlement, balance of \$50,000, and other debt which comprises \$151,980 for the Municipal Police Retirement System Merger and \$119,886 which represents the balance of a bank loan. Enterprise Funds had outstanding bonds of \$8,341,810 at June 30, 2004. Proceeds of these bonds were used for the rehabilitation of the City's Water System.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS Our elected and appointed officials and citizens consider many factors when setting the City's budget and tax rates. One of the most important factors affecting the budget is our franchise and ad valorem tax collections. Approximately, 20% of total revenues in the general fund is franchise and ad valorem tax. We have budgeted very little change in franchise and ad valorem tax revenues for the year ending June 30, 2005.

City of Tallulah

BASIC FINANCIAL STATEMENTS:

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

CITY OF TALLULAH
STATEMENT OF NET ASSETS
June 30, 2004

Statement A

	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u>	<u>TOTAL</u>
ASSETS			
Cash and cash equivalents	\$ 875,921	\$ 416,794	\$ 1,292,715
Investments	524,098	0	524,098
Receivables (net)	168,326	132,895	301,221
Internal balances	49,168	(49,168)	0
Prepaid expenses	0	1,311	1,311
Restricted assets			
Cash and cash equivalents	0	3,243	3,243
Investments	0	896,730	896,730
Capital assets, net	796,862	15,398,773	16,195,635
Deferred bond issuance costs (net of amortization)	0	241,874	241,874
TOTAL ASSETS	<u>2,414,375</u>	<u>17,042,452</u>	<u>19,456,827</u>
LIABILITIES			
Accounts, salaries and other payables	233,568	69,112	302,680
Deferred revenue	0	22,613	22,613
Payable from restricted assets - deposits	0	54,817	54,817
Long term liabilities			
Due within one year	461,730	189,917	651,647
Due in more than one year	2,037,860	8,151,893	10,189,753
TOTAL LIABILITIES	<u>2,733,158</u>	<u>8,488,352</u>	<u>11,221,510</u>
NET ASSETS			
Invested in capital assets, net of related debt	(571,018)	8,198,810	7,627,792
Unrestricted	252,235	355,290	607,525
TOTAL NET ASSETS	<u>\$ (318,783)</u>	<u>\$ 8,554,100</u>	<u>\$ 8,235,317</u>

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

CITY OF TALLULAH
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2004

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Governmental Activities:				
General and administrative	\$ 671,674	\$ 29,481	\$ 0	\$ 0
Police Department	533,992	107,632	27,952	
Fire Department	451,445		56,232	
Street Department	621,968			
Health and welfare	158,705		86,379	
Culture and recreation	143,193		69,479	
Legislative	46,624			
Transportation	22,650			
Interest expense	166,292			
Total Governmental Activities	2,816,543	137,113	240,042	0
Business-Type Activities:				
Utility Enterprise	2,657,438	2,128,757	0	0
Total Business-Type Activities	2,657,438	2,128,757	0	0
Total	\$ 5,473,981	\$ 2,265,870	\$ 240,042	\$ 0

General revenues:

Taxes:

Property taxes, levied for utility enterprise

Sales tax revenue

Other taxes, penalties

Licenses and permits

Earnings on investments

Miscellaneous

Transfers

Total general revenues and transfers

Changes in net assets

Net assets - beginning

Net assets - ending

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

Statement B

<u>PRIMARY GOVERNMENT</u>		
<u>NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS</u>		
<u>Governmental</u>	<u>Business-Type</u>	
<u>Activities</u>	<u>Activities</u>	<u>TOTAL</u>
\$ (642,193)	\$ 0	\$ (642,193)
(398,408)		(398,408)
(395,213)		(395,213)
(621,968)		(621,968)
(72,326)		(72,326)
(73,714)		(73,714)
(46,624)		(46,624)
(22,650)		(22,650)
(166,292)		(166,292)
<u>(2,439,388)</u>	<u>0</u>	<u>(2,439,388)</u>
	<u>(528,681)</u>	<u>(528,681)</u>
	<u>(528,681)</u>	<u>(528,681)</u>
<u>(2,439,388)</u>	<u>(528,681)</u>	<u>(2,968,069)</u>
754,366		754,366
1,011,524		1,011,524
11,461		11,461
170,384		170,384
7,126	13,155	20,281
236,530		236,530
46,963	(46,963)	0
<u>2,238,354</u>	<u>(33,808)</u>	<u>2,204,546</u>
(201,034)	(562,489)	(763,523)
<u>(117,749)</u>	<u>9,116,589</u>	<u>8,998,840</u>
<u>\$ (318,783)</u>	<u>\$ 8,554,100</u>	<u>\$ 8,235,317</u>

City of Tallulah

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

CITY OF TALLULAH
GOVERNMENTAL FUNDS
Balance Sheet
June 30, 2004

Statement C

	<u>GENERAL</u>	<u>OTHER GOVERNMENTAL</u>	<u>TOTAL</u>
ASSETS			
Cash and cash equivalents	\$ 448,134	\$ 427,787	\$ 875,921
Investments	0	524,098	524,098
Receivables	168,326	0	168,326
Interfund receivables	<u>169,046</u>	<u>48,106</u>	<u>217,152</u>
TOTAL ASSETS	<u>785,506</u>	<u>999,991</u>	<u>1,785,497</u>
 LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts, salaries and other payables	209,452	24,116	233,568
Interfund payables	<u>165,936</u>	<u>2,048</u>	<u>167,984</u>
TOTAL LIABILITIES	<u>375,388</u>	<u>26,164</u>	<u>401,552</u>
 FUND BALANCES:			
Reserved for debt service	0	809,845	809,845
Unreserved and undesignated	<u>410,118</u>	<u>163,982</u>	<u>574,100</u>
Total Fund Balances	<u>410,118</u>	<u>973,827</u>	<u>1,383,945</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 785,506</u>	 <u>\$ 999,991</u>	 <u>\$ 1,785,497</u>

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

CITY OF TALLULAH

Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Assets
June 30, 2004

Statement D

Total fund balances - governmental funds \$ 1,383,945

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

Costs of capital assets	3,681,604	
Depreciation expense to date	<u>(2,884,742)</u>	
		796,862

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long term - are reported in the Statement of Net Assets.

Balances at June 30, 2004 are:

Bonds payable	(2,161,990)	
Leases payable	(15,734)	
Other long-term debt	(271,866)	
Legal settlement payable	<u>(50,000)</u>	
		<u>(2,499,590)</u>

Net Assets - Governmental Activities \$ (318,783)

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

CITY OF TALLULAH

**GOVERNMENTAL FUNDS
Combined Statement of Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended June 30, 2004**

Statement E

	<u>GENERAL</u>	<u>OTHER GOVERNMENTAL</u>	<u>TOTAL</u>
REVENUES			
Local sources:			
Taxes			
Ad valorem	\$ 589,864	\$ 164,502	\$ 754,366
Sales	1,011,524	0	1,011,524
Other taxes, penalties and interest	11,461	0	11,461
Licenses and permits	170,384	0	170,384
Intergovernmental revenues	323,841	86,379	410,220
Rental income	7,570	0	7,570
Local funds	0	36,457	36,457
Fees, charges, and commission for services	10,228	0	10,228
Use of money and property	2,891	4,235	7,126
Fines and forfeitures	101,935	0	101,935
Miscellaneous revenues	46,162	1,113	47,275
	<u>2,275,860</u>	<u>292,686</u>	<u>2,568,546</u>
Total revenues			
EXPENDITURES			
Current:			
General and administrative	656,076	10,542	666,618
Police Department	499,526	0	499,526
Fire Department	411,561	0	411,561
Street Department	422,536	148,716	571,252
Health and welfare	0	145,353	145,353
Culture and recreation	135,205	0	135,205
Legislative	46,624	0	46,624
Transportation	22,650	0	22,650
Other	0	60	60
Capital outlay	45,338	0	45,338
Debt service:			
Principal retirement	87,906	311,104	399,010
Interest and bank charges	55,486	110,806	166,292
	<u>2,382,908</u>	<u>726,581</u>	<u>3,109,489</u>
Total expenditures			
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	<u>\$ (107,048)</u>	<u>\$ (433,895)</u>	<u>\$ (540,943)</u>

