

**CITY OF
TALLULAH, LOUISIANA**

Annual Financial Statements

As of and for the Year Ended June 30, 2018



CITY OF TALLULAH, LOUISIANA

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CITY OF TALLULAH, LOUISIANA

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Independent Auditor's Report

The Honorable Gloria Hayden, Interim Mayor
and Members of the City Council
City of Tallulah, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tallulah, Louisiana (the City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Basis for Adverse Opinion on Aggregate Discretely Presented Component Unit

The financial statements referred to above do not include financial data for the City's legally separate component unit - the Tallulah Housing Authority. Accounting principles generally accepted in the United States of America require financial data for the component unit to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component unit. The City has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net position, revenues, and expenses of the aggregate discretely presented component unit is not reasonably obtainable.

Adverse Opinion on Aggregate Discretely Presented Component Unit

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Aggregate Discretely Presented Component Unit" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component unit of the City of Tallulah, as of June 30, 2018, or the changes in financial position thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Substantial Doubt Exists about the City's Ability to Continue as a Going Concern

For the year ended June 30, 2018, the City's Water Fund's net revenues were not at least equal to 125% of the principal and interest falling due on all bonds or other obligations payable, which is a violation of the City's conditions and requirements as set forth in its debt agreements. In addition, the City's bond sinking and reserve funds were deficient at June 30, 2018. Subsequent to year-end, the City experienced cash flow shortages which resulted in delays in payments to its vendors. Management's evaluation of the events and conditions and management's plans regarding those matters are described in Note 20. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 15, budgetary comparison information (Exhibits 2-1 and 2-2), the schedule of proportionate share of the net pension liability (Exhibit 1-1), and the schedule of contributions to defined benefit pension plans (Exhibit 1-2) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying financial information listed in the table of contents as other supplementary information (Exhibits 3 through 11) is presented for purposes of additional analysis and is not a required part of the City's basic financial statements.

The combining non-major governmental fund financial statements (Exhibits 3 through 8), comparative information required by bond covenant with the U.S. Department of Agriculture (Exhibit 9), the schedule of compensation, benefits, and other payments to agency head (Exhibit 10), and the financial data schedule as required by the Department of Housing and Urban Development (Exhibit 11) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2018 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



A Professional Accounting Corporation

Covington, LA
December 13, 2018

CITY OF TALLULAH, LOUISIANA

REQUIRED SUPPLEMENTARY INFORMATION:

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

CITY OF TALLULAH, LOUISIANA
Management's Discussion and Analysis (MD&A)
June 30, 2018

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, 2018.

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

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

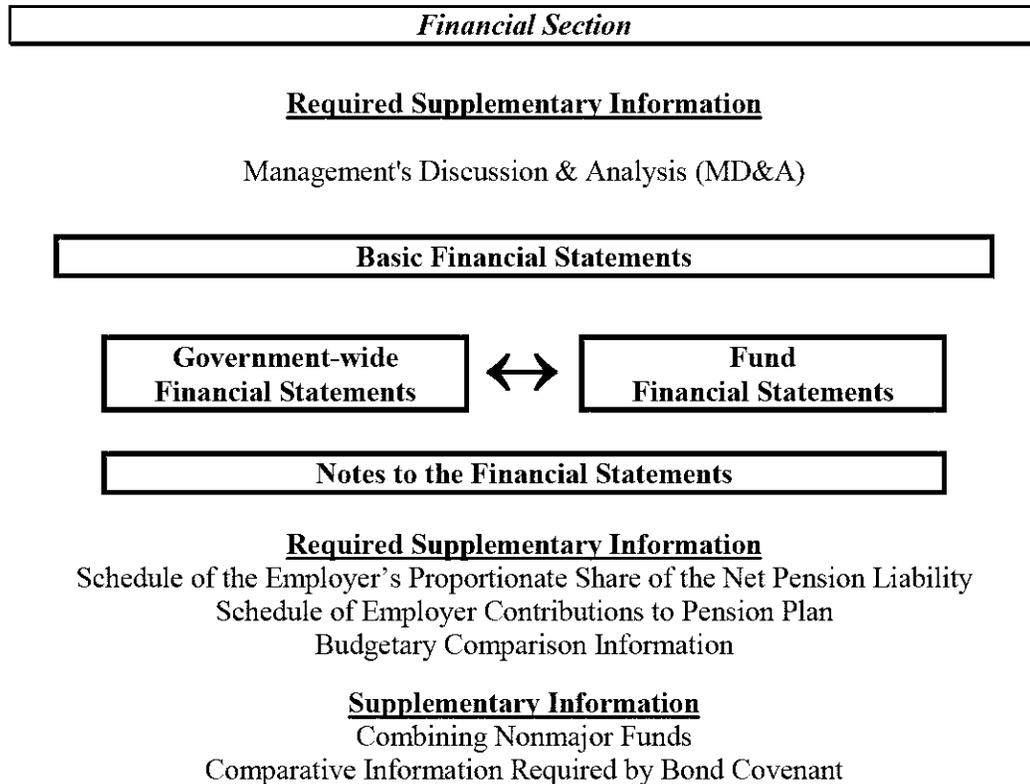
- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$5.6 million (net position). Of this amount, \$(485) thousand represents unrestricted net position, which is the amount that may be needed for the City to meet its ongoing obligations to its citizens and creditors.
- The City's total net position decreased \$235 thousand. The main reason for this decrease is due to the \$210 thousand decrease in revenues and a \$32 thousand increase in expenses. Governmental activities' net position decreased \$1.1 million while the business-type activities' net position increased \$868 thousand. During the current fiscal year, the governmental activities transferred the completed LCDBG sewer improvement project to the business-type activities' sewer fund.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$381 thousand, a decrease of \$155 thousand in comparison with the prior year. Approximately 79% of this amount (\$299 thousand) is available for spending at the government's discretion (unassigned fund balance).
- At the end of the fiscal year, unassigned fund balance of the general fund was \$299 thousand, or approximately 10% of total general fund expenditures.
- The City's total long-term obligations decreased \$488 thousand primarily because a reduction of \$559 thousand in capital leases, net bonds, and loans payables and \$71 thousand increase in the net pension liability.

USING THIS ANNUAL REPORT

The City's annual report consists of a series of financial statements that show information for the City as a whole, and its funds. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. For our governmental activities, the fund financial statements tell how we financed our services in the short-term as well as what remains for future spending. Fund statements also may give you some insights into the City's overall financial health. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds - General Fund and Section 8 Fund.

CITY OF TALLULAH, LOUISIANA
Management's Discussion and Analysis (MD&A)
June 30, 2018

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



Our auditor will provide assurance in the independent auditor's report, which will be located immediately preceding the Management's Discussion and Analysis in the audited financial report, that the basic financial statements are fairly stated. Varying degrees of assurance will be provided by the auditor regarding the required supplementary information, and the supplementary information identified above. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each of the other parts of this report.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

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

CITY OF TALLULAH, LOUISIANA
Management's Discussion and Analysis (MD&A)
June 30, 2018

These two statements report the City's *net position* - the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources as reported in the Statement of Net Position - as one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net position as reported in the Statement of Activities are one indicator of whether its *financial health* is improving or deteriorating.

The relationship between revenues and expenses is the City's *operating results*. However, the City's goal is to provide services to our citizens, not to generate profits as commercial entities do. One must consider other non-financial factors, such as the quality of police and fire protection, the conditions of the City's roads, and the quality of water, sewer and sanitation systems to assess the *overall health* of the City.

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

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

CITY OF TALLULAH, LOUISIANA
Management's Discussion and Analysis (MD&A)
June 30, 2018

THE CITY AS A WHOLE

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$5.6 million, at the close of the most recent fiscal year. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental and business-type activities.

Table 1
Net Position
(In Thousands)
June 30, 2018 and 2017

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets						
Current and other assets	\$ 965	\$ 1,020	\$ 35	\$ (181)	\$ 1,000	\$ 839
Restricted assets	3	4	1,022	1,189	1,025	1,193
Capital assets	1,732	2,885	14,983	14,595	16,715	17,480
Total assets	2,700	3,909	16,040	15,603	18,740	19,512
Total deferred outflows of resources	166	137	-	-	166	137
Liabilities						
Current and other liabilities	587	488	553	496	1,140	984
Long-term liabilities	562	562	11,406	11,894	11,968	12,456
Total liabilities	1,149	1,050	11,959	12,390	13,108	13,440
Total deferred inflows of resources	220	396	-	-	220	396
Net Position						
Net investment in capital assets	1,546	2,623	3,584	2,712	5,130	5,335
Restricted	82	111	851	1,056	933	1,167
Unrestricted	(131)	(134)	(354)	(555)	(485)	(689)
Total net position	\$ 1,497	\$ 2,600	\$ 4,081	\$ 3,213	\$ 5,578	\$ 5,813

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

An additional portion of the City's net position (17%) represent resource that are subject to external restrictions on how they may be used. The remaining balance (unrestricted) of \$(485) thousand represents the amount that may be needed to meet the City's ongoing obligations to its citizens and creditors.

CITY OF TALLULAH, LOUISIANA
Management's Discussion and Analysis (MD&A)
June 30, 2018

The overall net position decreased \$235 thousand from the prior fiscal year. The reasons for this overall decrease are discussed in the following sections for governmental activities and business-type activities.

Table 2
Changes in Net Position
(In Thousands)
For the Years Ended June 30, 2018 and 2017

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues						
Charges for services	\$ 153	\$ 98	\$ 2,929	\$ 2,674	\$ 3,082	\$ 2,772
Operating grants and contributions	404	539	-	-	404	539
Capital grants and contributions	278	537	-	-	278	537
General revenues						
Property taxes	503	495	-	-	503	495
Sales tax	1,368	1,373	-	-	1,368	1,373
Other taxes, penalties and interest	310	308	-	-	310	308
License and permits	82	66	-	-	82	66
Grants and contributions not restricted to a program	99	74	-	-	99	74
Earnings on investments	-	-	4	1	4	1
Miscellaneous	112	56	6	237	118	293
Total Revenues	3,309	3,546	2,939	2,912	6,248	6,458
Functions/Program Expenses:						
Governmental activities						
General and administrative	905	789	-	-	905	789
Police department	680	667	-	-	680	667
Fire department	438	464	-	-	438	464
Street department	776	864	-	-	776	864
Health and welfare	240	233	-	-	240	233
Culture and recreation	110	117	-	-	110	117
Legislative	64	65	-	-	64	65
Transportation	31	47	-	-	31	47
Interest expense	20	19	-	-	20	19
Business-type activities						
Water enterprise	-	-	2,087	2,100	2,087	2,100
Sewer enterprise	-	-	1,132	1,086	1,132	1,086
Total Functions/Program Expenses	3,264	3,265	3,219	3,186	6,483	6,451
Increase (decrease) in net position before transfers	45	281	(280)	(274)	(235)	7
Transfers	(1,148)	476	1,148	(476)	-	-
Increase (decrease) in net position	(1,103)	757	868	(750)	(235)	7
Net position - beginning	2,600	1,843	3,213	3,963	5,813	5,806
Net position - ending	\$ 1,497	\$ 2,600	\$ 4,081	\$ 3,213	\$ 5,578	\$ 5,813

CITY OF TALLULAH, LOUISIANA
Management's Discussion and Analysis (MD&A)
June 30, 2018

Governmental Activities

During the current fiscal year, net position of governmental activities decreased \$1.1 million from the prior fiscal year for an ending balance of \$1.5 million. Governmental activities' revenues received for June 30, 2018 decreased \$237 thousand from the year ended June 30, 2017. This was due mainly to a decrease in operating and capital grant revenues.

Governmental activities expenses for 2018 were \$3.3 million which is a slight decrease from the amount reported in prior year. General and administrative (\$116 thousand), Police department (\$13 thousand), Health and welfare (\$7 thousand) and Interest (\$1 thousand) expenses increased, while the expenses of the Fire department (\$26 thousand), Street department (\$88 thousand), Culture and recreation (\$7 thousand), Legislative (\$1 thousand), and Transportation (\$16 thousand) decreased. The governmental activities transferred out the completed LCDBG sewer improvement project (\$1.4 million) to the business-type activities' sewer fund.

As discussed above, the cost of all governmental activities this year was \$3.3 million. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$2.4 million because some of the cost was paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions.

