

**City of Tallulah
Tallulah, Louisiana**

**Annual Financial Report
As of and for the Year Ended June 30, 2007**

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

Release Date

4/9/08

CITY OF TALLULAH
Tallulah, Louisiana

Annual Financial Report

As of and for the Year Ended June 30, 2007

Honorable Eddie Beckwith, Jr.
Mayor

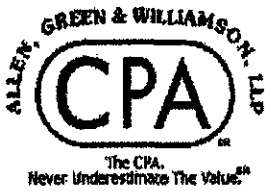
Gerald Odom
City Clerk

**City of Tallulah
Table of Contents**

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1-2
REQUIRED SUPPLEMENTAL INFORMATION	3
Management's Discussion and Analysis (MD&A)	4-11
BASIC FINANCIAL STATEMENTS	
	<u>Statement</u>
Government-wide Financial Statements (GWFS)	12
Statement of Net Assets	A 13
Statement of Activities	B 14-15
Fund Financial Statements (FFS)	17
Governmental Funds:	
Balance Sheet	C 18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	D 19
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances	E 20-21
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	F 22
Proprietary Fund Type - Enterprise Fund:	
Statements of Net Assets	G 23
Statements of Revenues, Expenses, and Changes in Fund Net Assets	H 24
Statements of Cash Flows	I 25-26
Notes to the Basic Financial Statements	
Index	27
Notes	28-40
REQUIRED SUPPLEMENTAL INFORMATION	41
	<u>Exhibit</u>
General Fund	42
Budgetary Comparison Schedule	1 43
Notes to the Budgetary Comparison Schedule	44-45

**City of Tallulah
Table of Contents**

	<u>Exhibit</u>	<u>Page</u>
SUPPLEMENTAL INFORMATION		46
Nonmajor Governmental Funds		
Combining Balance Sheet – by Fund Type	2	47
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – by Fund Type	3	48
Nonmajor Special Revenue Funds		49
Combining Balance Sheet	4	50
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	5	51
Nonmajor Debt Service Funds		52
Combining Balance Sheet	6	53
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	7	54
Comparative Information Required by Bond Covenant with the U.S. Department of Agriculture		55
Comparative Statement of Net Assets	8	56
Schedule of Compensation Paid to Council Members	9	57
Financial Data Schedule		58
SINGLE AUDIT INFORMATION		59
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>		60-61
Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With <u>OMB Circular A-133</u>		62-63
Schedule of Expenditures of Federal Awards		64
Notes to the Schedule of Expenditures of Federal Awards		65
Schedule of Findings and Questioned Costs		66-73
OTHER INFORMATION		74
Summary of Prior Year Audit Findings		75-77
Corrective Action Plan for Auditor's Current Year Findings		78-83
Management Letter Items		
Management Letter		84-85
Status of Prior Management Letter Item		86



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INDEPENDENT AUDITORS' REPORT

Honorable Eddie Beckwith, Jr.,
and Members of the City Council
City of Tallulah
Tallulah, Louisiana

We have audited the accompanying *financial statements* of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tallulah as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements of the City's primary government as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements do not include financial data for the City's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data of its component units. The City has not issued such reporting entity financial statements.

In our opinion, because of the omission of the discretely presented component units, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of the City of Tallulah, as of June 30, 2007, or the changes in financial position thereof for the year then ended.

Further, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the primary government of the City of Tallulah, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 6, 2008 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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 supplemental information identified in the table of contents is presented for purposes of additional analysis and is not a required part of the *basic financial statements*. Such information has been subjected to the auditing procedures applied in the audit of the *basic financial statements* and, in our opinion, is fairly stated in all material respects in relation to the *basic financial statements* taken as a whole. The accompanying other information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Allen, Green & Williamson, LLP
ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
February 6, 2008

REQUIRED SUPPLEMENTAL INFORMATION:

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

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

Our discussion and analysis of the City of Tallulah's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2007.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

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

Total governmental activities revenues received for June 30, 2007 were \$3,682,295. This is an increase of \$940,861 or 36% change from the year ended June 30, 2006. This was due mainly to the settlement of a lawsuit for \$550,000, sale of land for \$137,730 and an increase of \$80,000 transfers from other funds.

Governmental activities expenses for 2007 were \$2,867,772; this is an increase of \$348,334. Expenses increased from 2006 to 2007 mainly due to increase in salaries and related benefits, legal settlements, and other operating cost.

General and administrative expenses were \$229,385 more in 2007, police department expenses were \$130,064 more in 2007, and fire department expenses were \$25,190 more in 2007.

Total revenues received through business activities for June 30, 2007 was \$4,097,218, this is an increase of \$1,749,092, or 75% between 2006 and 2007. Revenues increased mainly because of an increase in capital grants.

Business activities expenses for 2007 were \$2,472,529 which is a decrease of \$122,208 or 5% between 2006 and 2007. Expenses decreased due to an overall reduction of expenses for 2007.