(CONTINUED)

CITY OF TALLULAH

**GOVERNMENTAL FUNDS
 Combined Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 For the Year Ended June 30, 2004**

Statement E

	<u>GENERAL</u>	<u>OTHER GOVERNMENTAL</u>	<u>TOTAL</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 46,963	\$ 327,768	\$ 374,731
Transfers out	<u>(327,768)</u>	<u>0</u>	<u>(327,768)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(280,805)</u>	<u>327,768</u>	<u>46,963</u>
NET CHANGE IN FUND BALANCES	<u>(387,853)</u>	<u>(106,127)</u>	<u>(493,980)</u>
FUND BALANCES - BEGINNING	<u>797,971</u>	<u>1,079,954</u>	<u>1,877,925</u>
FUND BALANCES - ENDING	<u>\$ 410,118</u>	<u>\$ 973,827</u>	<u>\$ 1,383,945</u>

(CONCLUDED)

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

CITY OF TALLULAH

Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities
For the Year Ended June 30, 2004

Statement F

Total net change in fund balances - governmental funds \$ (493,980)

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

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

Capital outlays	\$ 45,338	
Depreciation	(155,185)	(109,847)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

402,793

Change in net assets of governmental activities. \$ (201,034)

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

CITY OF TALLULAH

**GENERAL FUND
Budgetary Comparison Statement
For the Year Ended June 30, 2004**

Statement G

	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>BUDGET</u>	<u>BUDGET</u>		<u>FAVORABLE</u>
				<u>(UNFAVORABLE)</u>
BUDGETARY FUND BALANCES, Beginning	\$ 700,000	\$ 700,000	\$ 797,971	\$ 97,971
Resources (inflows)				
Local sources:				
Taxes				
Ad valorem	549,700	549,700	589,864	40,164
Sales and use	1,094,800	1,094,800	1,011,524	(83,276)
Beer Tax	18,000	18,000	11,461	(6,539)
Licenses and permits	133,000	133,000	170,384	37,384
Intergovernmental revenues	194,700	194,700	323,841	129,141
Rental income	4,000	4,000	7,570	3,570
Fines and forfeitures	80,400	80,400	101,935	21,535
Earnings on investments	26,400	26,400	2,891	(23,509)
Miscellaneous revenues	43,900	43,900	58,390	12,490
Transfers from other funds	225,000	225,000	46,963	(178,037)
	<u>3,069,900</u>	<u>3,069,900</u>	<u>3,120,794</u>	<u>50,894</u>
Amounts available for appropriations				
Charges to appropriations (outflows)				
Current:				
General and administrative	1,044,755	1,044,755	1,156,076	(111,321)
Police Department	414,200	414,200	499,526	(85,326)
Fire Department	196,630	196,630	211,561	(14,931)
Street Department	134,010	134,010	222,536	(88,526)
Culture and recreation	13,000	13,000	35,205	(22,205)
Legislative	45,300	45,300	46,624	(1,324)
Transportation	27,000	27,000	22,650	4,350
Capital outlay	45,500	45,500	45,338	162
Debt service:				
Principal retirement	88,705	88,705	87,906	799
Interest expense	18,000	18,000	55,486	(37,486)
Transfers to other funds	342,800	342,800	327,768	15,032
	<u>2,369,900</u>	<u>2,369,900</u>	<u>2,710,676</u>	<u>(340,776)</u>
Total charges to appropriations				
BUDGETARY FUND BALANCES, ENDING	<u>\$ 700,000</u>	<u>\$ 700,000</u>	<u>\$ 410,118</u>	<u>\$ (289,882)</u>

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

CITY OF TALLULAH
PROPRIETARY FUND TYPE - ENTERPRISE FUNDS
Statements of Net Assets
June 30, 2004

Statement H

	WATER FUND	SEWER FUND	TOTAL
ASSETS			
Current Assets:			
Cash	\$ 321,216	\$ 95,578	\$ 416,794
Receivables	87,060	45,835	132,895
Interfund receivables	254,139	17,281	271,420
Prepaid expenses	0	1,311	1,311
Restricted Assets:			
Cash	3,243	0	3,243
Investments	896,730	0	896,730
Total Current Assets	1,562,388	160,005	1,722,393
Long-term Assets			
Property, plant and equipment (net of accumulated depreciation)	8,445,729	6,953,044	15,398,773
Deferred bond issuance costs (net of amortization)	241,874	0	241,874
TOTAL ASSETS	10,249,991	7,113,049	17,363,040
LIABILITIES			
Current Liabilities			
Accounts payable	29,712	26,450	56,162
Salaries payable	10,152	2,798	12,950
Interfund payables	83,833	236,755	320,588
Deferred revenue	22,613	0	22,613
Customer deposits	0	54,817	54,817
Current portion of long-term debt	189,917	0	189,917
Total Current Liabilities	336,227	320,820	657,047
Long-term debt - revenue bonds payable	8,151,893	0	8,151,893
TOTAL LIABILITIES	8,488,120	320,820	8,808,940
NET ASSETS			
Invested in capital assets, net of related debt	1,245,766	6,953,044	8,198,810
Unrestricted	516,105	(160,815)	355,290
TOTAL NET ASSETS	\$ 1,761,871	\$ 6,792,229	\$ 8,554,100

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

CITY OF TALLULAH

PROPRIETARY FUND TYPE - ENTERPRISE FUNDS

Statements of Revenues, Expenses,
and Changes in Fund Net Assets
For the Year Ended June 30, 2004

Statement I

	WATER FUND	SEWER FUND	TOTAL
OPERATING REVENUES			
Charges for services	\$ 1,503,619	\$ 349,845	\$ 1,853,464
Other operating revenue	32,090	142,203	174,293
Total operating revenues	<u>1,535,709</u>	<u>492,048</u>	<u>2,027,757</u>
OPERATING EXPENSES			
Personal services	407,065	209,856	616,921
Supplies	123,096	3,533	126,629
Maintenance	108,546	347,269	455,815
Utilities	91,622	99,808	191,430
Miscellaneous	72,006	46,761	118,767
Uniforms	7,598	4,641	12,239
Insurance	44,491	39,572	84,063
Accounting fees	6,250	0	6,250
Depreciation	533,065	130,717	663,782
Total operating expenses	<u>1,393,739</u>	<u>882,157</u>	<u>2,275,896</u>
OPERATING INCOME (Loss)	<u>141,970</u>	<u>(390,109)</u>	<u>(248,139)</u>
NONOPERATING REVENUES (EXPENSES)			
Grant revenue	101,000	0	101,000
Interest income	8,495	4,660	13,155
Interest expense	(361,145)	0	(361,145)
Operating transfers out	0	(46,963)	(46,963)
Amortization of bond issue costs	(20,397)	0	(20,397)
Total nonoperating revenues (expenses)	<u>(272,047)</u>	<u>(42,303)</u>	<u>(314,350)</u>
NET INCOME (Loss)	(130,077)	(432,412)	(562,489)
NET ASSETS - BEGINNING OF YEAR	<u>1,891,948</u>	<u>7,224,641</u>	<u>9,116,589</u>
NET ASSETS - END OF YEAR	<u>\$ 1,761,871</u>	<u>\$ 6,792,229</u>	<u>\$ 8,554,100</u>