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

Table 3
Governmental Activities
(In Thousands)
For the Years Ended June 30, 2018 and 2017

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	2018	2017	2018	2017
Governmental activities				
General and administrative	905	\$ 789	\$ 857	\$ 782
Police department	680	667	586	549
Fire department	438	464	306	338
Street department	776	864	485	635
Health and welfare	240	233	(14)	(442)
Culture and recreation	110	117	95	98
Legislative	64	65	64	65
Transportation	31	47	31	47
Interest expense	20	19	20	19
Total functions/program expenses	<u>\$ 3,264</u>	<u>\$ 3,265</u>	<u>\$ 2,430</u>	<u>\$ 2,091</u>

CITY OF TALLULAH, LOUISIANA
Management's Discussion and Analysis (MD&A)
June 30, 2018

Business-type Activities

The net position of the business-type activities increased \$868 thousand from the prior fiscal year for an ending balance of \$4.1 million. The main reason for this increase is from the transfer of the governmental activities' completed LCDBG sewer improvement project (\$1.4 million) to the sewer fund.

Revenue of the City's business-type activities (see Table 2) for June 30, 2018 was \$2.9 million. This is an increase of \$27 thousand from 2017 to 2018. Charges for water and sewer services increased \$255 thousand while miscellaneous revenues decreased \$231 thousand. Miscellaneous revenues mainly decreased because in the prior fiscal year, the City recognized a forgiveness of a payable for engineering services related to an abandoned sewer improvement project.

Expenses for the year ended June 30, 2018 were \$3.2 million for the City's business-type activities, a slight increase of \$33 thousand from the amount reported in 2017.

THE CITY'S FUNDS

Governmental Funds

As the City completed the year, its governmental funds reported a combined fund balance of \$381 thousand, which is a decrease of \$155 thousand in fund balance from last year. The General Fund's fund balance decreased \$125 thousand from the \$428 thousand reported in the prior fiscal year to \$303 thousand. This decrease is due mainly to increase in general and administrative expenses and a decrease in transfers in from the business-type activities in comparison with prior year.

The Section 8 fund had a decreased in fund balance of \$10 thousand for an ending fund balance of \$66 thousand. This decrease is due to a decrease in HUD funding while expenses increased from prior year.

The nonmajor governmental funds had a decrease of \$19 thousand. This decrease is mainly due to the transfer of the \$19 thousand in excess cash in 1998 GOB bond fund to the business-type activities' sewer fund. The bonds have been paid therefore the excess cash was transferred to the sewer fund for sewer improvements as required by the bond proposition.

Proprietary Funds

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

Unrestricted net position of the Water Fund at the end of the year was a deficit of \$256 thousand and for the Sewer Fund was a deficit of \$98 thousand. Net position restricted for debt service was \$700 thousand for the Water Fund and \$151 thousand for the Sewer Fund. The total change in net positions for both proprietary funds was \$(310) thousand and \$1.2 million respectively.

In the current year, the Sewer fund recorded \$1.4 million for the transfer of the completed LCDBG sewer improvement project from governmental activities.

CITY OF TALLULAH, LOUISIANA
Management's Discussion and Analysis (MD&A)
June 30, 2018

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual amounts available for appropriations were \$12 thousand less than budgeted. This unfavorable variance was primarily due to collecting less in licenses and permits, intergovernmental revenues and fines and forfeitures offset by collecting more in sales and use taxes, other taxes, and miscellaneous revenues than was expected.

Overall actual charges to appropriations were \$113 thousand more than budgeted. General and administrative, Police, and debt service expenditures exceeded their budget amounts \$152 thousand, \$26 thousand, and \$48 thousand, respectively. These unfavorable variances were due to unexpected expenditures occurring near year-end.

The original budgeted revenues were increased by \$489 thousand in the final budget and the original budgeted expenditures were increased by \$60 thousand in the final budget. The budget revisions included the inclusion of beginning fund balance and increase of \$60 thousand in sales and use tax revenues and a corresponding increase in capital outlay expenditures for the police department building renovations.

CAPITAL ASSETS

At June 30, 2018 and 2017, the City had invested in the following capital assets (in thousands):

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 79	\$ 79	\$ 678	\$ 678	\$ 757	\$ 757
Construction in progress	490	1,576	-	-	490	1,576
Infrastructure	647	647	-	-	647	647
Buildings improvements	2,961	2,911	14	14	2,975	2,925
Furniture and equipment	1,389	1,450	900	884	2,289	2,334
Plant	-	-	9,901	9,901	9,901	9,901
Transmission lines	-	-	10,479	9,115	10,479	9,115
Water systems	-	-	8,401	8,401	8,401	8,401
Pumping stations	-	-	384	384	384	384
Total capital assets	<u>5,566</u>	<u>6,663</u>	<u>30,757</u>	<u>29,377</u>	<u>36,323</u>	<u>36,040</u>
Accumulated depreciation	<u>(3,834)</u>	<u>(3,778)</u>	<u>(15,774)</u>	<u>(14,782)</u>	<u>(19,608)</u>	<u>(18,560)</u>
Net capital assets	<u>\$ 1,732</u>	<u>\$ 2,885</u>	<u>\$ 14,983</u>	<u>\$ 14,595</u>	<u>\$ 16,715</u>	<u>\$ 17,480</u>

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

DEBT ADMINISTRATION At June 30, 2018, the City had bonds and certificates outstanding of \$81 thousand in which Governmental Funds make the required payments. Enterprise Funds had net outstanding bonds and loans of \$11.4 million at June 30, 2018. Proceeds were used for the rehabilitation of the City's Water System and Sewer System. Additional information regarding long-term debt can be found in Note 11 of the Notes to the Financial Statements.

CITY OF TALLULAH, LOUISIANA
Management's Discussion and Analysis (MD&A)
June 30, 2018

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS Our elected and appointed officials and citizens consider many factors when setting the City's budget and tax rates. One of the most important factors affecting the budget is our ad valorem and sales tax collections. Approximately 66% of total revenues in the general fund are from ad valorem and sales tax collections. The general fund budget for the year ending June 30, 2019 as originally adopted increased \$23 thousand from the 2018 final budget, which is the most realistic attempt at matching current expenditures with expected revenues.

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

CITY OF TALLULAH, LOUISIANA

BASIC FINANCIAL STATEMENTS:

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

CITY OF TALLULAH, LOUISIANA

STATEMENT OF NET POSITION
June 30, 2018

	Statement A		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL PRIMARY GOVERNMENT
ASSETS			
Cash and cash equivalents	\$ 178,675	\$ 3,791	\$ 182,466
Receivables, net	459,426	357,378	816,804
Internal balances	326,927	(326,927)	-
Restricted assets			
Cash and cash equivalents	3,420	1,022,181	1,025,601
Capital assets			
Land and construction in progress	568,094	678,330	1,246,424
Depreciable assets, net of depreciation	1,164,175	14,305,007	15,469,182
TOTAL ASSETS	2,700,717	16,039,760	18,740,477
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	166,064	-	166,064
TOTAL DEFERRED OUTFLOWS OF RESOURCES	166,064	-	166,064
LIABILITIES			
Accounts, salaries and other payables	587,364	259,973	847,337
Interest payable	-	110,582	110,582
Payable from restricted assets - customer deposits	-	182,246	182,246
Long term liabilities:			
Due within one year	104,364	538,291	642,655
Due in more than one year	457,908	10,867,883	11,325,791
TOTAL LIABILITIES	1,149,636	11,958,975	13,108,611
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	220,348	-	220,348
TOTAL DEFERRED INFLOWS OF RESOURCES	220,348	-	220,348
NET POSITION			
Net investment in capital assets	1,545,886	3,583,730	5,129,616
Restricted for:			
Debt service	14,434	851,549	865,983
Section 8 program	65,905	-	65,905
Street maintenance	1,175	-	1,175
Construction projects	72	-	72
Unrestricted	(130,675)	(354,494)	(485,169)
TOTAL NET POSITION	\$ 1,496,797	\$ 4,080,785	\$ 5,577,582

The accompanying notes are an integral part of these financial statements.

CITY OF TALLULAH, LOUISIANA

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Governmental activities:				
General and administrative	\$ 905,013	\$ 48,000	\$ -	\$ -
Police department	680,479	49,679	45,169	-
Fire department	438,540	-	132,308	-
Street department	775,777	10,152	3,155	277,680
Health and welfare	240,170	34,398	219,922	-
Culture and recreation	109,611	10,869	3,187	-
Legislative	63,608	-	-	-
Transportation	31,502	-	-	-
Interest expense	19,662	-	-	-
Total Governmental Activities	3,264,362	153,098	403,741	277,680
Business-type activities:				
Water activities	2,086,573	1,908,588	-	-
Sewer activities	1,132,010	1,019,983	-	-
Total Business-Type Activities	3,218,583	2,928,571	-	-
Total Primary Government	\$ 6,482,945	\$ 3,081,669	\$ 403,741	\$ 277,680

General revenues:

Taxes:

Property taxes

Sales and use tax revenue

Other taxes, penalties and interest

Licenses and permits

Grants and contributions not restricted to a specific program

Earnings on investments

Miscellaneous

Transfers

Total general revenues and transfers

Changes in net position

Net position - beginning

Net position - ending

The accompanying notes are an integral part of these financial statements.

Statement B

PRIMARY GOVERNMENT		
NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
<i>Governmental Activities</i>	<i>Business-Type Activities</i>	TOTAL
\$ (857,013)	\$ -	\$ (857,013)
(585,631)	-	(585,631)
(306,232)	-	(306,232)
(484,790)	-	(484,790)
14,150	-	14,150
(95,555)	-	(95,555)
(63,608)	-	(63,608)
(31,502)	-	(31,502)
(19,662)	-	(19,662)
<u>(2,429,843)</u>	<u>-</u>	<u>(2,429,843)</u>
-	(177,985)	(177,985)
-	(112,027)	(112,027)
-	(290,012)	(290,012)
<u>(2,429,843)</u>	<u>(290,012)</u>	<u>(2,719,855)</u>
503,037	-	503,037
1,368,103	-	1,368,103
309,694	-	309,694
82,355	-	82,355
99,083	-	99,083
85	3,739	3,824
112,361	5,599	117,960
(1,148,110)	1,148,110	-
<u>1,326,608</u>	<u>1,157,448</u>	<u>2,484,056</u>
(1,103,235)	867,436	(235,799)
<u>2,600,032</u>	<u>3,213,349</u>	<u>5,813,381</u>
<u>\$ 1,496,797</u>	<u>\$ 4,080,785</u>	<u>\$ 5,577,582</u>

CITY OF TALLULAH, LOUISIANA

BASIC FINANCIAL STATEMENTS:

FUND FINANCIAL STATEMENTS (FFS)

CITY OF TALLULAH, LOUISIANA

GOVERNMENTAL FUNDS Balance
Sheet
June 30, 2018

Statement C

	GENERAL	SECTION 8	NONMAJOR GOVERNMENTAL	TOTAL
ASSETS:				
Cash and cash equivalents	\$ 68,780	\$ 65,308	\$ 44,587	\$ 178,675
Receivables	177,726	3,518	278,182	459,426
Interfund receivables	349,873	-	16,163	366,036
Restricted assets				
Cash	3,420	-	-	3,420
TOTAL ASSETS	599,799	68,826	338,932	1,007,557
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts, salaries and other payables	295,718	2,921	288,725	587,364
Interfund payables	1,163	-	37,946	39,109
TOTAL LIABILITIES	296,881	2,921	326,671	626,473
FUND BALANCES:				
Restricted	3,420	65,905	12,261	81,586
Unassigned	299,498	-	-	299,498
TOTAL FUND BALANCES	302,918	65,905	12,261	381,084
TOTAL LIABILITIES AND FUND BALANCES	\$ 599,799	\$ 68,826	\$ 338,932	\$ 1,007,557

The accompanying notes are an integral part of these financial statements.

CITY OF TALLULAH, LOUISIANA

Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
June 30, 2018

Statement D

Total fund balances - governmental funds \$ 381,084

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

Costs of capital assets	\$ 5,565,990	
Accumulated depreciation	<u>(3,833,721)</u>	
		1,732,269

Deferred outflows of resources are not available to pay current period expenditures and deferred inflows of resources are not due and payable in the current period, therefore neither are reported in the governmental funds.

Deferred outflows related to pensions	\$ 166,064	
Deferred inflows related to pensions	<u>(220,348)</u>	
		(54,284)

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

Balances at June 30, 2018 are:		
General obligation bonds	\$ (23,218)	
Certificates of indebtedness	(57,969)	
Capital leases	(105,196)	
Compensated absences payable	(25,144)	
Net pension liability	<u>(350,745)</u>	
		<u>(562,272)</u>

Total net position - governmental activities \$ 1,496,797

The accompanying notes are an integral part of these financial statements.