For the year ended June 30, 2007, the General Fund reported \$2,227,225 in revenues, an increase of \$220,714 or 10% from revenues received for the year ended June 30, 2006. The increase is due mainly to sale of land. Other proceeds included \$550,000 for the settlement of a lawsuit.

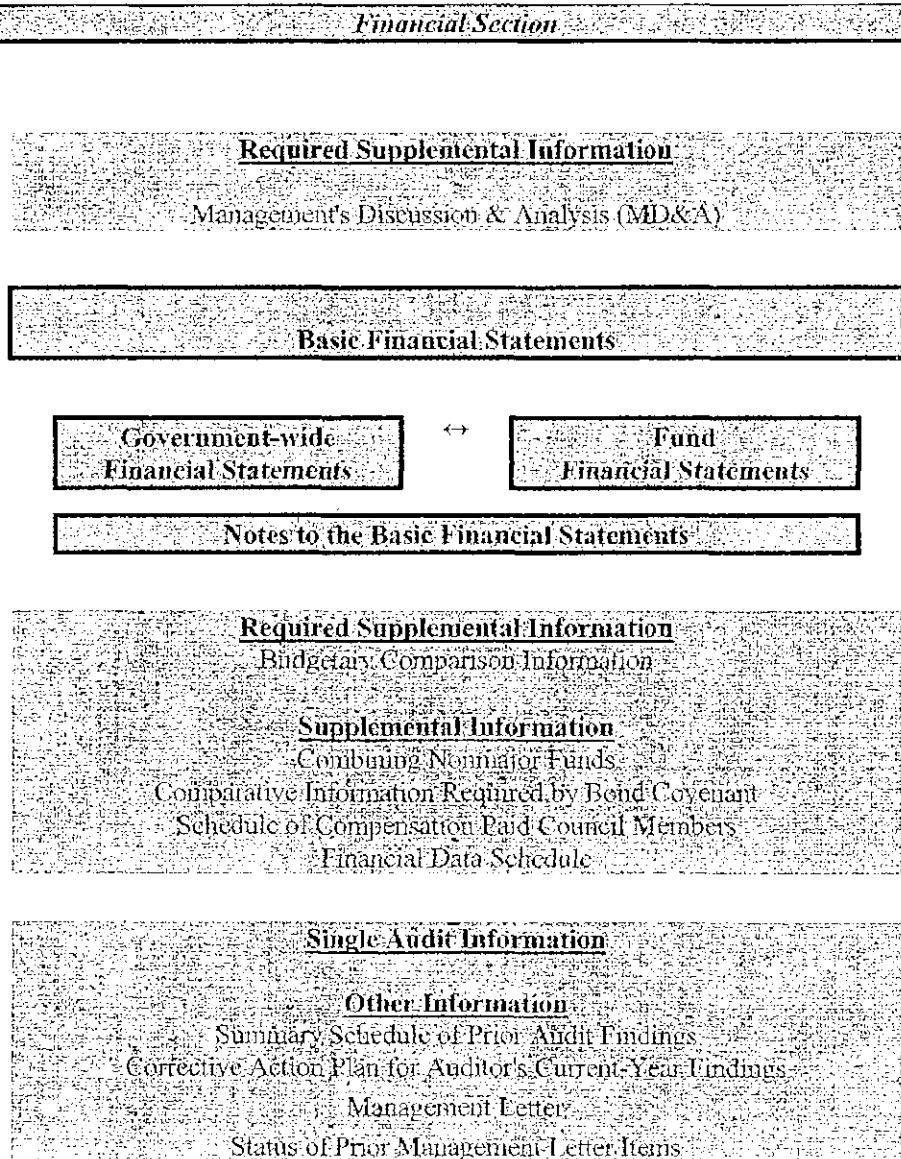
Expenditures in the general fund increased \$398,131 from the year ended June 30, 2006 to June 30, 2007. In 2006, the City reported \$2,137,387 in expenditures for the General Fund and \$2,535,518 in expenditures for 2007. This change represents a 19% increase from 2006 to 2007. This increase in expenditures was mainly due to increase in salaries and related benefits, legal settlements and other operating cost.

USING THIS ANNUAL REPORT

The City's annual report consists of a series of financial statements that show information for the City as a whole, and its funds. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. For our governmental activities, the fund financial statements tell how we financed our services in the short-term as well as what remains for future spending. Fund statements also may give you some insights into the City's overall financial health. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds - the General Fund and the 1998 Public Improvement Bonds funds.

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

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



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

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

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

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

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

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

The City's fund financial statements provide detailed information about the most significant funds 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 Assets and the Statement of Activities) and governmental funds in the reconciliations (Statements D and F).