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

CITY OF TALLULAH

**PROPRIETARY FUND - UTILITY ENTERPRISE FUND
Statements of Cash Flows
For the Year Ended June 30, 2004**

Statement J

	<u>WATER</u> <u>FUND</u>	<u>SEWER</u> <u>FUND</u>	<u>TOTAL</u>
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,400,505	\$ 372,999	\$ 1,773,504
Payments to employees	(406,343)	(209,902)	(616,245)
Payments to others	(407,548)	(551,950)	(959,498)
Other receipts	<u>32,090</u>	<u>142,203</u>	<u>174,293</u>
Net cash provided (used) for operating activities	<u>618,704</u>	<u>(246,650)</u>	<u>372,054</u>
CASH FLOW (USES) FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers out	0	(46,963)	(46,963)
Grant receipts	101,000	0	101,000
(Increase) decrease in restricted assets - deposits	1,870	0	1,870
Increase (decrease) in customer deposits	<u>0</u>	<u>5,362</u>	<u>5,362</u>
Net cash provided (used) for noncapital financing activities	<u>102,870</u>	<u>(41,601)</u>	<u>61,269</u>
CASH FLOW (USES) FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	(20,045)	0	(20,045)
Principal payment bonds	(177,559)	0	(177,559)
Interest paid on bonds	<u>(419,657)</u>	<u>0</u>	<u>(419,657)</u>
Net cash provided (used) for capital and related financing activities	<u>(617,261)</u>	<u>0</u>	<u>(617,261)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Earnings on investments	<u>8,495</u>	<u>4,660</u>	<u>13,155</u>
Net increase (decrease) in cash and cash equivalents	112,808	(283,591)	(170,783)
CASH AND CASH EQUIVALENTS - BEGINNING	<u>1,108,381</u>	<u>379,169</u>	<u>1,487,550</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 1,221,189</u>	<u>\$ 95,578</u>	<u>\$ 1,316,767</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 141,970	\$ (390,109)	\$ (248,139)
Adjustments to reconcile operating income to net cash provided (used) for operating activities:			
Depreciation and amortization	533,065	130,717	663,782
(Increase) decrease in accounts receivable	51,516	6,922	58,438
Increase (decrease) in accounts payable	(15,442)	15,846	404
(Increase) decrease in interfund receivable	(154,630)	16,232	(138,398)
Increase (decrease) in salaries payable	722	(46)	676
Increase (decrease) in interfund payable	<u>61,503</u>	<u>(26,212)</u>	<u>35,291</u>
Net cash provided (used) by operating activities	<u>\$ 618,704</u>	<u>\$ (246,650)</u>	<u>\$ 372,054</u>

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

City of Tallulah
Notes to the Basic Financial Statements

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

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

City of Tallulah
Notes to the Basic Financial Statements

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 - 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

Government-Wide Financial Statements (GWFS) The Statement of Net Assets and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the GWFS. Fiduciary funds are reported only in the Statement of Fiduciary Net Assets at the fund financial statement level.

The Statement of Net Assets and the Statement of Activities was prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions."

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

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

Fund Financial Statements (FFS)

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

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

City of Tallulah
Notes to the Basic Financial Statements

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

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

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

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

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

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

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

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

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

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

City of Tallulah
Notes to the Basic Financial Statements

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

Land	N/A
Building and Improvements	20 years
Furniture and equipment	5-10 years

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

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

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. RISK MANAGEMENT The City is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. To handle such risk of loss, the City maintains commercial insurance policies covering its automobiles, professional liability, general liability, and surety bond coverage. There were no significant reductions in insurance coverage during the year ended June 30, 2004.

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

- Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments;
- Imposed by law through constitutional provisions or enabling legislation.

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

City of Tallulah
Notes to the Basic Financial Statements

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

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

O. USE OF ESTIMATES The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

NOTE 2 - COMPLIANCE The city did not adopt budgets for the General Fund and all Special Revenue Funds even through required by state statute.

NOTE 3 - DEPOSITS At June 30, 2004, the City had cash and cash equivalents, net of cash overdrafts (book balances) as follows:

Demand deposits	\$ 891,032
Petty cash	1,825
Time deposits	<u>403,101</u>
Total	<u>\$1,295,958</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, 2004, are secured as follows:

Bank balances	\$1,334,245
Federal deposit insurance	489,190
Pledged securities (uncollateralized)	<u>845,055</u>
Total	<u>\$1,334,245</u>

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 4 - INVESTMENTS Under state law, the City may invest funds in obligations of the United States, 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 which is the same as their market value. At June 30, 2004, the City had Category I investments of \$1,420,828.

City of Tallulah
Notes to the Basic Financial Statements

NOTE 5 - LEVIED TAXES The City levies property taxes on real and business property located within the City's boundaries. Property taxes are levied by the City on property values assessed by the Madison Parish Tax Assessor and approved by the state of Louisiana Tax Commission. The Madison Parish Tax Assessor prepares tax statements for the City.

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

	Authorized Millage	Levied Millage
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	2.10
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.

NOTE 6 - RECEIVABLES The following is a summary of receivables at June 30, 2004:

Class of Receivable	<u>General</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Taxes:				
Sales and use	\$ 73,299			\$ 73,299
State revenue	33,317			33,317
Sewer user fees			\$45,835	45,835
Water user fees		\$87,060		87,060
Franchise Fees	38,605			38,605
Other	<u>23,105</u>			<u>23,105</u>
Total	<u>\$168,326</u>	<u>\$87,060</u>	<u>\$45,835</u>	<u>\$301,221</u>

NOTE 7 - INTERFUND TRANSACTIONS/BALANCES

Individual balances due from/to other funds at June 30, 2004, are as follows:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General fund	\$169,046	\$165,936
Other governmental funds	48,106	2,048
Sewer enterprise fund	17,281	236,755
Water enterprise fund	<u>254,139</u>	<u>83,833</u>
Total	<u>\$488,572</u>	<u>\$488,572</u>

Transfers during the year were as follows:

General Fund – transferred in	\$46,923
Sewer Fund – transferred out	\$46,923

NOTE 8 - CAPITAL ASSETS The following presents the changes in general fixed assets for the year ended June 30, 2004:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Land	\$ 78,500	\$ 0	\$0	\$ 78,500
Depreciable Assets				

City of Tallulah
Notes to the Basic Financial Statements

Buildings and improvements	2,344,940	0	0	2,344,940
Furniture and equipment	1,073,435	45,338	0	1,118,773
Assets under capital lease	139,391	0	0	139,391
Total assets	<u>3,636,266</u>	<u>45,338</u>	<u>0</u>	<u>3,681,604</u>
Less: accumulated depreciation	<u>2,729,557</u>	<u>155,185</u>	<u>0</u>	<u>2,884,742</u>
Net capital assets	<u>\$ 906,709</u>	<u>\$ 109,847</u>	<u>\$0</u>	<u>\$ 796,862</u>

Depreciation expense was charged to governmental activities as follows:

General and administrative	\$ 8,779
Police department	34,466
Fire Department	39,884
Street department	50,716
Health and welfare	13,352
Culture and recreation	<u>7,988</u>
Total	<u>\$155,185</u>

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

	Water Fund	Sewer Fund	Total
Land	\$ 65,451	\$ 612,879	\$ 678,330
Depreciable Assets			
Equipment	585,821	312,457	898,278
Plant	2,034,116	7,866,378	9,900,494
Transmission lines	2,203,053	326,941	2,529,994
Water systems	5,427,566	0	5,427,566
Pumping stations	<u>337,944</u>	<u>0</u>	<u>337,944</u>
Total capital assets	10,653,951	9,118,655	19,772,606
Less accumulated depreciation	<u>2,208,222</u>	<u>2,165,611</u>	<u>4,373,833</u>
Total plant and equipment	<u>\$ 8,445,729</u>	<u>\$ 6,953,044</u>	<u>\$15,398,773</u>

NOTE 9 - 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.

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 3½ 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.

City of Tallulah
Notes to the Basic Financial Statements

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 21.0 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, 2004, 2003, and 2002, were \$25,396, \$13,427, and \$10,742, 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 3½ 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 15.25 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, 2004, 2003, and 2002, were \$28,597, \$21,945, and \$23,079, respectively, equal to the required contributions for each year.

NOTE 10 - 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 \$119,886 is due in annual installments of \$51,894 through 2007. Loan payments are made from the general fund.