CITY OF TALLULAH, LOUISIANA

GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended June 30, 2018

Statement E

	GENERAL	SECTION 8	NONMAJOR GOVERNMENTAL	TOTAL
REVENUES				
Taxes:				
Ad valorem	\$ 365,314	\$ -	\$ 137,723	\$ 503,037
Sales and use	1,368,103	-	-	1,368,103
Other taxes, penalties, and interest	309,694	-	-	309,694
Licenses and permits	82,355	-	-	82,355
Intergovernmental revenues	272,864	219,922	277,680	770,466
Rental income	10,869	-	-	10,869
Use of money and property	22	37	26	85
Fines and forfeitures	49,679	-	-	49,679
Miscellaneous revenues	186,730	34,398	10,152	231,280
Total revenues	2,645,630	254,357	425,581	3,325,568
EXPENDITURES				
Current:				
General and administrative	897,924	-	374	898,298
Police Department	773,494	-	-	773,494
Fire Department	386,339	-	-	386,339
Street Department	594,011	-	117,180	711,191
Health and welfare	-	264,170	-	264,170
Culture and recreation	100,939	-	-	100,939
Legislative	63,608	-	-	63,608
Transportation	31,502	-	-	31,502
Capital outlay	93,359	-	277,680	371,039
Debt service:				
Principal retirement	61,902	-	13,576	75,478
Interest and bank charges	17,656	-	2,006	19,662
Total expenditures	3,020,734	264,170	410,816	3,695,720
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	\$ (375,104)	\$ (9,813)	\$ 14,765	\$ (370,152)

(Continued)

The accompanying notes are an integral part of these financial statements.

CITY OF TALLULAH, LOUISIANA

GOVERNMENTAL FUNDS
 Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 For the Year Ended June 30, 2018

Statement E

	GENERAL	SECTION 8	NONMAJOR GOVERNMENTAL	TOTAL
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 250,000	\$ -	\$ 393	\$ 250,393
Transfers out	(343)	-	(34,451)	(34,794)
TOTAL OTHER FINANCING SOURCES (USES)	249,657	-	(34,058)	215,599
NET CHANGE IN FUND BALANCES	(125,447)	(9,813)	(19,293)	(154,553)
FUND BALANCES - BEGINNING	428,365	75,718	31,554	535,637
FUND BALANCES - ENDING	\$ 302,918	\$ 65,905	\$ 12,261	\$ 381,084

(Concluded)

The accompanying notes are an integral part of these financial statements.

CITY OF TALLULAH, LOUISIANA

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, 2018

	Statement F
Total net change in fund balances - governmental funds	\$ (154,553)
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 capital outlays exceed depreciation in the period:	
Capital outlays	\$ 371,039
Depreciation expense	<u>(160,319)</u>
	210,720
The Statement of Activities reflects the effect of the disposition of capital assets during the year. The cost less the depreciation (net value) of the items disposed of during the year are not reflected in the fund balance.	
	(1,363,709)
The recognition of pension expense in the Statement of Activities is based on projected benefit payments discounted to actuarial present value and attributed to periods of employee service. Pension expenditures in the governmental funds are the amounts actually paid.	
	132,737
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	
	75,478
In the Statement of Activities, certain operating expenses - compensated absences (vacation leave) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	
	(3,908)
	<hr/>
Total net change in net position - governmental activities.	<u><u>\$ (1,103,235)</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF TALLULAH, LOUISIANA

PROPRIETARY FUND TYPE - ENTERPRISE FUNDS

Statement of Net Position

June 30, 2018

Statement G

	WATER FUND	SEWER FUND	TOTAL
ASSETS			
Current Assets			
Cash and cash equivalents	\$ -	\$ 3,791	\$ 3,791
Receivables, net	226,915	130,463	357,378
Interfund receivables	5,172	26,165	31,337
Restricted Assets:			
Cash and cash equivalents	871,282	150,899	1,022,181
Total Current Assets	1,103,369	311,318	1,414,687
Noncurrent Assets			
Capital Assets:			
Land and construction in progress	65,451	612,879	678,330
Depreciable assets, net of depreciation	2,905,272	11,399,735	14,305,007
Total Noncurrent Assets	2,970,723	12,012,614	14,983,337
TOTAL ASSETS	4,074,092	12,323,932	16,398,024
LIABILITIES			
Current Liabilities			
Accounts, salaries and other payables	78,170	181,803	259,973
Interfund payables	284,098	74,166	358,264
Interest payable	110,582	-	110,582
Payable from restricted assets - customer deposits	182,246	-	182,246
Compensated absences	3,628	2,939	6,567
Capital leases - current	11,327	-	11,327
Revenue bonds payable - current	470,000	-	470,000
Loans payable - current	-	50,397	50,397
Total Current Liabilities	\$ 1,140,051	\$ 309,305	\$ 1,449,356

(Continued)

The accompanying notes are an integral part of these financial statements.

CITY OF TALLULAH, LOUISIANA

PROPRIETARY FUND TYPE - ENTERPRISE FUNDS

Statement of Net Position

June 30, 2018

Statement G

	WATER FUND	SEWER FUND	TOTAL
Noncurrent Liabilities			
Capital leases	\$ 15,406	\$ -	\$ 15,406
Revenue bonds payable, net	8,166,100	-	8,166,100
Loans payable	-	2,686,377	2,686,377
Total Noncurrent Liabilities	8,181,506	2,686,377	10,867,883
TOTAL LIABILITIES	9,321,557	2,995,682	12,317,239
NET POSITION			
Net investment in capital assets	(5,692,110)	9,275,840	3,583,730
Restricted for debt service	700,650	150,899	851,549
Unrestricted	(256,005)	(98,489)	(354,494)
TOTAL NET POSITION	\$ (5,247,465)	\$ 9,328,250	\$ 4,080,785

(Concluded)

The accompanying notes are an integral part of these financial statements.

CITY OF TALLULAH, LOUISIANA

PROPRIETARY FUND TYPE - ENTERPRISE FUNDS

Statement of Revenues, Expenses,
and Changes in Fund Net Position
For the Year Ended June 30, 2018

Statement H

	WATER FUND	SEWER FUND	TOTAL
OPERATING REVENUES			
Charges for services	\$ 1,908,588	\$ 1,019,983	\$ 2,928,571
Other operating revenue	-	6,000	6,000
Total operating revenues	<u>1,908,588</u>	<u>1,025,983</u>	<u>2,934,571</u>
OPERATING EXPENSES			
Personal services	444,712	244,617	689,329
Supplies	197,184	11,415	208,599
Maintenance	107,784	253,159	360,943
Utilities	112,563	51,996	164,559
Miscellaneous	122,489	24,661	147,150
Uniforms	7,037	3,052	10,089
Insurance	25,677	13,439	39,116
Professional services	35,288	91,396	126,684
Depreciation	705,031	319,615	1,024,646
Total operating expenses	<u>1,757,765</u>	<u>1,013,350</u>	<u>2,771,115</u>
OPERATING INCOME (Loss)	<u>150,823</u>	<u>12,633</u>	<u>163,456</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	3,664	75	3,739
Interest expense & Other charges	(328,808)	(118,660)	(447,468)
Loss on disposal of asset	(401)	-	(401)
Total nonoperating revenues (expenses)	<u>(325,545)</u>	<u>(118,585)</u>	<u>(444,130)</u>
Income(Loss) before capital contributions and transfers	(174,722)	(105,952)	(280,674)
TRANSFERS			
Transfers in	15,000	1,383,160	1,398,160
Transfers out	(150,000)	(100,050)	(250,050)
Total Transfers	<u>(135,000)</u>	<u>1,283,110</u>	<u>1,148,110</u>
NET CHANGE IN NET POSTION	(309,722)	1,177,158	867,436
NET POSITION - BEGINNING	<u>(4,937,743)</u>	<u>8,151,092</u>	<u>3,213,349</u>
NET POSITION - ENDING	<u>\$ (5,247,465)</u>	<u>\$ 9,328,250</u>	<u>\$ 4,080,785</u>

The accompanying notes are an integral part of these financial statements.

CITY OF TALLULAH, LOUISIANA

PROPRIETARY FUND TYPE - ENTERPRISE FUNDS

Statement of Cash Flows

For the Year Ended June 30, 2018

	Statement I		
	WATER FUND	SEWER FUND	TOTAL
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,836,271	\$ 969,342	\$ 2,805,613
Payments to employees	(356,883)	(190,899)	(547,782)
Payments to others	(710,315)	(432,270)	(1,142,585)
Other receipts	-	6,000	6,000
Net cash provided (used) for operating activities	<u>769,073</u>	<u>352,173</u>	<u>1,121,246</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Earnings on investments	3,664	75	3,739
Net cash provided (used) for investing activities	<u>3,664</u>	<u>75</u>	<u>3,739</u>
CASH FLOW (USES) FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	-	19,451	19,451
Transfers out	(122,665)	(261,368)	(384,033)
Net cash provided (used) for noncapital financing activities	<u>(122,665)</u>	<u>(241,917)</u>	<u>(364,582)</u>
CASH FLOW (USES) FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	(6,183)	-	(6,183)
Principal payment bonds	(455,000)	(48,238)	(503,238)
Principal payment capital leases	(16,917)	-	(16,917)
Interest & penalties paid on debt	(338,834)	(118,660)	(457,494)
Net cash provided (used) for capital and related financing activities	<u>(816,934)</u>	<u>(166,898)</u>	<u>(983,832)</u>
Net increase (decrease) in cash and cash equivalents	(166,862)	(56,567)	(223,429)
CASH AND CASH EQUIVALENTS - BEGINNING	<u>1,038,144</u>	<u>211,257</u>	<u>1,249,401</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>871,282</u>	<u>154,690</u>	<u>1,025,972</u>
RECONCILIATION TO BALANCE SHEET			
Cash	-	3,791	3,791
Restricted assets - cash	871,282	150,899	1,022,181
	<u>\$ 871,282</u>	<u>\$ 154,690</u>	<u>\$ 1,025,972</u>

(Continued)

The accompanying notes are an integral part of these financial statements.

CITY OF TALLULAH, LOUISIANA

PROPRIETARY FUND TYPE - ENTERPRISE FUNDS

Statement of Cash Flows

For the Year Ended June 30, 2018

	Statement I		
	WATER FUND	SEWER FUND	TOTAL
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 150,823	\$ 12,633	\$ 163,456
Adjustments to reconcile operating income to net cash provided (used) for operating activities:			
Depreciation	705,031	319,615	1,024,646
(Increase) decrease in accounts receivable	(72,317)	(38,490)	(110,807)
(Increase) decrease in interfund receivable	-	(12,151)	(12,151)
Increase (decrease) in accounts payable	(12,442)	73,602	61,160
Increase (decrease) in compensated absences	(1,928)	(3,036)	(4,964)
Increase (decrease) in deposits due others	(94)	-	(94)
Net cash provided (used) by operating activities	<u>\$ 769,073</u>	<u>\$ 352,173</u>	<u>\$ 1,121,246</u>
Schedule of non-cash capital and related financing activities:			
Transfer of completed LCDBG sewer improvement project	\$ -	\$ 1,363,709	\$ 1,363,709
Purchase of equipment on capital lease	43,650	-	43,650
Loss on disposal of assets	401	-	401

(Concluded)

The accompanying notes are an integral part of these financial statements.

CITY OF TALLULAH, LOUISIANA
Notes to the Financial Statements
For Year Ended June 30, 2018

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CITY OF TALLULAH, LOUISIANA
Notes to the Financial Statements
For Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES The accompanying financial statements of the City of Tallulah have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. REPORTING ENTITY The City of Tallulah was founded in 1856 and is incorporated under the provisions of the "Lawrason Act" (Louisiana Revised Statutes (R.S.) 33:321-481 of the constitution of the state of Louisiana.) The City is located in the parish of Madison and has a population of 7,335. The City is governed by the mayor and five-member Council. The mayor and Council members serve four-year terms which expired on June 30, 2018.

As the governing authority of the City, for reporting purposes, the City of Tallulah is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (the City), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

1. Appointing a voting majority of an organization's governing body, and
 - a. the ability of the municipality to impose its will on that organization and/or
 - b. the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City.
2. Organizations that are fiscally dependent on the City and there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization were not included because of the nature or significance of the relationship.

Because the City appoints the governing body of the Tallulah Housing Authority and can impose its will on the Housing Authority, the Housing Authority was determined to be a component unit of the City of Tallulah, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the City and do not present information on the housing authority or the general government services provided by that governmental unit; however, the information of the component unit is necessary in order for the City to report in conformity with GAAP. A copy of the audit report for the Housing Authority may be obtained from the City Clerk of Tallulah at 204 North Cedar, Tallulah, Louisiana, 71282.