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

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

THE CITY AS A WHOLE

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

Table 1
Net Assets
June 30, 2007 and 2006

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>2007</u>	<u>Total</u> <u>2006</u>
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>		
ASSETS						
Current and other assets	\$1,118,304	\$1,209,941	\$ 595,145	\$ 497,901	\$ 1,713,449	\$ 1,707,842
Restricted assets	644,399	0	945,304	875,779	1,589,703	875,779
Capital assets	1,127,800	1,167,031	21,062,746	17,040,321	22,190,546	18,207,352
Deferred bond issuance costs	0	0	182,491	201,606	182,491	201,606
Total assets	<u>2,890,503</u>	<u>2,376,972</u>	<u>22,785,686</u>	<u>18,615,607</u>	<u>25,676,189</u>	<u>20,992,579</u>
LIABILITIES						
Current and other liabilities	222,734	177,091	177,946	497,289	400,680	674,380
Long-term liabilities	<u>1,351,506</u>	<u>1,685,041</u>	<u>13,629,259</u>	<u>10,462,266</u>	<u>14,980,765</u>	<u>12,147,307</u>
Total liabilities	<u>1,574,240</u>	<u>1,862,132</u>	<u>13,807,205</u>	<u>10,959,555</u>	<u>15,381,445</u>	<u>12,821,687</u>
NET ASSETS						
Invested in capital assets, net of debt	3,330	351,043	7,615,978	9,155,716	7,619,308	9,506,759
Restricted	0	0	945,304	875,779	945,304	875,779
Unrestricted	<u>1,312,933</u>	<u>163,797</u>	<u>417,199</u>	<u>(2,375,443)</u>	<u>1,730,132</u>	<u>(2,211,646)</u>
Total net assets	<u>\$1,316,263</u>	<u>\$ 514,840</u>	<u>\$ 8,978,481</u>	<u>\$ 7,656,052</u>	<u>\$10,294,744</u>	<u>\$ 8,170,892</u>

Net assets of the City's governmental activities for June 30, 2007 were \$1,316,263. Unrestricted net assets that are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements was \$1,312,933.

The net assets of our business-type activities for June 30, 2007 were \$8,978,481.

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

Table 2
Changes in Net Assets
For the Years Ended June 30, 2007 and 2006

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenues:						
Program revenues						
Charges for services	\$ 117,176	\$ 144,206	\$2,380,128	\$2,315,373	\$ 2,497,304	\$2,459,579
Operating grants and contributions	155,935	148,797	0	0	155,935	148,797
Capital grants and contributions	0	0	1,676,070	0	1,676,070	0
General revenues						
Property taxes	550,032	561,987	0	0	550,032	561,987
Sales tax	1,131,547	1,089,546	0	0	1,131,547	1,089,546
Other taxes, penalties	10,413	7,873	0	0	10,413	7,873
License and permits	163,958	155,550	0	0	163,958	155,550
Earnings on investments	34,123	26,546	41,020	32,753	75,143	59,299
Miscellaneous	666,851	606,929	0	0	666,851	606,929
Total Revenues	<u>2,830,035</u>	<u>2,741,434</u>	<u>4,097,218</u>	<u>2,348,126</u>	<u>6,927,253</u>	<u>5,089,560</u>
Functions/Program Expenses:						
Governmental Activities						
General and administrative	815,628	586,243	0	0	815,628	586,243
Police Department	662,690	532,626	0	0	662,690	532,626
Fire Department	384,948	359,758	0	0	384,948	359,758
Street Department	611,554	610,922	0	0	611,554	610,922
Health & Welfare	139,988	130,729	0	0	139,988	130,729
Culture and recreation	114,459	111,521	0	0	114,459	111,521
Legislative	33,825	39,256	0	0	33,825	39,256
Transportation	20,558	29,638	0	0	20,558	29,638
Interest expense	84,122	118,745	0	0	84,122	118,745
Business-type Activities						
Water Enterprise	0	0	1,784,625	1,738,084	1,784,625	1,738,084
Utility Enterprise	0	0	687,904	856,653	687,904	856,653
Total Functions/Program Expenses	<u>2,867,772</u>	<u>2,519,438</u>	<u>2,472,529</u>	<u>2,594,737</u>	<u>5,340,301</u>	<u>5,114,175</u>
Increase (decrease) in net assets before extraordinary items and transfers						
	(37,737)	221,996	1,624,689	(246,611)	1,586,952	(24,615)
Extraordinary item	550,000	0	0	0	550,000	0
Transfers	302,260	0	(302,260)	(125,000)	0	(125,000)
Increase (decrease) in net assets	<u>814,523</u>	<u>221,996</u>	<u>1,322,429</u>	<u>(371,611)</u>	<u>2,136,952</u>	<u>(149,615)</u>
Net assets – beginning, as originally stated						
	514,840	292,844	7,656,052	8,227,663	8,170,892	8,520,507
Prior period adjustment	(13,100)	0	0	(200,000)	(13,100)	(200,000)
Net assets – beginning, as restated	<u>501,740</u>	<u>292,844</u>	<u>7,656,052</u>	<u>8,027,663</u>	<u>8,157,792</u>	<u>8,320,507</u>
Net assets, ending	<u>\$1,316,263</u>	<u>\$ 514,840</u>	<u>\$8,978,481</u>	<u>\$7,656,052</u>	<u>\$10,294,744</u>	<u>\$8,170,892</u>