NOTE 11 - BUDGETARY COMPARISON STATEMENT RECONCILIATION

Amounts available for appropriation per Budgetary Comparison Statement	\$3,120,794
Less budgeting fund balances, beginning	797,971
Less transfers from other funds	<u>46,963</u>
Revenues per Statement of Revenues, Expenditures and changes in Fund Balances	<u>\$2,275,860</u>
Changes to appropriation per Budgetary Comparison Statement	\$2,710,676
Less transfers to other funds	<u>327,768</u>
Expenditures per Statement of Revenues	
Expenditures and changes in Fund Balances	<u>\$2,382,908</u>

City of Tallulah
Notes to the Basic Financial Statements

NOTE 12 - CHANGES IN LONG-TERM OBLIGATIONS The following is a summary of long-term obligation transactions for the year ended June 30, 2004:

	General Long-Term Debt				Total	Water	Total
	Bonded Debt	Capital Leases	Other	Legal Settlements		Enterprise Fund	
Balance, beginning	\$2,500,580	\$45,409	\$306,392	\$100,000	\$2,952,381	\$8,519,369	\$11,471,750
Additions	0	0	0	0			
Retirements	<u>338,590</u>	<u>29,675</u>	<u>34,526</u>	<u>50,000</u>	<u>452,791</u>	<u>177,559</u>	<u>630,350</u>
Balance, ending	<u>\$2,161,990</u>	<u>\$15,734</u>	<u>\$271,866</u>	<u>\$ 50,000</u>	<u>\$2,499,590</u>	<u>\$8,341,810</u>	<u>\$10,841,400</u>
Amounts due in one year					<u>\$ 461,730</u>	<u>\$ 189,917</u>	<u>\$ 651,647</u>

The classification "other" consists of \$151,980 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 \$119,886, representing a bank loan.

Bonded debt payable at June 30, 2004, 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.	\$179,855
\$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.	285,000
\$327,740 – Certificates of Indebtedness. The principal will be due in annual installments of \$42,187 June 30, 2011. Interest is 4.50 percent.	<u>242,135</u>
Total general obligation bonds	<u>706,990</u>
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.	<u>1,455,000</u>
Total bonded debt payable from Governmental fund-type funds	<u>\$2,161,990</u>

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.	\$5,910,000
\$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.	1,709,945
\$728,000 – Principal is due in monthly installments starting August 20, 2002, through	

City of Tallulah
Notes to the Basic Financial Statements

August 20, 2042. Interest rate is 4.50 percent. Debt retirement payments are made from the Water Enterprise Fund.

Total revenue bonds payable from Water Enterprise Fund 721,865
\$8,341,810

As shown on Exhibit 5, \$809,845 is available in debt service funds to service the bonded debt in the Governmental fund-type funds. The annual requirements to amortize all outstanding debt at June 30, 2004 are as follows:

Year	General Long-Term Debt			Water Enterprise Fund		
	Principal	Interest	Total	Principal	Interest	Total
2005	\$461,730	\$119,159	\$580,889	\$ 189,917	\$ 441,250	\$ 631,167
2006	421,331	98,298	519,629	196,132	432,940	629,072
2007	364,523	77,507	442,030	212,407	418,915	631,322
2008	366,746	56,846	423,592	223,745	403,703	627,448
2009	372,567	89,553	462,120	240,147	387,676	627,823
2010-2014	374,964	23,268	398,232	1,439,296	1,705,891	3,145,187
2015-2019	88,598	3,781	92,379	1,851,199	1,333,150	3,184,349
2020-2024	49,131	2,125	51,256	2,370,743	772,702	3,143,445
2025-2029				356,342	346,373	702,715
2030-2034				452,330	250,385	702,715
2035-2039				574,216	128,499	702,715
2040-2042				<u>235,336</u>	<u>10,560</u>	<u>245,896</u>
Total	<u>\$2,499,590</u>	<u>\$470,537</u>	<u>\$2,970,127</u>	<u>\$8,341,810</u>	<u>\$6,632,044</u>	<u>\$14,973,854</u>

General obligation bonds totaling \$706,990 at June 30, 2004, 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 13 - LITIGATION AND CLAIMS At June 30, 2004, the City is involved in several lawsuits. In the opinion of the City's legal counsel, the outcome of any remaining lawsuits will not materially affect the financial statements.

NOTE 14 - NEW FINANCIAL REPORTING MODEL The Governmental Accounting Standards Board (GASB) issued Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments in June 1999. The Statement, commonly referred to as the new reporting model, retained much of the reporting under the present reporting model, with modifications, and added new information. The two most significant additions are the Management's Discussion and Analysis and the Government-Wide Financial Statements (GWFS). The most apparent modification to the format of the old reporting model that is being carried forward will be the display of major funds in the Fund Financial Statements (FFS), rather than the traditional fund-type display.

NOTE 15 - SEGMENT INFORMATION The City maintains two enterprise funds which provide water and sewer services. Segment information for the year ended June 30, 2004, was as follows:

	Water	Sewer	Total Enterprise Funds
Operating revenues	\$ 1,535,709	\$ 492,048	\$ 2,027,757
Depreciation and amortization expense	533,065	130,717	663,782
Operating income (loss)	141,970	(390,109)	(248,139)
Operating transfers out	0	46,963	46,963
Net income (loss)	(130,077)	(432,412)	(562,489)
Property, plant, and equipment –			
Additions	2,467,243	0	2,467,243
Net working capital	<u>516,105</u>	<u>(105,998)</u>	<u>410,107</u>
Total assets	<u>10,249,991</u>	<u>7,113,049</u>	<u>17,363,040</u>
Total equity	<u>\$ 1,842,314</u>	<u>\$ 6,773,603</u>	<u>\$ 8,615,917</u>

SUPPLEMENTAL INFORMATION

CITY OF TALLULAH
NONMAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet - By Fund Type
June 30, 2004

Exhibit 1

	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECT	TOTAL
ASSETS				
Cash and cash equivalents	\$ 157,671	\$ 270,076	40	\$ 427,787
Investments	0	524,098	0	524,098
Interfund receivables	32,435	15,671	0	48,106
TOTAL ASSETS	190,106	809,845	40	999,991
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts, salaries and other payables	24,116	0	0	24,116
Interfund payables	1,655	0	393	2,048
TOTAL LIABILITIES	25,771	0	393	26,164
FUND BALANCES:				
Reserved for debt service	0	809,845	0	809,845
Unreserved and undesignated	164,335	0	(353)	163,982
Total Fund Balances	164,335	809,845	(353)	973,827
TOTAL LIABILITIES AND FUND BALANCES	\$ 190,106	\$ 809,845	40	\$ 999,991

CITY OF TALLULAH

NONMAJOR GOVERNMENTAL FUNDS
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances - By Fund Type
For the Year Ended June 30, 2004

Exhibit 2

	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECT	TOTAL
REVENUES				
Local sources:				
Taxes				
Ad valorem	\$ 121,563	\$ 42,939	\$ 0	\$ 164,502
Intergovernmental revenues	86,379	0	0	86,379
Local funds	0	0	36,457	36,457
Use of money and property	1,782	2,453	0	4,235
Miscellaneous revenues	1,113	0	0	1,113
Total revenues	210,837	45,392	36,457	292,686
EXPENDITURES				
Current:				
General and administrative	0	1,085	9,457	10,542
Street Department	121,716	0	27,000	148,716
Health and welfare	145,353	0	0	145,353
Other	0	0	60	60
Debt service:				
Principal retirement	0	311,104	0	311,104
Interest and bank charges	0	110,806	0	110,806
Total expenditures	267,069	422,995	36,517	726,581
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	(56,232)	(377,603)	(60)	(433,895)
OTHER FINANCING SOURCES (USES)				
Transfers in	0	327,768	0	327,768
TOTAL OTHER FINANCING SOURCES (USES)	0	327,768	0	327,768
NET CHANGE IN FUND BALANCES	(56,232)	(49,835)	(60)	(106,127)
FUND BALANCES - BEGINNING	220,567	859,680	(293)	1,079,954
FUND BALANCES - ENDING	\$ 164,335	\$ 809,845	\$ (353)	\$ 973,827

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
NONMAJOR SPECIAL REVENUE FUNDS
Combining Balance Sheet
June 30, 2004