B. FUND ACCOUNTING The City uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts that comprises its assets, liabilities, deferred outflows/inflows of resources, fund equity, revenues, and expenditures. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

CITY OF TALLULAH, LOUISIANA
Notes to the Financial Statements
For Year Ended June 30, 2018

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

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

Governmental Funds

The City reports the following major governmental funds:

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

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

Proprietary Fund

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

CITY OF TALLULAH, LOUISIANA
Notes to the Financial Statements
For Year Ended June 30, 2018

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 position. The governmental funds use the following practices in recording revenues and expenditures:

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

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

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

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

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

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

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

CITY OF TALLULAH, LOUISIANA
Notes to the Financial Statements
For Year Ended June 30, 2018

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

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

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

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

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

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

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

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

CITY OF TALLULAH, LOUISIANA
Notes to the Financial Statements
For Year Ended June 30, 2018

H. CAPITAL ASSETS Capital assets are recorded at either historical cost or estimated historical cost and depreciated over their estimated useful lives (excluding salvage value). Donated capital assets are recorded at their acquisition value at the date of donation. The City’s practice is to capitalize all capital assets with a cost of \$1,000 or more. Estimated useful life is management’s estimate of how long the asset is expected to meet service demands. Straight line depreciation is used for governmental fund-type based on the following estimated useful lives:

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

The capital assets used in the proprietary fund-type operations are included on the statement of net position of the fund. Depreciation of all exhaustible capital assets used by the proprietary fund type operations are charged as an expense against operations. Depreciation is computed using the straight-line method over estimated lives of 20-60 years for the plant, distribution system, and collection system, 3 to 10 years for furniture and equipment.

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

J. COMPENSATED ABSENCES Permanent, full-time employees receive from five to ten days of vacation leave each year depending on length of service. Employees may accumulate vacation leave. Sick leave is earned at the rate of ten days per year; however, no employee may accumulate more than ten days of sick leave. Employees who resign or retire are compensated for annual leave accumulated to the date of separation, not to exceed ten days, provided in the case of resignation the employee has completed at least 12 months of continuous service and has given two weeks' notice of resignation.

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

The City recognition and measurement criterion for compensated absences follows:

GASB Statement No. 16 provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

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

It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

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

CITY OF TALLULAH, LOUISIANA
Notes to the Financial Statements
For Year Ended June 30, 2018

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

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

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

N. RISK MANAGEMENT The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. To handle such risk of loss, the City maintains commercial insurance policies covering its automobiles, professional liability, general liability, and surety bond coverage. There were no significant reductions in insurance coverage during the year ended June 30, 2018 for the primary government.

O. RESTRICTED NET POSITION For the government-wide statement of net position, net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed. \$933,063 of the restricted net position reported in the statement of activities are restricted by law through constitutional provisions or by enabling legislation.

P. FUND EQUITY OF FUND FINANCIAL STATEMENTS GASB 54 requires the fund balance amounts to be reported within the fund balance categories as follows:

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

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

CITY OF TALLULAH, LOUISIANA
Notes to the Financial Statements
For Year Ended June 30, 2018

Committed: Fund balance that can only be used for specific purposes determined by the City’s highest level of decision making authority. Committed amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action it employed to previously commit the funds. Committed fund balance is the result of either a policy of the City or motions were passed at a Council meeting committing the funds. The motions passed are usually the result of budget revisions.

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

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

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

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

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

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Excess of Expenditures Over Appropriations in Individual Funds The following individual fund had actual expenditures over budgeted expenditures for the year ended June 30, 2018:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	\$ 2,907,835	\$ 3,021,077	\$ (113,242)
Section 8	250,000	264,170	(14,170)

CITY OF TALLULAH, LOUISIANA
Notes to the Financial Statements
For Year Ended June 30, 2018

B. Deficit Fund Balances The following fund had a deficit fund balance at June 30, 2018:

<u>Fund</u>	<u>Deficit Amount</u>
Water	\$ (5,247,465)

NOTE 3 - DEPOSITS AND INVESTMENTS

Cash and cash equivalents consist of the following at June 30, 2018:

Petty Cash	\$ 1,125
Demand deposits	795,850
Money market mutual funds	411,092
	<u>\$ 1,208,067</u>

Deposits

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

Custodial credit risk: In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2018, the City's had a bank balance of \$890,011, in which \$634,823 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name. Even though the pledged securities are considered uncollateralized under the provisions of GASB, Louisiana Revised Statue 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell pledged securities within 10 days of being notified by the City that the fiscal agent has failed to pay deposited funds upon demand. The City's policy does not address custodial credit risk.

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

Investments

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

The City's has the following recurring fair value measurement as of June 30, 2018:

Money market mutual funds of \$411,092 are valued using quoted prices for similar investments in active markets (Level 2).

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

CITY OF TALLULAH, LOUISIANA
Notes to the Financial Statements
For Year Ended June 30, 2018

NOTE 4 - LEVIED TAXES The City levies property taxes on real and business property located within the City's boundaries. Property taxes are levied by the City on property values assessed by the Madison Parish Tax Assessor and approved by the state of Louisiana Tax Commission. The Madison Parish Tax Assessor prepares tax statements for the City. Ad valorem taxes were levied in October 2017 with a due date and collection date of December 31, 2017 and a lien date of January 1, 2018.

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

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

NOTE 5 - RECEIVABLES The following is a summary of receivables at June 30, 2018:

<u>Class of Receivables</u>	<u>General</u>	<u>Section 8</u>	<u>Nonmajor Governmental</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Taxes:						
Sales & use	\$ 109,176	\$ -	\$ -	\$ -	\$ -	\$ 109,176
Other taxes	4,410	-	502	-	-	4,912
State revenue	21,677	-	-	-	-	21,677
Federal revenue	1,379	-	277,680	-	-	279,059
Due from other governments	2,680	-	-	-	-	2,680
Other	38,404	3,518	-	-	-	41,922
Water user fees	-	-	-	231,225	-	231,225
Sewer user fees	-	-	-	-	132,967	132,967
Gross receivables	<u>177,726</u>	<u>3,518</u>	<u>278,182</u>	<u>231,225</u>	<u>132,967</u>	<u>823,618</u>
Less allowance for doubtful accounts	-	-	-	(4,310)	(2,504)	(6,814)
Net total receivables	<u>\$ 177,726</u>	<u>\$ 3,518</u>	<u>\$ 278,182</u>	<u>\$ 226,915</u>	<u>\$ 130,463</u>	<u>\$ 816,804</u>

NOTE 6 - INTERFUND TRANSACTIONS/BALANCES Individual balances due from/to other funds at June 30, 2018, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water Fund	\$ 242,933
General Fund	Sewer Fund	74,166
General Fund	Nonmajor Governmental	32,774
Nonmajor Governmental	General Fund	1,163
Nonmajor Governmental	Water Fund	15,000
Water Fund	Nonmajor Governmental	5,172
Sewer Fund	Water Fund	26,165
Total		<u>\$ 397,373</u>

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

CITY OF TALLULAH, LOUISIANA
Notes to the Financial Statements
For Year Ended June 30, 2018

Transfers during the year were as follows:

<u>Transfer In Fund</u>	<u>Transfer Out Fund</u>	<u>Amount</u>
General Fund	Water Fund	\$ 150,000
General Fund	Sewer Fund	100,000
Nonmajor Governmental	Sewer Fund	50
Nonmajor Governmental	General Fund	343
Water Fund	Nonmajor Governmental	15,000
Sewer Fund	Nonmajor Governmental	19,451
Sewer Fund	Governmental Activities	<u>1,363,709</u>
Total		<u>\$ 1,648,553</u>

The City transferred money from the water fund and sewer fund to the general fund and nonmajor governmental (street fund) to cover shortfalls. The governmental activities transferred funds to the completed LCDBG sewer project to the sewer fund.

NOTE 7 - CAPITAL ASSETS The changes in capital assets for the year ended June 30, 2018 are as follows:

	<u>Balance</u> <u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Ending</u>
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 78,500	\$ -	\$ -	\$ 78,500
Construction in progress	1,575,623	277,680	1,363,709	489,594
Total capital assets, not being depreciated	<u>1,654,123</u>	<u>277,680</u>	<u>1,363,709</u>	<u>568,094</u>
Depreciable assets				
Infrastructure	647,495	-	-	647,495
Buildings and improvements	2,911,335	69,000	19,347	2,960,988
Furniture and equipment	1,450,130	24,359	85,076	1,389,413
Total depreciable assets	<u>5,008,960</u>	<u>93,359</u>	<u>104,423</u>	<u>4,997,896</u>
Less: accumulated depreciation	<u>(3,777,825)</u>	<u>(160,319)</u>	<u>(104,423)</u>	<u>(3,833,721)</u>
Depreciable capital assets, net	<u>1,231,135</u>	<u>(66,960)</u>	<u>-</u>	<u>1,164,175</u>
Total capital assets, net	<u>\$ 2,885,258</u>	<u>\$ 210,720</u>	<u>\$ 1,363,709</u>	<u>\$ 1,732,269</u>

Depreciation expense was charged to governmental activities as follows:

General and administrative	\$ 6,413
Police department	30,461
Fire department	51,302
Street department	62,524
Culture and recreation	9,619
Total	<u>\$ 160,319</u>

CITY OF TALLULAH, LOUISIANA
Notes to the Financial Statements
For Year Ended June 30, 2018

	Balance Beginning	Additions	Deletions	Ending Balance
<u>Business-type activities:</u>				
Capital assets, not being depreciated				
Land	\$ 678,330	\$ -	\$ -	\$ 678,330
Total capital assets, not being depreciated	678,330	-	-	678,330
Depreciable assets				
Building & Improvements	14,241	-	-	14,241
Equipment	884,059	49,833	34,106	899,786
Plant	9,900,494	-	-	9,900,494
Transmission lines	9,115,041	1,363,709	-	10,478,750
Water systems	8,401,391	-	-	8,401,391
Pumping stations	383,994	-	-	383,994
Total depreciable assets	28,699,220	1,413,542	34,106	30,078,656
Less accumulated depreciation	(14,782,708)	(1,024,646)	(33,705)	(15,773,649)
Depreciable capital assets, net	13,916,512	388,896	401	14,305,007
Total capital assets, net	\$14,594,842	\$ 388,896	\$ 401	\$14,983,337

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

Water	\$ 705,031
Sewer	319,615
Total	<u>\$ 1,024,646</u>

NOTE 8 - PENSION PLANS Substantially all employees of the City of Tallulah are members of either the Municipal Police Employees Retirement System of Louisiana (MPERS), Nationwide Retirement Solutions' 457 Government Plan and Trust or the Social Security System.

DEFINED BENEFIT PLAN

Plan Description:

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

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

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

Cost of Living Adjustments

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

Deferred Retirement Option Plan

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

Initial Benefit Option Plan

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

Employer Contributions

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

CITY OF TALLULAH, LOUISIANA
Notes to the Financial Statements
For Year Ended June 30, 2018

For the year ended June 30, 2018, total contributions due for employers and employees were 40.75%. The employer and employee contribution rates for all members hired prior to January 1, 2013 and Hazardous Duty members hired after January 1, 2013 were 30.75% and 10%, respectively. The employer and employee contribution rates for all Non-Hazardous duty members hired after January 1, 2013 were 30.75% and 8%, respectively. The employer and employee contribution rates for all members whose earnable compensation is less than or equal to the poverty guidelines issued by the United States Department of Health and Human Services were 33.25% and 7.5%, respectively. City of Tallulah's contributions to the MPERS for the year ended June 30, 2018 was \$62,604.

Non-employer Contributions

MPERS receives insurance premium tax monies as additional employer contributions. The tax is considered support from a non-contributing entity and appropriated by the legislature each year based on an actuarial study. Non-employer contributions are recognized as revenue during the fiscal year. During fiscal year 2018, the City recognized \$7,669 in non-employer contributions as intergovernmental revenue.

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

At June 30, 2018, the City reported a liability of \$350,745 for its proportionate share of the MPERS's Net Pension Liability (NPL). The NPL was measured as of June 30, 2017, and the total pension liabilities used to calculate the NPL was determined by actuarial valuations as of that date. The City's proportions of the NPL were based on an allocation method based on employer's contribution to MPERS during the year ended June 30, 2017 as compared to the total of all employers' contributions to MPERS during the year ended 2017. As of June 30, 2017, the most recent measurement date, the City's proportions and the changes in proportion from the prior measurement date was 0.040175%, or an increase of 0.010374%.