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

Governmental Activities

The cost of all governmental activities this year was \$2,867,772. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$1,855,950 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
For the Years Ended June 30, 2007 and 2006

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Governmental Activities				
General and administrative	\$ 815,628	\$ 586,243	\$ 815,628	\$ 533,166
Police Department	662,690	532,626	545,514	441,497
Fire Department	384,948	359,758	384,948	359,758
Street Department	611,554	610,922	611,554	610,922
Health and welfare	139,988	130,729	(1,937)	(15,477)
Culture and recreation	114,459	111,521	100,449	108,930
Legislative	33,825	39,256	33,825	39,256
Transportation	20,558	29,638	20,558	29,638
Interest expense	<u>84,122</u>	<u>118,745</u>	<u>84,122</u>	<u>118,745</u>
Total Functions/Program Expenses	<u>\$2,867,772</u>	<u>\$2,519,438</u>	<u>\$2,594,661</u>	<u>\$2,226,435</u>

Business-type Activities

Revenue of the City's business-type activities (see Table 2) for June 30, 2007 was \$4,097,218.

As stated previously, revenues of the City's business-type activities for June 30, 2007 was \$4,097,218; this is an increase of \$1,749,092 from 2006 to 2007. Expenses for the year ended June 30, 2007 were \$2,472,529 for the City's business-type activities which decreased \$122,208 from 2006 to 2007.

Business-type activities had an increase in net assets of \$1,322,429 from 2006 to 2007.

THE CITY'S FUNDS

As the City completed the year, its governmental funds reported a combined fund balance of \$1,539,969, which is an increase of \$507,119 in fund balance from last year. The general fund had an increase in fund balance of \$435,642 due mainly to a \$550,000 legal settlement and sale of land for \$137,730 coupled with an increase in expenses in administration, police and street departments. The 1998 Public Improvement Board had an increase in fund balance of \$14,382 due to interest revenue. The Other Governmental funds had an increase of \$57,095 due mainly to the transfer of \$50,000 back to the Section 8 program from the General Fund.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues were \$872,700 more than budgeted revenues. This favorable variance was due to sale of land, proceeds from settlement of lawsuit, and transfers.

Overall actual expenditures were \$437,058 more than budgeted expenditures. The Police Department, the Fire Department, the Street Department, and Culture and recreation exceeded their budget amounts \$427,026, \$206,945, \$410,892, and \$131,704, respectively. These unfavorable variances were due to increase in salaries and related benefits and increase in repairs and maintenance.

CAPITAL ASSETS

At June 30, 2007 and 2006, the City had invested in the following capital assets:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Land	\$ 78,500	\$ 78,500	\$ 678,330	\$ 678,330	\$ 756,830	\$ 756,830
Construction in progress	23,500	0	4,742,973	2,405,405	4,766,473	2,405,405
Infrastructure	511,285	511,285	0	0	511,285	511,285
Buildings improvements	2,344,940	2,344,940	0	0	2,344,940	2,344,940
Furniture and equipment	1,230,030	1,212,434	962,395	975,234	2,192,425	2,187,668
Assets under capital lease	0	21,347	0	0	0	21,347
Plant	0	0	9,900,494	9,900,494	9,900,494	9,900,494
Transmission lines	0	0	2,529,995	2,529,995	2,529,995	2,529,995
Water systems	0	0	8,313,951	5,947,639	8,313,951	5,947,639
Pumping stations	0	0	337,944	337,944	337,944	337,944
Total capital assets	4,188,255	4,168,506	27,466,082	22,775,041	31,654,337	26,943,547
Accumulated depreciation	<u>3,060,455</u>	<u>3,001,475</u>	<u>6,403,336</u>	<u>5,734,720</u>	<u>9,463,791</u>	<u>8,736,195</u>
Net capital assets	<u>\$1,127,800</u>	<u>\$1,167,031</u>	<u>\$21,062,746</u>	<u>\$17,040,321</u>	<u>\$22,190,546</u>	<u>\$18,207,352</u>

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

DEBT ADMINISTRATION At June 30, 2007, the City had bonds outstanding of \$1,124,470 - in which Governmental Funds make the required payments. Governmental Funds also make payments for other debt which comprises \$114,050 for the Municipal Police Retirement System Merger and \$112,986 which represents the balance of a bank loan. Enterprise Funds had outstanding bonds and loans of \$11,242,956 at June 30, 2007. Proceeds were used for the rehabilitation of the City's Water System and Sewer System. Also, the Enterprise Funds have capital leases of \$2,386,303 for equipment. Additional information regarding long-term debt can be found in Note 11 of the Notes to the Basic Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS Our elected and appointed officials and citizens consider many factors when setting the City's budget and tax rates. One of the most important factors affecting the budget is our ad valorem and sales tax collections. Approximately, 44% of total revenues in the general fund are from ad valorem and sales tax collections. We have budgeted very little change in franchise and ad valorem tax revenues for the year ending June 30, 2007.