Exhibit 3

	<u>SECTION 8</u>	<u>STREET PROGRAM</u>	<u>BUILDING REPAIR</u>	<u>TEC BUILDING</u>	<u>TOTAL</u>
ASSETS					
Cash and cash equivalents	\$ 59,103	\$ 88,335	\$ 10	\$ 10,223	\$ 157,671
Interfund receivables	<u>16,484</u>	<u>15,951</u>	<u>0</u>	<u>0</u>	<u>32,435</u>
TOTAL ASSETS	<u>75,587</u>	<u>104,286</u>	<u>10</u>	<u>10,223</u>	<u>190,106</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts, salaries and other payables	0	24,116	0	0	24,116
Interfund payables	<u>0</u>	<u>1,655</u>	<u>0</u>	<u>0</u>	<u>1,655</u>
TOTAL LIABILITIES	0	25,771	0	0	25,771
FUND BALANCES:					
Unreserved and undesignated	<u>75,587</u>	<u>78,515</u>	<u>10</u>	<u>10,223</u>	<u>164,335</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 75,587</u>	<u>\$ 104,286</u>	<u>10</u>	<u>\$ 10,223</u>	<u>\$ 190,106</u>

CITY OF TALLULAH

**NONMAJOR SPECIAL REVENUE FUNDS
Combining Schedule of Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended June 30, 2004**

Exhibit 4

	<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	\$ 121,563	\$ 0	\$ 0	\$ 121,563
Intergovernmental revenues	86,379	0	0	0	86,379
Use of money and property	875	812	0	95	1,782
Miscellaneous revenues	1,113	0	0	0	1,113
Total revenues	88,367	122,375	0	95	210,837
EXPENDITURES					
Current:					
Public works	0	121,716	0	0	121,716
Health and welfare	145,353	0	0	0	145,353
Total expenditures	145,353	121,716	0	0	267,069
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	(56,986)	659	0	95	(56,232)
FUND BALANCES - BEGINNING	132,573	77,856	10	10,128	220,567
FUND BALANCES - ENDING	\$ 75,587	\$ 78,515	\$ 10	\$ 10,223	\$ 164,335

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
NONMAJOR DEBT SERVICE FUNDS
Combining Balance Sheet
June 30, 2004

Exhibit 5

	1998 GENERAL OBLIGATION BOND	1988 CERTIFICATES OF INDEBTEDNESS	1981 GENERAL OBLIGATION BOND	1998 PUBLIC IMPROVEMENT BOND	TOTAL
ASSETS					
Cash and cash equivalents	\$ 0	\$ 960	\$ 42,906	\$ 226,210	\$ 270,076
Investments	524,098	0	0	0	524,098
Receivables	0	0	0	0	0
Interfund receivables	0	0	1,720	13,951	15,671
TOTAL ASSETS	524,098	960	44,626	240,161	809,845
FUND BALANCES:					
Reserved for debt service	524,098	960	44,626	240,161	809,845
TOTAL FUND BALANCES	\$ 524,098	\$ 960	\$ 44,626	\$ 240,161	\$ 809,845

CITY OF TALLULAH

**NONMAJOR DEBT SERVICE FUNDS
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended June 30, 2004**

Exhibit 6

	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	\$ 13,939	\$ 29,000	\$ 42,939
Use of money and property	2,061	8	55	329	2,453
Total revenues	2,061	8	13,994	29,329	45,392
EXPENDITURES					
Current:					
Finance and administrative	1,085	0	0	0	1,085
Debt service:					
Principal retirement	240,000	0	6,104	65,000	311,104
Interest and bank charges	84,156	0	9,319	17,331	110,806
Total expenditures	325,241	0	15,423	82,331	422,995
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	(323,180)	8	(1,429)	(53,002)	(377,603)
OTHER FINANCING SOURCES (USES)					
Transfers in	327,768	0	0	0	327,768
TOTAL OTHER FINANCING SOURCES	327,768	0	0	0	327,768
NET CHANGE IN FUND BALANCES	4,588	8	(1,429)	(53,002)	(49,835)
FUND BALANCES - BEGINNING	519,510	952	46,055	293,163	859,680
FUND BALANCES - ENDING	\$ 524,098	\$ 960	\$ 44,626	\$ 240,161	\$ 809,845

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
NONMAJOR CAPITAL PROJECTS FUNDS
Combining Balance Sheet
June 30, 2004

Exhibit 7

	<u>LCDBG</u>	<u>FIRE PROTECTION</u>	<u>TOTAL</u>
ASSETS			
Cash and cash equivalents	\$ 40	\$ 0	\$ 40
Receivables	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL ASSETS	<u>40</u>	<u>0</u>	<u>40</u>
 LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts, salaries and other payables	0	0	0
Interfund payables	<u>293</u>	<u>100</u>	<u>393</u>
TOTAL LIABILITIES	293	100	393
 FUND BALANCES:			
Unreserved and undesignated	<u>(253)</u>	<u>(100)</u>	<u>(353)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 40</u>	<u>\$ 0</u>	<u>\$ 40</u>

CITY OF TALLULAH

NONMAJOR CAPITAL PROJECTS FUNDS
 Combining Schedule of Revenues, Expenditures,
 and Changes in Fund Balances
 For the Year Ended June 30, 2004

Exhibit 8

	LCDBG	FIRE PROTECTION	TOTAL
REVENUES			
Local sources:			
Intergovernmental - local funds	\$ 36,457	\$ 0	\$ 36,457
Miscellaneous revenues	0	0	0
Federal grants	0	0	0
Total revenues	<u>36,457</u>	<u>0</u>	<u>36,457</u>
EXPENDITURES			
Current:			
General and administrative	9,457	0	9,457
Public works	27,000	0	27,000
Other	60	0	60
Total expenditures	<u>36,517</u>	<u>0</u>	<u>36,517</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	<u>(60)</u>	<u>0</u>	<u>(60)</u>
FUND BALANCES - BEGINNING	<u>(193)</u>	<u>(100)</u>	<u>(293)</u>
FUND BALANCES - ENDING	<u>\$ (253)</u>	<u>\$ (100)</u>	<u>\$ (353)</u>

City of Tallulah

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

CITY OF TALLULAH
PROPRIETARY FUND TYPE - ENTERPRISE FUNDS
Comparative Statement of Net Assets
June 30, 2004 and 2003

Exhibit 9

	2004 WATER FUND	2003 WATER FUND	2004 SEWER FUND	2003 SEWER FUND
ASSETS				
Current Assets:				
Cash	\$ 321,216	\$ 295,201	\$ 95,578	\$ 379,169
Receivables	87,060	138,576	45,835	52,757
Interfund receivables	254,139	99,509	17,281	33,513
Prepaid expenses	0	0	1,311	1,311
Restricted Assets:				
Cash	3,243	1,373	0	0
Investments	896,730	811,807	0	0
Total Current Assets	1,562,388	1,346,466	160,005	466,750
Long-term Assets				
Property, plant and equipment (net of accumulated depreciation)	8,445,729	8,901,728	6,953,044	7,083,761
Deferred bond issuance costs (net of amortization)	241,874	262,638	0	0
TOTAL ASSETS	10,249,991	10,510,832	7,113,049	7,550,511
LIABILITIES				
Current Liabilities				
Accounts payable	29,712	45,154	26,450	10,604
Salaries payable	10,152	9,430	2,798	2,844
Interfund payables	83,833	22,330	236,755	262,967
Deferred revenue	22,613	22,601	0	0
Customer deposits	0	0	54,817	49,455
Current portion of long-term debt	189,917	620,228	0	0
Total Current Liabilities	336,227	719,743	320,820	325,870
Long-term debt - revenue bonds payable	8,151,893	7,899,141	0	0
TOTAL LIABILITIES	8,488,120	8,618,884	320,820	325,870
NET ASSETS				
Invested in capital assets, net of relate	535,710	1,265,225	6,953,044	7,083,761
Restricted	899,973	813,180	0	0
Unrestricted	326,188	(186,457)	(160,815)	140,880
Total Fund Equity	\$ 1,761,871	\$ 1,891,948	\$ 6,792,229	\$ 7,224,641

City of Tallulah

Exhibit 10

**Schedule of Compensation Paid Council Members
For the Year Ended June 30, 2004**

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 president receives \$525 per month.