For the year ended June 30, 2018, the City recognized a total pension benefit of \$62,465 for MPERS. The City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,297	\$ 2,696
Changes of assumptions	24,957	
Net difference between projected and actual earnings on pension plan investments	15,354	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	60,852	217,652
Employer contributions subsequent to the measurement date	62,604	-
Total	<u>\$ 166,064</u>	<u>\$ 220,348</u>

CITY OF TALLULAH, LOUISIANA
Notes to the Financial Statements
For Year Ended June 30, 2018

Deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the MPERS NPL in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
MPERS	\$(128,702)	\$ (11,476)	\$ 31,517	\$ (8,227)

Actuarial Assumptions. The NPL was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net pension. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurements:

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry age normal cost
Expected Remaining Service Lives	4 years
Investment Rate of Return	7.325%, net of investment expense
Inflation Rate	2.70% per annum
Salary Increases, including inflation and merit	Varying from 9.75% to 4.25% after 23 years
Mortality	RP-2000 Combined Health with Blue Collar Adjustment Sex Distinct Tables projected to 2029 by Scale AA (set back 1 year for females) for healthy annuitants and beneficiaries. RP-2000 Disables Lives Table set back 5 years for males and set back 3 years for females for disabled annuitants. RP-2000 Employee Table set back 4 years for males and 3 years for females for active members.
Cost of Living Adjustments	Not substantively automatic

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

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

CITY OF TALLULAH, LOUISIANA
Notes to the Financial Statements
For Year Ended June 30, 2018

The target allocation and best estimates of arithmetic/geometric real rates of return for each major asset class are summarized for each plan in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Equity	53%	3.66%
Fixed income	21%	0.52%
Alternatives	20%	1.10%
Other	6%	0.16%
Totals	100%	5.44%
Inflation		2.75%
Expected nominal return		8.19%

Discount Rate. The discount rate used to measure the total pension liability was 7.325%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of MPERS’s actuary. Based on those assumptions, the MPERS’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in assumptions. The following changes in assumptions were made in the June 30, 2017 valuation from the assumptions used in the June 30, 2016 valuation:

- the discount rate was decreased from 7.5% to 7.325%
- the inflation rate decreased from 2.875% to 2.7%
- the expected nominal return was reduced from 8.25% to 8.19%

These changes were based on an analysis of the system’s portfolio along with expected long-term rates of return, standard deviations of return, and correlations between asset classes collected from a number of investment consulting firms in addition to the MPER’s investment consulting firm.

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

1.0% Decrease	Current Discount Rate	1.0% Increase
6.325%	7.325%	8.325%
\$484,588	\$350,745	\$238,460

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

Payables to the Pension Plan. At June 30, 2018, the City had \$18,433 in payables to MPERS for the June 2018 employee and employer legally required contributions.

CITY OF TALLULAH, LOUISIANA
Notes to the Financial Statements
For Year Ended June 30, 2018

NOTE 9 - ACCOUNTS, SALARIES AND OTHER PAYABLES The accounts, salaries and other payables at fiscal year ended June 30, 2018 are as follows:

Class of Payables	General	Section 8	Nonmajor			Total
			Governmental	Water Fund	Sewer Fund	
Accounts Payable	\$ 287,358	\$ 2,921	\$ 282,043	\$ 75,965	\$ 180,826	\$ 829,113
Retainage Payable	-	-	6,682	-	-	6,682
Wages Payable	8,360	-	-	2,205	977	11,542
Net total payable	<u>\$ 295,718</u>	<u>\$ 2,921</u>	<u>\$ 288,725</u>	<u>\$ 78,170</u>	<u>\$ 181,803</u>	<u>\$ 847,337</u>

NOTE 10 - ON-BEHALF SUPPLEMENTAL PAY Certain employees meeting statutory qualifications in the fire and police departments receive supplemental pay directly from the State of Louisiana. This supplemental pay in the amount of \$56,517 is recognized as intergovernmental revenue and public safety expenditures. Of the \$56,517 recognized, the State paid \$37,500 to City police officers and \$19,017 to City firemen.

NOTE 11 - LONG-TERM OBLIGATIONS

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

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

During the year ended June 30, 2018, the following changes occurred in governmental activities long-term liabilities:

	Beginning			Ending Balance	Due within one year
	Balance	Additions	Deletions		
General obligation bonds	\$ 36,794	\$ -	\$ 13,576	\$ 23,218	\$ 14,254
Certificate of indebtedness	85,379	-	27,410	57,969	28,506
Capital Leases	139,688	-	34,492	105,196	36,460
Compensated absences	21,236	29,748	25,840	25,144	25,144
Net pension liability	279,319	134,030	62,604	350,745	-
Total	<u>\$ 562,416</u>	<u>\$ 163,778</u>	<u>\$ 163,922</u>	<u>\$ 562,272</u>	<u>\$ 104,364</u>

CITY OF TALLULAH, LOUISIANA
Notes to the Financial Statements
For Year Ended June 30, 2018

During the year ended June 30, 2018, the following changes occurred in business-type activities long-term liabilities:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
Revenue bonds	\$ 8,995,000	\$ -	\$ 455,000	\$ 8,540,000	\$ 470,000
Bond premiums	102,652	-	6,552	96,100	-
Loans payable	2,785,012	-	48,238	2,736,774	50,397
Capital Leases	-	43,650	16,917	26,733	11,327
Compensated absences	11,531	11,986	16,950	6,567	6,567
Total	<u>\$ 11,894,195</u>	<u>\$ 55,636</u>	<u>\$ 543,657</u>	<u>\$ 11,406,174</u>	<u>\$ 538,291</u>

The following is a summary of long-term obligation transactions for the year ended June 30, 2018:

	Issue Dates	Maturity Dates	Interest Rates	Original Amount	Governmental Activities	Business-type Activities
Governmental activities						
General Obligation Bonds:						
Series 1981	10/8/1981	10/1/2021	5.000%	\$ 260,000	\$ 23,218	
Certificate of Indebtedness:						
Series 2009 - USDA Fire Truck	3/31/2010	3/31/2020	4.000%	250,000	57,969	
Business-type activities						
Enterprise Funds						
Utilities System Revenue Bonds:						
Water Revenue Refunding Bonds Series 2012	6/22/2012	9/1/2031	2.6-5.0%	5,275,000		\$ 4,185,000
Water Revenue Refunding Bonds Series 2016	2/24/2016	9/1/2032	2.0-4.0%	4,665,000		4,355,000
Loans payable (USDA):						
Sewer Rehab Phase I	9/6/2006	9/6/2046	4.375%	2,660,000		2,303,730
Sewer Rehab Phase II	9/6/2006	9/6/2046	4.375%	500,000		433,044
Totals					<u>81,187</u>	<u>11,276,774</u>
Current Portion of Debt					<u>(42,760)</u>	<u>(520,397)</u>
Total Long Term Portion of Debt					<u>\$ 38,427</u>	<u>\$ 10,756,377</u>

General obligation bonds totaling \$23,218 at June 30, 2018, are secured by an annual ad valorem tax levy. In accordance with Louisiana Revised Statute 39:562, the City is legally restricted from incurring long-term bonded debt in excess of 35% of the assessed value of taxable property in the City. Assessed value for the 2017 tax roll was \$15,158,325. The City is within the statutory limitation of \$5,305,413. The 1981 Debt Service fund has \$11,014 available to service the bonded debt in the Governmental fund-type funds.

CITY OF TALLULAH, LOUISIANA
Notes to the Financial Statements
For Year Ended June 30, 2018

The annual requirements to amortize all outstanding debt at June 30, 2018 are as follows:

<u>Year</u>	<u>General Long-Term Debt</u>		<u>Water Enterprise Fund</u>		<u>Sewer Enterprise Fund</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 42,760	\$ 3,480	\$ 470,000	\$ 325,092	\$ 50,397	\$ 118,731
2020	38,427	1,627	475,000	311,691	52,647	116,481
2021	-	-	490,000	297,960	54,996	114,132
2022	-	-	500,000	282,585	57,451	111,677
2023	-	-	525,000	265,390	60,016	109,112
2024-2028	-	-	2,910,000	1,001,641	342,737	502,903
2026-2033	-	-	3,170,000	315,747	426,374	419,266
2034-2038	-	-	-	-	530,419	315,221
2039-2043	-	-	-	-	659,855	185,785
2044-2047	-	-	-	-	501,882	36,689
Total	<u>\$ 81,187</u>	<u>\$ 5,107</u>	<u>\$ 8,540,000</u>	<u>\$ 2,800,106</u>	<u>\$ 2,736,774</u>	<u>\$ 2,029,997</u>

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

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

Water Improvement Bonds, Refunding Series 2012 and 2016 Bond Covenants: The material provisions of the bond covenants for the Water Improvement Bonds, Refunding Bonds are as follows:

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

CITY OF TALLULAH, LOUISIANA
Notes to the Financial Statements
For Year Ended June 30, 2018

- The establishment and maintenance of a separately identifiable fund or account with a deposit from the bond proceeds equal to the required debt service reserve requirement. The reserve fund requirement is as of any date of calculation, a sum equal to 50% of the highest combined principal and interest requirements for any succeeding fiscal year.

For the fiscal year ended June 30, 2018, the Water Fund's net revenues were not at least equal to 125% of the principal and interest falling due on all bonds or other obligations payable; however, the City did meet all debt obligations.

Required Debt Reserves: The required debt reserves and amounts reserved as of June 30, 2018 for the City are as follows:

	<u>Debt Issued</u>	<u>Required Reserve</u>	<u>Amount Reserved</u>
Governmental Activities:			
Certificate of Indebtness - Series 2009 Fire Truck	\$ 250,000	\$ 22,794	\$ 3,420
Total Governmental Activities	<u>250,000</u>	<u>22,794</u>	<u>3,420</u>
Business Activities:			
Water Fund:			
Water Improvement Bonds, Refunding Series 2012	5,275,000	457,127	-
Water Improvement Bonds, Refunding Series 2016	<u>4,665,000</u>	<u>441,993</u>	<u>811,232</u>
Total Water Fund	<u>9,940,000</u>	<u>899,120</u>	<u>811,232</u>
Sewer Fund:			
Sewer Rehab Phase I	2,660,000	153,123	-
Sewer Rehab Phase II	<u>500,000</u>	<u>28,767</u>	<u>150,899</u>
Total Sewer Fund	<u>3,160,000</u>	<u>181,890</u>	<u>150,899</u>
Total Business Activities	<u>13,100,000</u>	<u>1,081,010</u>	<u>962,131</u>
Grand Total	<u>\$13,350,000</u>	<u>\$ 1,103,804</u>	<u>\$ 965,551</u>

NOTE 12 - CAPITAL LEASES The City has four lease agreements as lessee for financing the acquisition of equipment. The equipment has a ten-year estimated useful life. The assets acquired through capital leases are as follows:

<u>Asset:</u>	<u>Original Cost</u>	<u>Current Year Depreciation</u>	<u>Accumulated Depreciation</u>
Street Department Equipment:			
Asphalt Compactor and Trailer	\$ 44,487	\$ 4,449	\$ 13,346
2016 Case 580N Backhoe	63,472	6,347	19,042
2015 Case 580N Backhoe	59,754	5,975	11,951
Water Department Equipment:			
2012 Kobelco Compact Excavator	48,500	4,850	9,700

CITY OF TALLULAH, LOUISIANA
Notes to the Financial Statements
For Year Ended June 30, 2018

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018, are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2019	\$ 41,062	\$ 12,600
2020	41,063	12,600
2021	31,348	3,453
Total minimum lease payments	113,473	28,653
Less: amount representing interest	(8,277)	(1,920)
Present value of minimum lease payments	<u>\$ 105,196</u>	<u>\$ 26,733</u>

NOTE 13 - REVENUE ANTICIPATION NOTE The City council approved Ordinance No 17-01-01, dated November 9, 2017, which authorized the City to obtain a short-term loan in the amount of \$375,000. The ordinance authorized the borrowing of monies in the year 2017 for the purpose of paying current general expenses of the City in anticipation of revenues for the current fiscal year. The financing was obtained from Delta Bank with interest accruing at 4.25% per annum, maturing on March 1, 2018. The note payable to Delta Bank was repaid by the general fund on March 1, 2018 of principal and interest in the amount of \$379,914.