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

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

City of Tallulah

BASIC FINANCIAL STATEMENTS:

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

CITY OF TALLULAH
STATEMENT OF NET ASSETS
June 30, 2007

Statement A

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	\$ 940,665	\$ 229,963	\$ 1,170,628
Receivables (net)	271,341	270,169	541,510
Internal balances	(93,702)	93,702	0
Prepaid expenses	0	1,311	1,311
Restricted assets			
Cash and cash equivalents	136,035	5,779	141,814
Investments	508,364	939,525	1,447,889
Capital assets			
Land and construction in progress	102,000	7,767,278	7,869,278
Depreciable assets, net of depreciation	1,025,800	13,295,468	14,321,268
Deferred bond issuance costs (net of amortization)	0	182,491	182,491
TOTAL ASSETS	2,890,503	22,785,686	25,676,189
LIABILITIES			
Accounts, salaries and other payables	222,734	100,947	323,681
Payable from restricted assets - deposits	0	76,999	76,999
Long term liabilities			
Due within one year	479,271	371,151	850,422
Due in more than one year	872,235	13,258,108	14,130,343
TOTAL LIABILITIES	1,574,240	13,807,205	15,381,445
NET ASSETS			
Invested in capital assets, net of related debt	3,330	7,615,978	7,619,308
Restricted	0	945,304	945,304
Unrestricted	1,312,933	417,199	1,730,132
TOTAL NET ASSETS	\$ 1,316,263	\$ 8,978,481	\$ 10,294,744

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

CITY OF TALLULAH

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2007**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Governmental Activities:				
General and administrative	\$ 815,628	\$ 0	\$ 0	\$ 0
Police Department	662,690	117,176	0	
Fire Department	384,948		0	
Street Department	611,554		0	0
Health and welfare	139,988		141,925	
Culture and recreation	114,459		14,010	
Legislative	33,825			
Transportation	20,558			
Interest expense	84,122			
Total Governmental Activities	2,867,772	117,176	155,935	0
Business-Type Activities:				
Water activities	1,784,625	1,580,506	0	0
Sewer activities	687,904	799,622	0	1,676,070
Total Business-Type Activities	2,472,529	2,380,128	0	1,676,070
Total	\$ 5,340,301	\$ 2,497,304	\$ 155,935	\$ 1,676,070

General revenues:

Taxes:

Property taxes

Sales tax revenue

Other taxes, penalties

Licenses and permits

Earnings on investments

Miscellaneous

Transfers

Total general revenues and transfers

Extraordinary item

Total revenue

Changes in net assets

Net assets - beginning, as originally stated

Prior period adjustment

Net assets - beginning, as restated

Net assets - ending

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

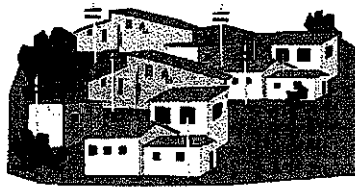
Statement B

PRIMARY GOVERNMENT

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS

<u>Governmental</u>	<u>Business-Type</u>	<u>TOTAL</u>
<u>Activities</u>	<u>Activities</u>	
\$ (815,628)	\$ 0	\$ (815,628)
(545,514)		(545,514)
(384,948)		(384,948)
(611,554)		(611,554)
1,937		1,937
(100,449)		(100,449)
(33,825)		(33,825)
(20,558)		(20,558)
(84,122)		(84,122)
<u>(2,594,661)</u>	<u>0</u>	<u>(2,594,661)</u>
	(204,119)	(204,119)
	<u>1,787,788</u>	<u>1,787,788</u>
<u>0</u>	<u>1,583,669</u>	<u>1,583,669</u>
<u>(2,594,661)</u>	<u>1,583,669</u>	<u>(1,010,992)</u>
550,032		550,032
1,131,547		1,131,547
10,413		10,413
163,958		163,958
34,123	41,020	75,143
666,851	0	666,851
<u>302,260</u>	<u>(302,260)</u>	<u>0</u>
<u>2,859,184</u>	<u>(261,240)</u>	<u>2,597,944</u>
<u>550,000</u>	<u>0</u>	<u>550,000</u>
<u>3,409,184</u>	<u>(261,240)</u>	<u>3,147,944</u>
<u>814,523</u>	<u>1,322,429</u>	<u>2,136,952</u>
514,840	7,656,052	8,170,892
<u>(13,100)</u>	<u>0</u>	<u>(13,100)</u>
<u>501,740</u>	<u>7,656,052</u>	<u>8,157,792</u>
<u>\$ 1,316,263</u>	<u>\$ 8,978,481</u>	<u>\$ 10,294,744</u>