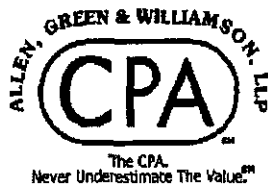
Tommy Watson, President	\$ 6,300
Charles Finlayson	6,000
*Alberta Glispy	12,500
Gloria Hayden	6,000
Janet Clark	<u>6,000</u>
TOTAL	<u>\$36,800</u>

* Alberta Gilspy also serves as Street Commissioner in which the compensation is \$6,500.

City of Tallulah

**OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

The 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 basic financial statements and presents, where applicable, compliance matters that would be material to the basic financial statements. The section of the report on internal control over financial reporting is, likewise, based solely on the audit of the basic financial statements and includes, where appropriate, any reportable conditions and/or material weaknesses.



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1963 - 2000

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

Mayor and Council Members
City of Tallulah
Tallulah, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tallulah, (the City) as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 20, 2005. 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.

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 judgment, 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 Comments and Recommendations as items 04-F1 through 04-F11.

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.

Management Letter Items

We noted matters involving internal control over financial reporting, which we have reported to the management of the City in a separate letter dated January 20, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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 Comments and Recommendations item 04-F4, 04-F5, 04-F6, 04-F7, 04-F12 and 04-F13.

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

Allen, Green & Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
January 20, 2005

City of Tallulah
Schedule of Comments and Recommendations
For the Year Ended June 30, 2004

Reference # and title: 04-F1 Lack of Separation of Duties

Criteria or specific requirement: Good internal control procedures require assignment of job responsibilities in such a way as to divide the accounting function between two or more people so that if transactions were processed that were not consistent with management's policies and/or errors were made in the accounting process, these transactions would be discovered by the City's personnel in the process of performing their assigned duties within a timely period and the necessary corrections could be made.

Condition found: The City Clerk now initiates all cash transactions (processing checks/making wire transfers) in which he is one of two signatures on all checks, maintains the accounting records, and prepares bank reconciliations for all funds.

Possible asserted effect (cause and effect):

Cause: Lack of importance placed upon having adequate separation of duties.

Effect: The City Clerk now does all the processing of checks and reconciles all bank accounts.

Recommendations to prevent future occurrences: The City should realign duties between the City Clerk and the two other individuals in the Clerk's office in order to have better internal control over the accounting function. The bank reconciliations should be prepared by someone independent of the check preparation process of a fund. The bank statement and the related canceled checks should be received by the bank reconciler from the bank unopened.

Reference # and title: 04-F2 Use of Rubber Signature Stamp

Criteria or specific requirement: Good internal control procedures require that check signing be closely monitored.

Condition found: Use of rubber signature stamp of the Mayor's signature.

Possible asserted effect (cause and effect):

Cause: Convenience of the signature stamp for signing checks when the Mayor is not available.

Effect: The stamp could be used without the knowledge of the official responsible for signing checks.

Recommendations to prevent future occurrences: All checks should be signed by two persons who have been given the authority to sign checks. In the event of an emergency requiring the use of the signature stamp, a log should be maintained that shows the check number, date, amount and employee's name using the stamp. The signature stamp should be maintained in a secure locked area at all times.

Reference # and title: 04-F3 Bank Reconciliations Not Prepared Timely

Criteria or specific requirement: Good internal controls require that bank reconciliations be performed timely. This ensures that unexplained differences are discovered quickly and can be researched. Also, there is usually only thirty days from the bank statement date to report and resolve any bank errors.

Condition: Upon requesting the bank reconciliations for the month of June 2004, we were told that bank reconciliations for the audit year had not been completed.

City of Tallulah
Schedule of Comments and Recommendations
For the Year Ended June 30, 2004

Possible asserted effect (cause and effect):

Cause: The person responsible for the bank reconciliations did not complete bank reconciliations in a timely manner due to other pressing duties.

Effect: Internal controls over cash were weakened.

Recommendations to prevent future occurrences: The preparations of the bank reconciliations should be assigned to other personnel in the City Clerk's office to assure that internal controls over cash are maintained by having cash accounts reconciled in order to assure accurate accounting records.

Reference # and title: **04-F4** **Accounting records on Investments Not Maintained Properly**

Criteria or specific requirement: Bond covenants require that full and correct accounting records are maintained for the sinking fund account, reserve account, and contingency fund.

Condition found: The City does not reconcile the investment accounts for the sinking fund account, reserve account, or the contingency fund account at present.

Possible asserted effect (cause and effect):

Cause: The City receives the statements from Bank One/JP Morgan and reviews, but activity each month is not recorded in the accounting system.

Effect: The City is not in compliance with existing bond covenants.

Recommendations to prevent future occurrences: The City should record activity each month in the accounting system when the investment statements are received from Bank One/JP Morgan in order that they comply with bond covenants and maintain accurate information regarding the sinking fund account, reserve fund account and contingency fund account.

Reference # and title: **04-F5** **Asset Management Law**

Criteria or specific requirement: Louisiana Revised Statute LSA-RS 24:515 requires the City to assign an identification number to each item of equipment and tag each piece of equipment with this number.

Condition found: The City does not follow the asset management law by tagging fixed assets.

Possible asserted effect (cause and effect):

Cause: Personnel was not aware of this statute requiring identification numbers on each item of equipment.

Effect: Noncompliance with Louisiana State Law and increase in possibility of theft.

Recommendations to prevent future occurrences: The City should put in place procedures to tag all movable property for existing equipment and, in the future, all equipment purchased should be tagged with an identification number.

City of Tallulah
Schedule of Comments and Recommendations
For the Year Ended June 30, 2004

Reference # and title: **04-F6** **Late Submission of the Audit Report**

Criteria or specific requirement: In accordance with LSA-R.S. 24:513A(5)(a) "Audits shall be completed within six months of the close of the entity's fiscal year."

Condition found: The audit report was filed with the Legislative Auditor's office after the deadline of December 31, 2004.

Possible asserted effect (cause and effect):

Cause: The City was unable to complete the report by the December 31 deadline due to records not be completed until mid-November.

Effect: The audit report was not filed timely.

Recommendations to prevent future occurrences: The City should complete year-end activities so that the audit each year can be completed within the required period.

Reference # and title: **04-F7** **Violation of the Local Government Budget Act**

Criteria or specific requirement: The Local Government Budget Act LA-RS 39:1301-1314 requires governments to adopt a budget for the General Fund and all Special Revenue funds.

Condition found: The City Council failed to adopt the budget for the year ended June 30, 2004 for the General Fund and the Special Revenue Funds.

Possible asserted effect (cause and effect):

Cause: Due to disagreements between the Council and the Mayor, the budget was not adopted.

Effect: The City is in violation of the Local Government Budget Act.

Recommendations to prevent future occurrences: The City Council and the Mayor should cooperate to ensure that in the future a budget is adopted to be in compliance with Louisiana law.

Reference # and title: **04-F8** **Invoices Not Paid Timely**

Criteria or specific requirement: Good cash management requires that invoices are paid on a timely basis.

Condition found: A test of cash disbursements revealed the following:

29 invoices were not paid timely.

Possible asserted effect (cause and effect):

Cause: Inadequate monitoring of payments.

Effect: Weak internal control over payments.

Recommendations to prevent future occurrences: Invoices should be paid within the time period specified on the invoice to.

City of Tallulah
Schedule of Comments and Recommendations
For the Year Ended June 30, 2004

Reference # and title: 04-F9 Incomplete Personnel Files

Criteria or specific requirement: Personnel files should contained information regarding the proof of existence such as I-9, copy of driver's license, social security or birth certificate. Also included should be information regarding the salary/hourly rate of the employee which should be updated as required. Timesheets should be signed by the employee and supervisor.

Condition found: A test of personnel files revealed the following:

- 4 personnel files did not have proof of existence (I-9, social security card, i.e.)
- The salary or hourly rate did not match amount paid to employee or there was no documentation of salary/hourly rate for 9 personnel files.
- 1 time sheet was not signed by supervisor.

Possible asserted effect (cause and effect):

Cause: The City has not updated personnel files or kept personnel files for council members or the Mayor.