NOTE 14 - PLEDGED REVENUES The City has pledged future water and sewer customer revenues, net of specified operating expenses to repay \$8,540,000 in water revenue bonds payable and \$2,736,774 in sewer loans payable. Proceeds from revenue bonds/loans payable provided financing for the purpose of constructing and acquiring extensions, improvements to the waterworks and sewer systems of the City of Tallulah. The revenue bonds/loans payable are payable solely from water and sewer customer net revenues and are payable through fiscal year ended 2033 for the Water Fund and fiscal year ended 2047 for the Sewer Fund. Total principal and interest remaining to be paid on the water and sewer revenue bonds/loans payable is \$11,340,106 and \$4,766,771 respectively. Water principal and interest paid for the current year was \$791,957 and total net revenue (loss) per Statement H was \$(174,722). Sewer principal and interest paid for the current year was \$169,128 and total net revenue (loss) per Statement H was \$(105,952). See Note 11 for additional information on the Water and Sewer revenue bonds/loans payable.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

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

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

CITY OF TALLULAH, LOUISIANA
Notes to the Financial Statements
For Year Ended June 30, 2018

The Village of Richmond has filed a suit against the City of Tallulah contending that the parish tax collector negligently sent sales and use taxes, which were owed to the Village of Richmond, to the City of Tallulah. In December 2015, the City filed a suit against the Village of Richmond for breach of the agreement to provide sewage, water, fire protection and road service maintenance for Love’s Truck Stop in that the Village of Richmond has failed to account to the City for all proceeds which the Village of Richmond has received from Love’s Truck Stop. Per this agreement, the City is the legal owner of a share of tax receipts and gaming revenue from Love’s Truck Stop for providing such services. In September 2018, the City reached an agreement with the Village of Richmond returning \$82,000 of sales tax receipts and gaming revenue. This will be recognized in 2019 fiscal year.

In January 2018, a contractor filed suit against the City for breach of contract and that the City owes the contractor \$112 thousand plus interest and legal fees. In October 2018, the City has settled with the contractor for \$75,000 plus approximately \$2,000 in court cost. The Sewer Fund had accrued \$112 thousand related to this suit.

The City is also a defendant in various other lawsuits. It is the opinion of the City’s legal counsel, it is not probable that the outcome of these lawsuits will result in an asset of the City being materially impaired.

Construction Projects: The City is involved in several projects at fiscal year ended June 30, 2018 which include the Ethel Street Drainage and Harlem Street Drainage projects. At June 30, 2018, the City had \$995,690 remaining on the Harlem Street Drainage Improvement contract.

NOTE 16 - RISK MANAGEMENT The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and automobile liability for which the City carries commercial insurance. The City currently has a \$10,000 deductible for its fire and casualty loss insurance coverage and no deductible for the other policies. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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

	<u>General Fund</u>	<u>Section 8</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Restricted for:				
Debt service	\$ 3,420	\$ -	\$ 11,014	\$ 14,434
Section 8 program	-	65,905	-	65,905
Street maintenance	-	-	1,175	1,175
Construction projects	-	-	72	72
Unassigned	299,498	-	-	299,498
Total	<u>\$ 302,918</u>	<u>\$ 65,905</u>	<u>\$ 12,261</u>	<u>\$ 381,084</u>

NOTE 18 - CHANGE IN PRESENTATION The LCDBG Project Fund was required to be reported as a major fund for the fiscal year 2017. In fiscal year 2018, the LCDBG Project Fund is reported as a nonmajor capital projects fund.

NOTE 19 - SUBSEQUENT EVENTS On September 1, 2018, the elected mayor, Paxton Branch passed away. The City Council appointed Gloria Hayden as interim Mayor until an election can be held in the fall of 2019.

CITY OF TALLULAH, LOUISIANA
Notes to the Financial Statements
For Year Ended June 30, 2018

NOTE 20 - GOING CONCERN INDICATORS AND MANAGEMENT PLANS

For the year ended June 30, 2018, the City's Water Fund's net revenues were not at least equal to 125% of the principal and interest falling due on all bonds or other obligations payable which is a violation of the City's conditions and requirements as set forth in its debt agreements. In addition, the City's bond sinking and reserve funds were deficient at June 30, 2018. Subsequent to year end, the City experienced cash flow shortages which resulted in delays in payments of its vendors.

The cash flow shortages are the result of the timing of the collection of ad valorem taxes which will not be received until December, 2018 through February, 2019. On August 22, 2018, The City Council voted to not approve a revenue anticipation note in the amount of \$500,000. Management of the City's plan to alleviate the shortfall is to decrease expenditures and to pay vendors only as funds are available..

CITY OF TALLULAH, LOUISIANA

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF TALLULAH, LOUISIANA
Pension Supplementary Information
As of and for the Year Ended June 30 2018

Exhibit 1-1

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

Fiscal Year*	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered employee payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
Municipal Police Employees' Retirement System					
2015	0.115035%	\$ 719,668	\$ 205,010	351%	75.10%
2016	0.057648%	451,612	160,089	282%	70.73%
2017	0.029801%	279,319	90,854	307%	66.04%
2018	0.040175%	350,745	109,566	320%	70.08%

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

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

Exhibit 1-2

Schedule of Employer Contributions to Pension Plan

Fiscal Year*	(a) Statutorily Required Contribution	(b) Contributions in relation to the statutorily required contribution	(a-b) Contribution Deficiency (Excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
Municipal Police Employees' Retirement System					
2015	\$ 50,428	\$ 50,428	-	\$ 160,089	31.5%
2016	26,802	26,802	-	90,854	29.5%
2017	34,991	34,991	-	109,566	31.9%
2018	62,604	62,604	-	203,590	30.8%

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

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

See independent auditor's report.

CITY OF TALLULAH, LOUISIANA
Pension Supplementary Information
As of and for the Year Ended June 30 2018

Notes to Required Supplementary Information for Pensions

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

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

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

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

For amounts reported in 2017 and later, the discount rate was decreased from 7.5% to 7.325%, the inflation rate decreased from 2.875% to 2.7%, and the expected nominal return was reduced from 8.25% to 8.19%

See independent auditor's report.

CITY OF TALLULAH, LOUISIANA

Budgetary Comparison Schedules

Funds with Legally Adopted Annual Budget

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

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

CITY OF TALLULAH, LOUISIANA

GENERAL FUND
Budgetary Comparison Schedule
For the Year Ended June 30, 2018

Exhibit 2-1

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	(BUDGETARY BASIS)	FINAL BUDGET POSITIVE (NEGATIVE)
BUDGETARY FUND BALANCES, Beginning	\$ -	\$ 428,365	\$ 428,365	\$ -
Resources (inflows)				
Local sources:				
Taxes				
Ad valorem	370,000	370,000	365,314	(4,686)
Sales and use	1,238,490	1,298,490	1,368,103	69,613
Other taxes, penalties, and interest	280,600	280,600	309,694	29,094
Licenses and permits	129,840	129,840	82,355	(47,485)
Intergovernmental revenues	339,920	339,920	272,864	(67,056)
Rental income	13,000	13,000	10,869	(2,131)
Use of money and property	300	300	22	(278)
Fines and forfeitures	93,175	93,175	49,679	(43,496)
Miscellaneous revenues	127,710	127,710	186,730	59,020
Transfers from other funds	254,800	254,800	250,000	(4,800)
Amounts available for appropriations	<u>2,847,835</u>	<u>3,336,200</u>	<u>3,323,995</u>	<u>(12,205)</u>
Charges to appropriations (outflows)				
Current:				
General and administrative	745,440	745,440	897,924	(152,484)
Police Department	747,360	747,360	773,494	(26,134)
Fire Department	445,095	445,095	386,339	58,756
Street Department	613,755	613,755	594,011	19,744
Culture and recreation	106,960	106,960	100,939	6,021
Legislative	64,800	64,800	63,608	1,192
Transportation	48,000	48,000	31,502	16,498
Capital outlay	40,200	100,200	93,359	6,841
Debt service:				
Principal retirement	30,825	30,825	61,902	(31,077)
Interest expense	600	600	17,656	(17,056)
Transfers to other funds	4,800	4,800	343	4,457
Total charges to appropriations	<u>2,847,835</u>	<u>2,907,835</u>	<u>3,021,077</u>	<u>(113,242)</u>
BUDGETARY FUND BALANCES, ENDING	<u>\$ -</u>	<u>\$ 428,365</u>	<u>\$ 302,918</u>	<u>\$ (125,447)</u>

See independent auditor's report.

CITY OF TALLULAH, LOUISIANA

SECTION 8
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2018

Exhibit 2-2

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	(BUDGETARY BASIS)	FINAL BUDGET POSITIVE (NEGATIVE)
BUDGETARY FUND BALANCES, Beginning	\$ -	\$ 75,718	\$ 75,718	\$ -
Resources (inflows)				
Local sources:				
Intergovernmental revenues	245,000	220,000	219,922	(78)
Use of money and property	-	-	37	37
Miscellaneous revenues	30,000	30,000	34,398	4,398
Amounts available for appropriations	275,000	325,718	330,075	4,357
Charges to appropriations (outflows)				
Current:				
Health and welfare	275,000	250,000	264,170	(14,170)
Total charges to appropriations	275,000	250,000	264,170	(14,170)
BUDGETARY FUND BALANCES, ENDING	\$ -	\$ 75,718	\$ 65,905	\$ (9,813)

See independent auditor's report.

CITY OF TALLULAH, LOUISIANA

Notes to the Budgetary Comparison Schedule
For the Year Ended June 30 2018

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

During the year, the City Council receives monthly budget comparison statements which are used as a tool to control the operations of the City. The City Clerk presents necessary budget amendments to the Council when he determines that actual operations are differing materially from those anticipated in the original budget. The Council in regular session reviews the proposed amendments, makes necessary changes, and formally adopts the amendments. Note that Councilwoman Gloria Hayden, District 5, voted against the budget amendments. The adoption of amendments is included in the City's minutes published in the official journal.

The budget is established and controlled by the mayor and Council members at the functional level of expenditure. Unexpended appropriations lapse at year-end and must be reappropriated for the following year to be expended. All changes in the budget must be approved by the mayor and the Council members. The City does not use encumbrance accounting in its accounting system.

Note B. Excess of Actual Expenditures over Budgeted Appropriations For the fund which a budget to actual comparison was made, 2018 actual appropriations exceeded budgeted appropriations at the level of budgetary control as follows:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	\$ 2,907,835	\$ 3,021,077	\$ (113,242)
Section 8	250,000	264,170	(14,170)

(Continued)

See independent auditor's report.

CITY OF TALLULAH, LOUISIANA

**Notes to the Budgetary Comparison Schedule
For the Year Ended June 30, 2018**

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

	GENERAL FUND	SECTION 8
<u>Sources/inflows of resources:</u>		
Actual amounts (budgetary basis) "available for appropriation" from the Budgetary Comparison Schedule	\$ 3,323,995	\$ 330,075
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes.	(428,365)	(75,718)
Transfers in are shown as resources (inflows) for budgetary purposes but as other financing sources for the Statement of Revenues and Expenditures and Changes in Fund Balances.	(250,000)	-
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	2,645,630	254,357
<u>Uses/outflows of resources:</u>		
Actual amounts (budgetary basis) "Total charges to appropriation" from the Budgetary Comparison Schedule	3,021,077	264,170
Transfers to other funds classified as expenditures for budgetary purposes and as an operating transfer for financial reporting.	(343)	-
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 3,020,734	\$ 264,170

See independent auditor's report.

CITY OF TALLULAH, LOUISIANA

SUPPLEMENTARY INFORMATION

CITY OF TALLULAH, LOUISIANA

NONMAJOR GOVERNMENTAL FUNDS
 Combining Balance Sheet - By Fund Type
 June 30, 2018

Exhibit 3

	SPECIAL REVENUE STREET	DEBT SERVICE	CAPITAL PROJECTS	TOTAL
ASSETS				
Cash and cash equivalents	\$ 29,424	\$ 14,968	\$ 195	\$ 44,587
Receivables	447	55	277,680	278,182
Interfund receivables	15,000	1,163	-	16,163
TOTAL ASSETS	44,871	16,186	277,875	338,932
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts, salaries and other payables	11,045	-	277,680	288,725
Interfund payables	32,651	5,172	123	37,946
TOTAL LIABILITIES	43,696	5,172	277,803	326,671
FUND BALANCES:				
Restricted	1,175	11,014	72	12,261
Total Fund Balances	1,175	11,014	72	12,261
TOTAL LIABILITIES AND FUND BALANCES	\$ 44,871	\$ 16,186	\$ 277,875	\$ 338,932

See independent auditor's report.

CITY OF TALLULAH, LOUISIANA

NONMAJOR GOVERNMENTAL FUNDS
 Combining Statement of Revenues, Expenditures,
 and Changes in Fund Balances - By Fund Type
 For the Year Ended June 30, 2018

Exhibit 4

	SPECIAL REVENUE STREET	DEBT SERVICE	CAPITAL PROJECTS	TOTAL
REVENUES				
Taxes:				
Ad valorem	\$ 122,505	\$ 15,218	\$ -	\$ 137,723
Intergovernmental revenues	-	-	277,680	277,680
Use of money and property	17	7	2	26
Miscellaneous revenues	10,152	-	-	10,152
Total revenues	<u>132,674</u>	<u>15,225</u>	<u>277,682</u>	<u>425,581</u>
EXPENDITURES				
Current:				
General and administrative	-	-	374	374
Street Department	117,180	-	-	117,180
Capital outlay	-	-	277,680	277,680
Debt service:				
Principal retirement	-	13,576	-	13,576
Interest and bank charges	-	2,006	-	2,006
Total expenditures	<u>117,180</u>	<u>15,582</u>	<u>278,054</u>	<u>410,816</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	<u>15,494</u>	<u>(357)</u>	<u>(372)</u>	<u>14,765</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	393	393
Transfers out	(15,000)	(19,451)	-	(34,451)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(15,000)</u>	<u>(19,451)</u>	<u>393</u>	<u>(34,058)</u>
NET CHANGE IN FUND BALANCES	494	(19,808)	21	(19,293)
FUND BALANCES - BEGINNING	<u>681</u>	<u>30,822</u>	<u>51</u>	<u>31,554</u>
FUND BALANCES - ENDING	<u>\$ 1,175</u>	<u>\$ 11,014</u>	<u>\$ 72</u>	<u>\$ 12,261</u>

See independent auditor's report.