City of Tallulah



City of Tallulah

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

CITY OF TALLULAH
GOVERNMENTAL FUNDS
Balance Sheet
June 30, 2007

Statement C

	1998			
	PUBLIC		OTHER	
	GENERAL	IMPROVEMENT BONDS	GOVERNMENTAL	TOTAL
ASSETS				
Cash and cash equivalents	\$ 699,557	\$ 0	\$ 241,108	\$ 940,665
Receivables	271,341	0	0	271,341
Interfund receivables	125,019	0	112,182	237,201
Restricted assets				
Cash and cash equivalents	136,035	0	0	136,035
Investments	0	508,364	0	508,364
TOTAL ASSETS	1,231,952	508,364	353,290	2,093,606
 LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts, salaries and other payables	203,866	0	18,868	222,734
Interfund payables	316,659	13,951	293	330,903
TOTAL LIABILITIES	520,525	13,951	19,161	553,637
 FUND BALANCES:				
Reserved for debt service	0	494,413	118,288	612,701
Unreserved and undesignated	711,427	0	215,841	927,268
TOTAL FUND BALANCES	711,427	494,413	334,129	1,539,969
 TOTAL LIABILITIES AND FUND BALANCES	\$ 1,231,952	\$ 508,364	\$ 353,290	\$ 2,093,606

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

CITY OF TALLULAH

Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Assets
June 30, 2007

Statement D

Total fund balances - governmental funds \$ 1,539,969

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

Costs of capital assets	4,188,255	
Depreciation expense to date	<u>(3,060,455)</u>	
		1,127,800

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

Balances at June 30, 2007 are:

Bonds payable	(1,124,470)	
Other long-term debt	<u>(227,036)</u>	
		<u>(1,351,506)</u>

Net Assets - Governmental Activities \$ 1,316,263

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

CITY OF TALLULAH

GOVERNMENTAL FUNDS
 Combined Statement of Revenues, Expenditures,
 and Changes In Fund Balances
 For the Year Ended June 30, 2007

	1998			Statement E
	PUBLIC		OTHER	TOTAL
	GENERAL	IMPROVEMENT BONDS	GOVERNMENTAL	
REVENUES				
Local sources:				
Taxes				
Ad valorem	\$ 371,396	\$ 0	\$ 178,836	\$ 550,032
Sales	871,496	260,051	0	1,131,547
Other taxes, penalties and interest	10,413	0	0	10,413
Licenses and permits	163,958	0	0	163,958
Intergovernmental revenues	160,881	0	141,925	302,806
Rental income	9,299	0	0	9,299
Fees, charges, and commission for services	4,768	0	0	4,768
Use of money and property	12,759	15,901	5,463	34,123
Fines and forfeitures	111,479	0	0	111,479
Miscellaneous revenues	510,776	0	834	511,610
Total revenues	2,227,225	275,952	326,858	2,830,035
EXPENDITURES				
Current:				
General and administrative	784,991	355	25,825	811,171
Police Department	644,466	0	0	644,466
Fire Department	354,255	0	0	354,255
Street Department	460,292	0	119,956	580,248
Health and welfare	0	0	139,988	139,988
Culture and recreation	132,204	0	0	132,204
Legislative	33,825	0	0	33,825
Transportation	20,558	0	0	20,558
Other	0	0	120	120
Capital outlay	27,584	0	0	27,584
Debt service:				
Principal retirement	49,576	220,000	77,059	346,635
Interest and bank charges	27,767	41,215	15,140	84,122
Total expenditures	2,535,518	261,570	378,088	3,175,176
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	\$ (308,293)	\$ 14,382	\$ (51,230)	\$ (345,141)

(Continued)

CITY OF TALLULAH

GOVERNMENTAL FUNDS
Combined Statement of Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended June 30, 2007

	1998			Statement E
	PUBLIC		OTHER	TOTAL
	GENERAL	IMPROVEMENT BONDS	GOVERNMENTAL	
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 255,000	\$ 0	\$ 108,325	\$ 363,325
Transfers out	(61,065)	0	0	(61,065)
Proceeds from settlement	550,000	0	0	550,000
TOTAL OTHER FINANCING SOURCES (USES)	743,935	0	108,325	852,260
NET CHANGE IN FUND BALANCES	435,642	14,382	57,095	507,119
FUND BALANCES - BEGINNING	275,785	480,031	277,034	1,032,850
FUND BALANCES - ENDING	\$ 711,427	\$ 494,413	\$ 334,129	\$ 1,539,969

(Concluded)

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

CITY OF TALLULAH

Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities
For the Year Ended June 30, 2007

Statement F

Total net change in fund balances - governmental funds \$ 507,119

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

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

Capital outlays	\$ 56,885	
Depreciation	(95,916)	(39,231)

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

346,635

Change in net assets of governmental activities.