Effect: The City's personnel records are incomplete.

Recommendations to prevent future occurrences: The City should have documentation in file for salary or hourly rate of pay for each employee and all other pertinent information regarding the employee.

Reference # and title: 04-F10 Credit Card Purchases

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 files for Sam's Club, Chase, and American Express the following was revealed:

- 10 of 11 tested for Sam's Club did not have supporting documentation attached to credit card statement.
- 10 of 10 tested for Chase did not have supporting documentation attached to credit card statement.
- 5 of 5 tested for American Express did not have supporting documentation attached to the credit card statement.

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: The City is unable to assure that charges are correct and proper or that the merchandise was received by the person on the credit card statement.

Recommendations to prevent future occurrences: The City should adopt a credit card policy establishing guidelines to be used by personnel using credit cards. The policy should state that original receipts should be retained and given to the City Clerk after each purchase is made.

City of Tallulah
Schedule of Comments and Recommendations
For the Year Ended June 30, 2004

Reference # and title: **04-F11** **Cell Phone Usage**

Criteria or specific requirement: There should be an established policy adopted by the Council and Mayor regarding the use of cell phones. Guidelines should be set for personnel who will have a cell phone in the City's name, monitoring charges, and any excess charges in which the City should be recouping for personal use and/or excessive charges over the minutes provided by the contract plan amount of minutes.

Condition found: In testing cell phone usage, it was revealed that two council members purchased cell phones in the City's name without prior approval of the City Council or the Mayor. Other members of the City Council do not have cell phones provided by the City. On the monthly billing statement for period ended June 24, 2004, one individual exceeded plan minutes by 832 at an additional cost of \$324.48. Overage excess in lesser amounts were found on most cell phone statements.

Possible asserted effect (cause and effect):

Cause: The City has no policy regarding the use of cell phones and is not monitoring personal use of cell phones. Also, the excess minutes used over the plan amount is not being reimbursed to the City.

Effect: The City is unable to determine if monies for personal use and/or excessive minutes should be reimbursed by those using cell phones in the City's name.

Recommendations to prevent future occurrences: The City should adopt a policy regarding the use of cell phones. The policy should include a statement of who can possess a cell phone in the City's name and that if the minutes are in excess of the plan provided the City will be reimbursed. The City should monitor all cell phone statements to assure that it is being reimbursed for all excess usage and for any and all charges that are deemed improper in nature.

Reference # and title: **04-F12** **Late Submission of the Audit Report to the USDA**

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

Criteria or specific requirement: The United States Department of Agriculture requires the audit for the City be filed 150 days after fiscal year end of June 30 each year.

Condition found: The City did not file the audit by the end of the 150 days, November 30, 2004. The report was filed in February, 2005.

Possible asserted effect (cause and effect):

Cause: Year-end activities were not completed until mid-November.

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

Recommendation to prevent future occurrences: The City should ensure that the year-end process is completed in a timely manner to assure completion of the audit by November 30th of each year.

City of Tallulah
Schedule of Comments and Recommendations
For the Year Ended June 30, 2004

Reference # and title: **04-F13** **Appointment/Termination of City Officials**

Criteria or specific requirement: LA Revised Statute §386. Appointment of municipal officials; bond required

A. At the first regular meeting of the board of aldermen succeeding each regular municipal election, the mayor, subject to confirmation by the board of aldermen, shall appoint a clerk, tax collector, except as provided for in R.S. 33:381(D), and all other necessary officers whose election is not provided for in R.S. 33:381. In the event of a vacancy, the mayor, subject to confirmation by the board of aldermen, shall appoint a successor to any such office

D. The term of the clerk, tax collector, nonelected chief of police, street commissioner, municipal attorney, and court magistrate shall end at the time of the first regular meeting of the board of aldermen succeeding each regular municipal election.

Condition found: At the December 17, 2003 council meeting the City Council, without the recommendation of the mayor, terminated the City Clerk.

At a special council meeting on June 2, 2004 the City Council approved council member Gloria Hayden as the street commissioner for the 2005 fiscal year. The Council had previously approved council member Alberta Glispy as the street commissioner effective May 2003, a year later than the date the 4-year term of the current mayor and council began due to a hold up of elections.

Possible asserted effect (cause and effect):

Cause: Management and the Council's were unaware of the provisions of the LA Revised Statute 33:386.

Effect: The City is in violation of LA Revised Statute 33:386

Recommendation to prevent future occurrences: The City should follow the state statute for future appointments/terminations of city officials and should consult with legal counsel regarding the current violation of the state statute regarding the Street Commissioner.

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, 2004

PREFACE

The City of Tallulah was required to undergo a Single Audit for the year ended June 30, 2003. The Single Audit requires the auditor to review the status of findings in the subsequent years. Even though the City of Tallulah is not subject to a Single Audit for this fiscal year, nevertheless the Summary Schedule Status of Prior Audit Findings is included.

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

Initially occurred: June 30, 2003

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

Corrective action taken: The City updated all personnel files with proof of existence (I-9, social security, i.e.), but the personnel files do not contained information regarding employee's salary/hourly wage. See current year finding 04-F9.

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

Initially occurred: June 30, 2003

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.

Corrective action taken: The City has included all individuals defined by IRS laws and regulations regarding payroll as employees in the payroll process.

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

Initially occurred: June 30, 2003

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.

Corrective action taken: The City has adopted a travel policy requiring documentation for all travel and the guidelines that must be followed by employees when traveling.

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

Initially occurred: June 30, 2003

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).

Corrective action taken: The City has established procedures in which deposits are now made in a timely manner (within three business days).

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

Initially occurred: June 30, 2003

City of Tallulah
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2004

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.

Corrective action taken: The City has established procedures to ensure there is no donation of public funds in order to be in compliance with Louisiana state law.

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

Initially occurred: June 30, 2003

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

Corrective action taken: The City did not adopt a budget for fiscal year ended June 30, 2004. See current year finding 04-F7.

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

Initially occurred: June 30, 2003

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

Corrective action taken: It appears the City has not adopted a credit card policy. The correct documentation is not retained. See current year finding 04-F10.

City of Tallulah
Corrective Action Plan for Auditor's Current Year Comments and Recommendations
For the Year Ended June 30, 2004

Reference # and title: **04-F1** **Lack of Separation of Duties**

Condition: The City Clerk now initiates all cash transactions (processing checks/making wire transfers) in which he is one of two signatures on all checks, maintains the accounting records, and prepares bank reconciliations for all funds.

Corrective action planned: The City Clerk will realign duties between the three employees in the office in a manner that will better allow for proper accounting checks and balances.

Reference # and title: **04-F2** **Use of Rubber Signature Stamp**

Condition found: Use of rubber signature stamp of the Mayor's signature.

Corrective action planned: The rubber stamp in question became inoperable and has not been used for some time. It was sent out for repair and is now back in the office locked away. The City Clerk will closely follow audit suggestions that it only be used in cases of emergency with proper documentation and be held in a secure place.

Reference # and title: **04-F3** **Bank Reconciliations Not Prepared Timely**

Condition: Upon requesting the bank reconciliations for the month of June 2004, we were told that bank reconciliations for the audit year had not been completed.

Corrective action planned: The City Clerk will study several alternatives in order to accomplish a separation of duties regarding all accounting functions within the office. This plan will also allow for a much more timely manner in which monthly bank reconciliations can be accomplished. The City Clerk was required to take time away from his duties in the past year due to a legal action against him by the City Council. Since the suit has been settled, the City Clerk will be able to devote the necessary time to complete his duties in a more timely manner.

Reference # and title: **04-F4** **Accounting Records on Investments Not Maintained Properly**

Condition found: The City does not reconcile the investment accounts for the sinking fund account, reserve account, or the contingency fund account at present.

Corrective action planned: Here again, a proper alignment of accounting functions would allow the City Clerk more time to spend on this function. This investment accounting could also possibly be outsourced, thus accomplishing the desired timeliness. Also, as stated in 04-F3, since the legal suit against the City Clerk by the City Council has been settled, duties of the City Clerk can be completed in a more timely manner.