CITY OF TALLULAH, LOUISIANA

Nonmajor Debt Service Funds

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

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

See independent auditor's report.

CITY OF TALLULAH, LOUISIANA
NONMAJOR DEBT SERVICE FUNDS
 Combining Balance Sheet
 June 30, 2018

Exhibit 5

	1981 GENERAL OBLIGATION BONDS	1998 GENERAL OBLIGATION BONDS	TOTAL
ASSETS			
Cash and cash equivalents	\$ 14,968	\$ -	\$ 14,968
Receivables	55	-	55
Interfund receivables	1,163	-	1,163
	16,186	-	16,186
TOTAL ASSETS	16,186	-	16,186
 LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Interfund payables	5,172	-	5,172
 FUND BALANCES:			
Restricted	11,014	-	11,014
	11,014	-	11,014
TOTAL LIABILITIES AND FUND BALANCES	\$ 16,186	\$ -	\$ 16,186

See independent auditor's report.

CITY OF TALLULAH, LOUISIANA

NONMAJOR DEBT SERVICE FUNDS
 Combining Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 For the Year Ended June 30, 2018

Exhibit 6

	1981 GENERAL OBLIGATION BONDS	1998 GENERAL OBLIGATION BONDS	TOTAL
REVENUES			
Taxes:			
Ad valorem	\$ 15,218	\$ -	\$ 15,218
Use of money and property	5	2	7
Total revenues	<u>15,223</u>	<u>2</u>	<u>15,225</u>
EXPENDITURES			
Debt service:			
Principal retirement	13,576	-	13,576
Interest and bank charges	1,999	7	2,006
Total expenditures	<u>15,575</u>	<u>7</u>	<u>15,582</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	(352)	(5)	(357)
OTHER FINANCING SOURCES (USES)			
Transfers out	-	(19,451)	(19,451)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(19,451)</u>	<u>(19,451)</u>
NET CHANGE IN FUND BALANCES	(352)	(19,456)	(19,808)
FUND BALANCES - BEGINNING	<u>11,366</u>	<u>19,456</u>	<u>30,822</u>
FUND BALANCES - ENDING	<u>\$ 11,014</u>	<u>\$ -</u>	<u>\$ 11,014</u>

See independent auditor's report.

CITY OF TALLULAH, LOUISIANA

Nonmajor Capital Projects Funds

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

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

LCDBG PROJECTS - is used to account for the accumulation of resources for and related costs regarding the LCDBG grant projects.

CITY OF TALLULAH, LOUISIANA

NONMAJOR CAPITAL PROJECTS FUNDS
 Combining Balance Sheet
 June 30, 2018

Exhibit 7

	ETHEL STREET DRAINAGE	HARLEM STREET DRAINAGE	LCDBG PROJECTS	TOTAL
ASSETS				
Cash and cash equivalents	\$ 8	\$ 123	\$ 64	\$ 195
Receivables	-	277,680	-	277,680
TOTAL ASSETS	8	277,803	64	277,875
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts, salaries and other payables	-	277,680	-	277,680
Interfund payables	-	123	-	123
TOTAL LIABILITIES	-	277,803	-	277,803
FUND BALANCES:				
Restricted	8	-	64	72
TOTAL LIABILITIES AND FUND BALANCES	\$ 8	\$ 277,803	\$ 64	\$ 277,875

See independent auditor's report.

CITY OF TALLULAH, LOUISIANA

NONMAJOR CAPITAL PROJECTS FUNDS
 Combining Schedule of Revenues, Expenditures,
 and Changes in Fund Balances
 For the Year Ended June 30, 2018

Exhibit 8

	ETHEL STREET DRAINAGE	HARLEM STREET DRAINAGE	LCDBG PROJECTS	TOTAL
REVENUES				
Intergovernmental revenues	\$ -	\$ 277,680	\$ -	\$ 277,680
Use of money and property	2	-	-	2
Total revenues	<u>2</u>	<u>277,680</u>	<u>-</u>	<u>277,682</u>
EXPENDITURES				
Current:				
General and administrative	231	143	-	374
Capital outlay	-	277,680	-	277,680
Total expenditures	<u>231</u>	<u>277,823</u>	<u>-</u>	<u>278,054</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	<u>(229)</u>	<u>(143)</u>	<u>-</u>	<u>(372)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>200</u>	<u>143</u>	<u>50</u>	<u>393</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>200</u>	<u>143</u>	<u>50</u>	<u>393</u>
NET CHANGE IN FUND BALANCES	(29)	-	50	21
FUND BALANCES - BEGINNING	<u>37</u>	<u>-</u>	<u>14</u>	<u>51</u>
FUND BALANCES - ENDING	<u>\$ 8</u>	<u>\$ -</u>	<u>\$ 64</u>	<u>\$ 72</u>

See independent auditor's report.

CITY OF TALLULAH, LOUISIANA

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

CITY OF TALLULAH, LOUISIANA

PROPRIETARY FUND TYPE - ENTERPRISE FUNDS
 Comparative Statement of Net Position
 June 30, 2018 and 2017

Exhibit 9

	2018 WATER FUND	2017 WATER FUND	2018 SEWER FUND	2017 SEWER FUND
ASSETS				
Current Assets				
Cash and cash equivalents	\$ -	\$ -	\$ 3,791	\$ 60,434
Receivables, net	226,915	154,598	130,463	91,973
Interfund receivables	5,172	5,172	26,165	14,014
Restricted Assets:				
Cash and cash equivalents	871,282	1,038,144	150,899	150,823
Total Current Assets	1,103,369	1,197,914	311,318	317,244
Noncurrent Assets				
Capital assets:				
Land and construction in progress	65,451	65,451	612,879	612,879
Depreciable assets, net of depreciation	2,905,272	3,560,871	11,399,735	10,355,641
Total Noncurrent Assets	2,970,723	3,626,322	12,012,614	10,968,520
TOTAL ASSETS	4,074,092	4,824,236	12,323,932	11,285,764
LIABILITIES				
Current Liabilities				
Accounts, salaries and other payables	78,170	90,612	181,803	108,201
Interfund payables	284,098	271,763	74,166	235,484
Interest payable	110,582	114,056	-	-
Payable from restricted assets - customer deposits	182,246	182,340	-	-
Compensated absences	3,628	5,556	2,939	5,975
Capital leases - current	11,327	-	-	-
Revenue bonds payable - current	470,000	455,000	-	-
Loans payable - current	-	-	50,397	48,243
Total Current Liabilities	\$ 1,140,051	\$ 1,119,327	\$ 309,305	\$ 397,903

(Continued)

See independent auditor's report.

CITY OF TALLULAH, LOUISIANA

PROPRIETARY FUND TYPE - ENTERPRISE FUNDS
 Comparative Statement of Net Position
 June 30, 2018 and 2017

Exhibit 9

	2018 WATER FUND	2017 WATER FUND	2018 SEWER FUND	2017 SEWER FUND
Noncurrent Liabilities				
Capital leases	\$ 15,406	\$ -	\$ -	\$ -
Revenue bonds payable, net	8,166,100	8,642,652	-	-
Loans payable	-	-	2,686,377	2,736,769
	<u>8,181,506</u>	<u>8,642,652</u>	<u>2,686,377</u>	<u>2,736,769</u>
Total Noncurrent Liabilities				
	<u>8,181,506</u>	<u>8,642,652</u>	<u>2,686,377</u>	<u>2,736,769</u>
TOTAL LIABILITIES	<u>9,321,557</u>	<u>9,761,979</u>	<u>2,995,682</u>	<u>3,134,672</u>
NET POSITION				
Net investment in capital assets	(5,692,110)	(5,471,330)	9,275,840	8,183,508
Restricted for debt service	700,650	905,467	150,899	150,823
Unrestricted	(256,005)	(371,880)	(98,489)	(183,239)
	<u>(5,247,465)</u>	<u>(4,937,743)</u>	<u>9,328,250</u>	<u>8,151,092</u>
TOTAL NET POSITION	<u>\$ (5,247,465)</u>	<u>\$ (4,937,743)</u>	<u>\$ 9,328,250</u>	<u>\$ 8,151,092</u>

(Concluded)

See independent auditor's report.

CITY OF TALLULAH, LOUISIANA

**Schedule of Compensation, Benefits, and Other Payments
to Agency Head
June 30, 2018**

Exhibit 10

Agency Head
Mayor Paxton Branch

Purpose	Amount
Salary	\$65,522
Benefits - Insurance	
Benefits - Retirement	\$19,800
Benefits - Other	
Car Allowance	
Vehicle Allowance	\$6,000
Per Diem	
Reimbursements	\$5,964
Travel	\$0
Registration Fees	\$0
Conference Travel	\$0
Continuing Professional Education Fees	\$0
Housing	\$0
Unvouchered Expenses	\$0
Special Meals	\$0

See independent auditor's report.

CITY OF TALLULAH, LOUISIANA

Financial Data Schedule
Program Balance Sheet Summary
14.871 Housing Choice Vouchers

Exhibit 11

Submission Type: unaudited

Fiscal Year End : 06/30/2018

111 Cash - Unrestricted	\$ 65,308
124 Accounts Receivable - Other Gov't	3,518
190 Total Assets	<u>\$ 68,826</u>
312 Accounts Payable <= 90 Days	2,921
300 Total Liabilities	<u>2,921</u>
512.1 Unrestricted Net Assets	65,905
513 Total Equity/Net Assets	<u>65,905</u>
600 Total Liabilities and Equity/Net Assets	<u>\$ 68,826</u>

(Continued)

CITY OF TALLULAH, LOUISIANA

Financial Data Schedule
 Program Revenue and Expense Summary
 14.871 Housing Choice Vouchers

Exhibit 11

Submission Type: unaudited

Fiscal Year End : 06/30/2018

70800 HUD PHA Operating Grants	\$ 219,922
71100 Investment Income - Unrestricted	37
71500 Other Revenue	34,398
	<u>254,357</u>
91600 Office Expenses	44,366
91800 Travel	327
91900 Other	1,575
96900 Total Operating Expenses	<u>46,268</u>
97000 Excess of Operating Revenue over Operating Expenses	208,089
97300 Housing Assistance Payments	162,032
97300 Tenant Protected	25,688
97350 HAP Portability-In	30,182
90000 Total Expenses	<u>217,902</u>
10000 Excess (Deficiency) of Total Revenue Over (under) Total	(9,813)
11030 Beginning Equity	<u>75,718</u>
11170 Administrative Fee Equity	<u>65,905</u>
11180 Housing Assistance Payments Equity	-
11190 Unit Months Available	<u>552</u>
11210 Number of Unit Months Leased	<u>552</u>

(Concluded)

**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***

Independent Auditor's Report

The Honorable Gloria Hayden, Interim Mayor
and the Members of the City Council
City of Tallulah, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tallulah, Louisiana (the City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Tallulah, Louisiana's basic financial statements, and have issued our report thereon dated December 13, 2018.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify deficiencies in internal control that we consider to be material weaknesses which are described in the accompanying schedule of findings and responses as items 2018-003 and 2018-004.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as items 2018-001 and 2018-002.

City of Tallulah's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

This report is intended solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



A Professional Accounting Corporation

Covington, LA
December 13, 2018

CITY OF TALLULAH, LOUISIANA
Schedule of Findings and Responses
For Year Ended June 30, 2018

A. Summary of Auditor's Results

Financial Results

1. Type of auditor's report	Unmodified
2. Internal control over financial reporting	
A. Material weaknesses identified	Yes
B. Significant deficiencies identified not considered to be material weaknesses	No
C. Non-compliance material to the financial statements noted	Yes

Federal Awards

Not Applicable.

B. Findings - Financial Statement Audit

2018-001 Violation of Debt Covenants

Criteria: To obtain financing for the water and sewer departments, the City agreed to adhere to certain conditions and requirements as set forth in the debt agreements. In addition, the City must set fees such that the net revenues are equal to or exceed 125% of the principal and interest falling due on all bonds and other obligations payable.