\$ 814,523

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

CITY OF TALLULAH
PROPRIETARY FUND TYPE - ENTERPRISE FUNDS
Statements of Net Assets
June 30, 2007

Statement G

	WATER FUND	SEWER FUND	TOTAL
ASSETS			
Current Assets:			
Cash	\$ 194,410	\$ 35,553	\$ 229,963
Receivables	156,964	113,205	270,169
Interfund receivables	314,201	0	314,201
Prepaid expenses	0	1,311	1,311
Restricted Assets:			
Cash	5,779	0	5,779
Investments	939,525	0	939,525
Total Current Assets	1,610,879	150,069	1,760,948
Long-term Assets			
Property, plant and equipment (net of accumulated depreciation)	9,766,248	11,296,498	21,062,746
Deferred bond issuance costs (net of amortization)	182,491	0	182,491
TOTAL ASSETS	11,559,618	11,446,567	23,006,185
LIABILITIES			
Current Liabilities			
Accounts payable	80,299	20,648	100,947
Interfund payables	100	220,399	220,499
Customer deposits	0	76,999	76,999
Current portion of long-term debt	303,134	68,017	371,151
Total Current Liabilities	383,533	386,063	769,596
Long-term debt - revenue bonds payable	10,125,797	3,132,311	13,258,108
TOTAL LIABILITIES	10,509,330	3,518,374	14,027,704
NET ASSETS			
Invested in capital assets, net of related debt	(480,192)	8,096,170	7,615,978
Restricted	945,304	0	945,304
Unrestricted	585,176	(167,977)	417,199
TOTAL NET ASSETS	\$ 1,050,288	\$ 7,928,193	\$ 8,978,481

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

CITY OF TALLULAH

PROPRIETARY FUND TYPE - ENTERPRISE FUNDS

Statements of Revenues, Expenses,
and Changes in Fund Net Assets
For the Year Ended June 30, 2007

Statement H

	WATER FUND	SEWER FUND	TOTAL
OPERATING REVENUES			
Charges for services	\$ 1,501,167	\$ 793,355	\$ 2,294,522
Other operating revenue	79,339	6,267	85,606
Total operating revenues	<u>1,580,506</u>	<u>799,622</u>	<u>2,380,128</u>
OPERATING EXPENSES			
Personal services	378,474	196,545	575,019
Supplies	151,104	2,401	153,505
Maintenance	43,930	116,702	160,632
Utilities	112,077	56,366	168,443
Miscellaneous	185,829	61,867	247,696
Uniforms	3,077	3,160	6,237
Insurance	5,148	42,290	47,438
Accounting fees	4,000	0	4,000
Depreciation	543,652	154,003	697,655
Capital outlay	2,047	0	2,047
Total operating expenses	<u>1,429,338</u>	<u>633,334</u>	<u>2,062,672</u>
OPERATING INCOME (Loss)	<u>151,168</u>	<u>166,288</u>	<u>317,456</u>
NONOPERATING REVENUES (EXPENSES)			
Grant revenue	0	1,676,070	1,676,070
Interest income	41,020	0	41,020
Interest expense & Other charges	(338,172)	(54,570)	(390,742)
Amortization of bond issue costs	(19,115)	0	(19,115)
Total nonoperating revenues (expenses)	<u>(314,267)</u>	<u>1,621,500</u>	<u>1,307,233</u>
NET INCOME (Loss)	(163,099)	1,787,788	1,624,689
OTHER FINANCING SOURCES (USES)			
Transfers in	0	11,065	11,065
Transfers out	(55,000)	(258,325)	(313,325)
Total Other Financing Sources (Uses)	<u>(55,000)</u>	<u>(247,260)</u>	<u>(302,260)</u>
NET CHANGE IN FUND BALANCES	(218,099)	1,540,528	1,322,429
NET ASSETS - BEGINNING OF YEAR	<u>1,268,387</u>	<u>6,387,665</u>	<u>7,656,052</u>
NET ASSETS - END OF YEAR	<u>\$ 1,050,288</u>	<u>\$ 7,928,193</u>	<u>\$ 8,978,481</u>

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

CITY OF TALLULAH

PROPRIETARY FUND TYPE- ENTERPRISE FUNDS

Statements of Cash Flows

For the Year Ended June 30, 2007

Statement I

	WATER FUND	SEWER FUND	TOTAL
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,479,614	\$ 781,708	\$ 2,261,322
Payments to employees	(378,474)	(196,545)	(575,019)
Payments to others	(483,818)	(625,523)	(1,109,341)
Other receipts	79,339	6,267	85,606
Net cash provided (used) for operating activities	<u>696,661</u>	<u>(34,093)</u>	<u>662,568</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase investments	(939,525)	0	(939,525)
Earnings on investments	41,020	0	41,020
Net cash provided (used) for investing activities	<u>(898,505)</u>	<u>0</u>	<u>(898,505)</u>
CASH FLOW (USES) FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	0	11,065	11,065
Transfers out	(14,957)	(322,324)	(337,281)
Grant receipts	0	1,676,070	1,676,070
Net cash provided (used) for noncapital financing activities	<u>(14,957)</u>	<u>1,364,811</u>	<u>1,349,854</u>
CASH FLOW (USES) FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital loan	2,354,172	3,160,000	5,514,172
Acquisition of capital assets	(2,382,512)	(2,337,568)	(4,720,080)
Principal payment bonds	(232,188)	(2,114,991)	(2,347,179)
Interest paid on bonds	(336,172)	(54,570)	(390,742)
Net cash provided (used) for capital and related financing activities	<u>(596,700)</u>	<u>(1,347,129)</u>	<u>(1,943,829)</u>
Net increase (decrease) in cash and cash equivalents	(813,501)	(16,411)	(829,912)
CASH AND CASH EQUIVALENTS - BEGINNING	<u>1,013,690</u>	<u>51,964</u>	<u>1,065,654</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 200,189</u>	<u>\$ 35,553</u>	<u>\$ 235,742</u>
Reconciliation to balance sheet			
Cash	\$ 194,410	\$ 35,553	\$ 229,963
Restricted assets - cash	5,779	0	5,779
	<u>\$ 200,189</u>	<u>\$ 35,553</u>	<u>\$ 235,742</u>