Reference # and title: **04-F5** **Asset Management Law**

Condition found: The City does not follow the asset management law by tagging fixed assets.

Corrective action planned: The City agrees and will institute a comprehensive asset tagging system. Accordingly all newly purchased movable asset items will be tag identified.

Reference # and title: **04-F6** **Late Submission of the Audit Report**

Condition found: The audit report was filed with the Legislative Auditor's office after the deadline of December 31, 2004.

City of Tallulah
Corrective Action Plan for Auditor's Current Year Comments and Recommendations
For the Year Ended June 30, 2004

Corrective action planned: In the future, all accounting reconciliations and accruals will be completed in a timely manner so that the fiscal audit may be completed well within the required period of time. Again, work load realignment will greatly enhance the accomplishment of this goal. However, with the current small office staff, this goal will not be easily met.

Reference # and title: **04-F7** **Violation of the Local Government Budget Act**

Condition found: The City Council failed to adopt the budget for the year ending June 30, 2004.

Corrective action planned: As was the case for fiscal 2005, the City fully expects to approve all required fiscal budgets in the future in order to stay in compliance with Louisiana law.

Reference # and title: **04-F8** **Invoices Not Paid Timely**

Condition found: A test of cash disbursements revealed the following:

29 invoices were not paid timely.

Corrective action planned: In order to maintain good cash management, the City will make certain that all invoices are paid in a timely manner, with the exception, that on some occasions, cash flow problems dictate that some invoices be held for a few additional days. We will try to avoid this situation if at all possible.

Reference # and title: **04-F9** **Incomplete Personnel Files**

Condition found: A test of personnel files revealed the following:

4 personnel files did not have proof of existence (I-9, social security card, i.e.)
The salary or hourly rate did not match amount paid to employee or there was no documentation of salary/hourly rate for 9 personnel files.
1 time sheet was not signed by supervisor.

Corrective action planned: The City will update its personnel files and ensure that all files are carefully maintained including rates of pay and other pertinent information.

Reference # and title: **04-F10** **Credit Card Purchases**

Condition found: In testing the vendor files for Sam's Club, Chase, and American Express the following was revealed:

10 of 11 tested for Sam's Club did not have supporting documentation attached to credit card statement.
10 of 10 tested for Chase did not have supporting documentation attached to credit card statement.
5 of 5 tested for American Express did not have supporting documentation attached to the credit card statement.

Corrective action planned: Due to other audit findings as well as other credit card usage problems, the City has recently adopted a policy of no credit card usage whatsoever. Hence, the two credit cards owned by the City, Chase and American

City of Tallulah
Corrective Action Plan for Auditor's Current Year Comments and Recommendations
For the Year Ended June 30, 2004

Express, have been cancelled and January charges received should be the last. Effective immediately, all Sam's Club card purchases will be terminated as well.

Reference # and title: 04-F11 Cell Phone Usage

Condition: In testing cell phone usage, it was revealed that two council members purchased cell phones in the City's name without prior approval of the City Council or the Mayor. Other members of the City Council do not have cell phones provided by the City. On the monthly billing statement for period ended June 24, 2004, one individual exceeded plan minutes by 832 at an additional cost of \$324.48. Overage excess in lesser amounts were found on most cell phone statements.

Corrective action planned: The City will adopt a cell phone usage policy determining who shall have one, and if the minutes used in excess of the plan shall be reimbursed to the City. The Clerk's Office will monitor cell phone charges ensuring that cell phone usage abuse does not continue.

Reference # and title: 04-F12 Late Submission of the Audit Report to USDA

Condition: The City did not file the audit report by the end of 150 days, November 30, 2004.

Corrective action planned: Again, as previously mentioned, realignment of office work flow will hopefully allow for the more timely completion of all accounting functions and reconciliations enabling the finalization of the fiscal audit report well within the specified time.

Reference # and title: 04-F13 Appointment of Street Commissioner

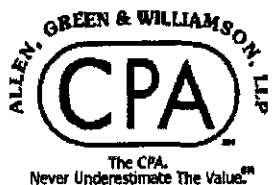
Condition: Condition found: At the December 17, 2003 council meeting the City Council, without the recommendation of the mayor, terminated the City Clerk.

At a special council meeting on June 2, 2004 the City Council approved council member Gloria Hayden as the street commissioner for the 2005 fiscal year. The Council had previously approved council member Alberta Glispy as the street commissioner effective May 2003, a year later than the date the 4-year term of the current mayor and council began due to a hold up of elections.

Corrective action planned: Per the Auditor's recommendations, the City will follow the state statute for future appointment/termination of City officials and will consult with legal counsel regarding the current violation of the state statute.

Person responsible for the above corrective actions:

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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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, 2004, 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 January 20, 2005 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 have 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:

04-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 as of September 2004 has its long term debt reserve funds invested in the Money Market. Instead, due to the efforts of Raymond James Financial Services, Inc., the City's debt service funds have been repositioned to match the yield of the underlying bond issue. The current yield rates of this money is in excess of 4.0 percent.

04-M2 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 paid an additional \$43,000 to Messinger and Associates in order to received 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 continue to aggressively pursue the lawsuit against Morgan Watson to recover funds which the defendant owes the City.

Management's response: Mayor Theodore Lindsey is currently in discussions with the District Attorney and other attorneys concerning further legal action to take against Mr. Watson to recover funds he owes the City.

04-M3 Issuance of 1099's

Comment: The City is not issuing 1099's to all individuals as defined by IRS laws and regulations.

Recommendation: The City should ensure that all individuals as defined by IRS laws and regulations receive a 1099 for monies received from the City.

Management's response: The City Clerk has arranged with managers that only professionals or businesses be contracted to do services of any kind for the City. All other payees receive payroll checks, thereby greatly reducing the need for the issuance of a few 1099's.

04-M4 Water Fund Revenues

Comment: Bond covenants require that the City fix and maintain rates and collect charges for services and facilities to be rendered by the System sufficient to provide for the payment of the reasonable and necessary expenses of operating and maintaining the System, to provide for the payment of the Bonds, together with interest thereon, and all other obligations or indebtedness payable out of the revenues of the System, to provide a reserve for the payment of principal and interest on the Bonds and to provide a reasonable depreciation and contingency fund to care for extensions, additions, improvements, renewals and replacements necessary to properly operate the System.

Recommendation: The City should evaluate revenues based on current fees received for water and sewer fees and make the necessary adjustments to assure maintaining adequate revenues to meet all bond covenants requires at present and for the future.

Management's response: The City has adopted new sewer rates which will become effective as of February 2005. Also the City is examining an increase in water fees to cover increasing cost of operations of the water system.

* * * * *

Also included are management's responses to our current-year management letter items. We have performed no audit work to verify the content of the responses.

Immediately following this letter is the Status of Prior Management Letter Item. This information has not been audited by Allen, Green & Williamson, LLP, and no opinion is expressed. However, we did follow-up on the prior management letter item and performed procedures to access the reasonableness of the Status of Prior Management Letter Item prepared by the auditee, and we would report, as a current-year management letter item which Allen, Green & Williamson, LLP, concludes the Status of Prior Management Letter Item materially misrepresents the status of any prior management letter item.

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
January 20, 2005

City of Tallulah
Status of Prior Management Letter Items
June 30, 2004

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.

Corrective action taken: The City has investigated other options for higher yielding investments, but at present the funds remain in low-yielding accounts. See current year management item 04-M1.

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.

Corrective action taken: The City no longer conducts business with related parties.

03-M3 Vendor Disbursements

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

Corrective action taken: The City requires the original invoice for vendor payments.

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 paid an additional \$43,000 to Messinger and Associates in order to received 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.

Corrective action taken: The City has contacted the District Attorney regarding the suit, but at present it is still pending. See current year management item 04-M2

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.

Corrective action taken: The City continues to require signed receipts when purchases are made 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.

City of Tallulah
Status of Prior Management Letter Items
June 30, 2004

Corrective action taken: While the City has reduced the over all number of cell phones and total amount expended for their use, there remain excessive individual charges for cell phones used in which the City does not receive reimbursement. The City did not adopt a cell phone policy. See current year finding 04-F1.