Condition: In reviewing balances of the debt service reserve fund and the contingency/project reserve fund, we noted that the City had funded the reserves in the amount of \$962,131, whereas the required reserve was \$1,081,010, which resulted in a deficiency of \$118,879. We noted that the net revenues for the water fund were less than the 125% requirement.

Cause: The City's water and sewer departments are not generating net revenues necessary to properly fund its reserves and to comply with debt covenants.

Effect: The City is not in compliance with its debt agreements.

Recommendation: We recommend that management consider increasing water and sewer rates to provide for sufficient net revenue to comply with its debt covenants.

Management's Response: Management will consider increasing water and sewer rates to provide ample net revenues to adequately fund reserves and to comply with debt agreements.

CITY OF TALLULAH, LOUISIANA
Schedule of Findings and Responses (Continued)
For Year Ended June 30, 2018

2018-002 Failure to Amend Budget (LRS 39:1310)

Criteria: The City is required to follow the requirements of the Louisiana Local Government Budget Act at LRS 39:1301 through 39:1315.

Condition: State law requires that budgets be amended when actual revenues are less than budgeted revenues or actual expenditures exceed budgeted expenditures and other financing uses exceed budgeted amounts by 5% or more. During the year ended June 30, 2018, the Section 8 special revenue fund's actual expenditures of \$264,170 exceeded budgeted expenditures of \$250,000 resulting in an unfavorable variance of \$14,170, or 5.7%

Cause: Unknown.

Effect: The City did not comply with all of the requirements of the Louisiana Local Government Budget Act as outlined above.

Recommendation: We recommend the monitoring of actual costs accumulated by funds more closely and making appropriate budget amendments to comply with the law requiring the budget to actual variance to be within 5%.

Management's Response: Management will more closely monitor fund expenditures compared to budget and will amend budget as necessary to comply with the Local Government Budget Act.

2018-003 Controls Over Payroll Disbursements

Criteria: Effective internal controls over payroll disbursements require that pay rates be supported by documentation in personnel files and that attendance be supported by timesheets. Article 7 Section 14 of the Louisiana Constitution prohibits governments from donated or loaning public funds.

Condition: In our testing of 23 payroll disbursements, we noted 3 instances where the approved pay rate in the personnel file differed from the pay rate used in calculating payroll and we noted 7 instances for which management was unable to locate the timesheets. For one paycheck, we noted that an employee was paid but his timesheet indicated that no hours were worked during the payroll period which appears to be a violation of Article 7 Section 14 of the Louisiana Constitution.

Cause: Unknown.

Effect: Deficiencies in internal control over payroll and possible violation of Article 7 Section 14 of the Louisiana Constitution.

CITY OF TALLULAH, LOUISIANA
Schedule of Findings and Responses (Continued)
For Year Ended June 30, 2018

Recommendation: We recommend that management improve recordkeeping and organization for its payroll documentation of payroll disbursements. Management should review payroll registers to determine that supporting documentation agrees to the payroll register.

Management's Response: Management will improve its recordkeeping and review process for payroll disbursements.

2018-004 Controls Over Credit Cards

Criteria: Effective controls over credit cards require that credit card statements be reviewed to determine that itemized receipts and documentation of business/public purpose are obtained and that credit card balances are paid timely.

Condition: In our testing of credit cards, we noted that the statements do not contain evidence that the statements have been reviewed. We noted that payments were not made timely which resulted in late payment penalties and interest charges totaling \$171. Of 23 charges tested, we noted that one was missing support, none of the charges contained documentation of business/public purpose, and two charges for meals did not have documentation of who attended the meals.

Cause: Unknown.

Effect: Inadequate controls over credit cards.

Recommendation: We recommend that management institute a review process which ensures that statements contain evidence of review and the charges are properly supported and include itemized receipts and documentation of business/public purpose.

Management's Response: Management will institute procedures to ensure that credit cards are reviewed and that proper support is obtained.

CITY OF TALLULAH, LOUISIANA
Schedule of Prior Year Findings and Responses
For Year Ended June 30, 2018

2017-001 Cash Management

Status: This finding has not been resolved. See current year finding 2018-001 in the accompanying schedule of findings and responses.

2017-002 Asset Inventory

Status: This finding has been resolved

2017-003 Public Bid Law

Status: This finding has been resolved.

2017-004 Late Filing of Audit Report

Status: This finding has been resolved.

AGREED-UPON PROCEDURES REPORT

City of Tallulah

Independent Accountant's Report
On Applying Agreed-Upon Procedures

For the Period July 1, 2017 - June 30, 2018

To City of Tallulah and the
Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by City of Tallulah (the City) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2017 through June 30, 2018. The City's management is responsible for those C/C areas identified in the SAUPs. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated results are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a. **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - b. **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c. **Disbursements**, including processing, reviewing, and approving.
 - d. **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation)

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- e. **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- f. **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g. **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- h. **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i. **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy
- j. **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements

Results: We obtained the written policies and procedures of the City of Tallulah. The City's policy manual is directly from the LLA website and has not been customized in any manor by the City. We found the following exceptions: 1(b) Purchasing policy did not address how vendors are added to vendor list. 1(d) Collections policy did not address City Hall collections procedures and the actions to determine completeness of all collections. 1(i) The City does not have a written Ethics policy. 1(j) The City does not have a written Debt Service policy.

Management's Response: Management will amend its policies to include the missing elements.

Board or Finance Committee

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a. Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b. For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.

- c. For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

Results: We obtained the City's minutes for the fiscal year. We noted that financial reports and monthly budget-to-actual comparisons were discussed. We noted that the General Fund did not have a deficit.

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select four additional accounts (or all accounts if less than five). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
 - a. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
 - b. Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - c. Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Results: We obtained a listing of bank accounts from the City and management's representation that the listing is complete. We selected the main operating accounts and one additional bank account. We also obtained bank statements and reconciliations. When testing criteria 3(a), the February bank reconciliations were prepared after the allotted two-month period. No exceptions were found in criteria 3(b). While performing 3(c), we noted that one of the bank accounts selected had five items that were outstanding for longer than 12 months.

Management's Response: Management will ensure that bank reconciliations are performed timely and will research checks outstanding by more than 12 months.

Collections

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select five deposit sites (or all deposit sites if less than five).

Results: We obtained from the City a listing of cash deposit sites and management's representation that the listing is complete.

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., five collection locations for five deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a. Employees that are responsible for cash collections do not share cash drawers/registers.
 - b. Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.
 - c. Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - d. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee verifies the reconciliation.

Results: The City has three collection locations, which were all selected for testing. While performing 5(a), we noted that City Hall has one cash drawer. While performing 5(b), we noted that due to a small number of staff, employees who collect payments also reconcile daily cash collections and can make deposits. However, another employee recounts the payments and verifies the deposit. Procedures 5(c) and 5(d) were met without exception.

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

Results: We noted that employees who are responsible for collecting cash are bonded.

7. Randomly select two deposit dates for each of the five bank accounts selected for procedure #2 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
 - a. Observe that receipts are sequentially pre-numbered.
 - b. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c. Trace the deposit slip total to the actual deposit per the bank statement.
 - d. Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
 - e. Trace the actual deposit per the bank statement to the general ledger.

Results: Five bank accounts were tested. We noted during procedure 7(a) that two of the accounts did not have detailed sequentially pre-numbered receipts attached to the Daily Deposit Detail Report. However, upon inquiry, we found that for the General Fund collections, an ad valorem printout or occupational license printout is given to the payee. No exceptions were found in 7(b), or 7(c). While performing procedure 7(d), we noted that three of the ten deposits tested were not deposited within one day of collection. The three deposits that had exceptions ranged from four to nine days.

Management's Response: The City has implemented procedures requiring daily deposit of all City collections.

Disbursements

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

Results: We obtained from the City a listing of payment processing locations and management's representation that the listing is complete.

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b. At least two employees are involved in processing and approving payments to vendors.
 - c. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Results: The City only has one payment processing location, which was selected for testing. No exceptions were noted during the testing of procedures 9(a), 9(b), or 9(d). We noted during procedure 9(c) that the City Clerk, who is responsible for processing payments, is not prohibited from adding/modifying vendors.

Management's Response: The City will institute a process where accounts payable vendors are approved by someone other than the City Clerk.

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and:
 - a. Observe that the disbursement matched the related original invoice/billing statement.

- b. Observed that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Results: Five disbursements were tested. No exceptions were noted during testing.

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

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Results: We obtained from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. We obtained management's representation that the listing is complete.

12. Using the listing prepared by management, randomly select five cards (or all cards if less than five) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
 - a. Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
 - b. Observe that finance charges and late fees were not assessed on the selected statements.

Results: The City only has three credit cards, which were all selected for testing. There was no evidence that the three statements and supporting documentation were reviewed and approved. All three statements had finance charges or late fees that were assessed in the month selected for testing. Total interest and late payment fees charged were \$171.03.

13. Using the monthly statements or combined statements selected above, excluding fuel cards, randomly select ten transactions (or all transactions if less than ten) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have ten transactions subject to testing).

For each transaction, observe that it is supported by:

- a. An original itemized receipt that identifies precisely what was purchased;
- b. Written documentation of the business/public purpose; and
- c. Documentation of the individuals participating in meals (for meal charges only).

Results: Three credit cards and a total of 23 charges were selected for testing. One charge was missing supporting itemized receipts. None of the charges selected for testing stated the business/public purpose. Two of the three meal charges tested did not list the name of the individual(s) who participated in the meal.

Management's Response: The City will institute procedures for review of credit cards and for timely payment. The City will obtain itemized supporting documents for all credit card charges and will document business purpose. For meals charges, the City will document who attended the meal.

Travel and Travel-Related Expense Reimbursement

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- a. If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - b. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
 - d. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: We obtained a listing of travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing was complete. Five reimbursements were selected for testing. No exceptions were found in 14(a) or 14(b). We noted during procedure 14(c) that one of the reimbursements had items that did not detail the business/public purpose. We noted during procedure 14(d) that there was no evidence that any of the reimbursements tested were reviewed and approved.

Management's Response: The City will institute procedures for the review of travel reimbursements and will detail the business/public purpose of all reimbursements.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Alternately, the practitioner may use an equivalent selection source, such as an active vendor list. Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
- a. Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - b. Observe that the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).

- c. If the contract was amended (e.g., change order), observe that the original contract
- d. Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.
- e. Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

Results: We obtained the City's vendor listing and management's representation that the listing was complete. Five vendors were selected along with a random payment to each vendor. While performing 15(b), we noted that there was no support provided for three of the vendor's contracts to show they had been approved by the Board. No exceptions were found during procedure 15(c) as the supporting documentation for the one change order was provided.

Management's Response: The City will enact procedures to ensure that written contracts are obtained and will submit the contracts to the City Council for approval.

Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Results: We obtained a listing of employees and elected officials employed during the fiscal year and management's representation that the listing was complete. We noted that two of the five employees' rates tested did not agree to their personnel files.

Management's Response: Management will improve its review process of payroll to ensure that approved pay rates are accurate.

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
 - a. Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
 - b. Observe that supervisors approved the attendance and leave of the selected employees/officials.
 - c. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

Results: No exceptions were noted in testing procedures 17a) and 17(b). During procedure 17(c), no leave was noted for any of the five employees in the random period selected for testing.

18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

Results: We obtained a listing of those employees/officials that received termination payments during the fiscal period and we obtained management's representation that the list is complete. The management of the City did not provide supporting documentation for the selected termination payments.

Management's Response: In the future, when employees are terminated, management will prepare supporting documentation of final termination payments.

19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Results: We noted that the that the Police Pension benefit payments had been late. We also noted that payroll taxes from the year ended June 30, 2017 were paid late. We obtained management's representation that all other employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed by required deadlines.

Management's Response: Management will pay payroll taxes and retirement contributions on a timely basis in the future.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:
- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Results: We noted during 20(a) that one of the five employees tested did not have the ethics compliance documentation in their employee file. As for 20(b), we noted during policy and procedure testing that the City does not have a written Ethics policy.

Management's Response: Management will require all employees to take the annual ethics training and will institute an Ethics policy.

Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

Results: We obtained a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. We noted that no new debt was issued.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

Results: We obtained supporting documentation from the City and noted that the 2016 Refunding Series Water Improvement Bond is underfunded.

Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Results: We obtained a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete.

24. Observe that the entity has posted on its premises and website, the notice required by LRS 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Results: We observed that the required notice was posted on the premises and the website.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2017 through June 30, 2018. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

A handwritten signature in cursive script that reads "LaPorte".

A Professional Accounting Corporation

Covington, LA
December 13, 2018