(Continued)

CITY OF TALLULAH

PROPRIETARY FUND TYPE- ENTERPRISE FUNDS
 Statements of Cash Flows
 For the Year Ended June 30, 2007

Statement I

	WATER FUND	SEWER FUND	TOTAL
Non cash transactions			
Amortization of bond issuance cost	\$ 19,115	\$ 0	\$ 19,115
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	151,168	166,288	317,456
Adjustments to reconcile operating income to net cash provided (used) for operating activities:			
Depreciation	543,652	154,003	697,655
(Increase) decrease in accounts receivable	(21,553)	(11,647)	(33,200)
Increase (decrease) in accounts payable	23,384	(350,147)	(326,763)
Increase (decrease) in customer deposits	0	7,410	7,410
Net cash provided (used) by operating activities	<u>\$ 696,661</u>	<u>\$ (34,093)</u>	<u>\$ 662,568</u>

(Concluded)

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

City of Tallulah
Notes to the Basic Financial Statements

<u>INDEX</u>		<u>Page</u>
NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES		28
A. REPORTING ENTITY		28
B. FUND ACCOUNTING		28
Governmental Funds		29
Proprietary Fund Type - Enterprise Funds		29
C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING		29
Fund Financial Statements (FFS)		29
Proprietary Funds		30
D. BUDGET PRACTICES		30
E. CASH AND CASH EQUIVALENTS		31
F. INVESTMENTS		31
G. CAPITAL ASSETS		31
H. LONG-TERM DEBT		31
I. VACATION AND SICK LEAVE		31
J. RESTRICTED ASSETS		32
K. RISK MANAGEMENT		32
L. RESTRICTED NET ASSETS		32
M. FUND EQUITY OF FUND FINANCIAL STATEMENTS		32
N. INTERFUND TRANSACTIONS		32
O. USE OF ESTIMATES		32
P. ELIMINATION AND RECLASSIFICATION		32
NOTE 2 - STEWARDSHIP, COMPLIANCE, & ACCOUNTABILITY		32
NOTE 3 - DEPOSITS & INVESTMENTS		33
NOTE 4 - LEVIED TAXES		33
NOTE 5 - RECEIVABLES		34
NOTE 6 - INTERFUND TRANSACTIONS/BALANCES		34
NOTE 7 - CAPITAL ASSETS		35
NOTE 8 - PENSION PLANS		36
NOTE 9 - ACCOUNTS, SALARIES, AND OTHER PAYABLE		37
NOTE 10 - BANK LOANS PAYABLE		37
NOTE 11 - CHANGES IN LONG-TERM OBLIGATIONS		37
NOTE 12 - CAPITAL LEASES		39
NOTE 13 - LITIGATION AND CLAIMS		40
NOTE 14 - RISK MANAGMENT		40
NOTE 15 - PRIOR PERIOD ADJUSTMENT		40
NOTE 16 - EXTRAORDINARY ITEM		40

City of Tallulah
Notes to the Basic Financial Statements

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

A. REPORTING ENTITY The City of Tallulah was founded in 1856 and is incorporated under the provisions of the "Lawrason Act" (Louisiana Revised Statutes (R.S.) 33:321-481) of the constitution of the state of Louisiana. The City is located in the parish of Madison and has a population of 9,163. The City is governed by the mayor and five-member council. The mayor and council members serve four-year terms which expire on June 30, 2010.

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

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the City of Tallulah for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

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

Because the City appoints the governing body of the Tallulah Housing Authority, the Housing Authority was determined to be a component unit of the City of Tallulah, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the City and do not present information on the housing authority or the general government services provided by that governmental unit. 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, fund equity, revenues, and expenditures. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

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

City of Tallulah
Notes to the Basic Financial Statements

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.

1998 Public Improvement Bonds fund - is used to account for the accumulation of resources for, and the payment of long-term debt principal, interest, and related costs regarding the 1998 Public Improvement Bonds.

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

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

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

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

Fund Financial Statements (FFS)

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

City of Tallulah
Notes to the Basic Financial Statements

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

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

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

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

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

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

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

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

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

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

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

City of Tallulah
Notes to the Basic Financial Statements

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

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

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

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

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

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

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

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

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

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

City of Tallulah
Notes to the Basic Financial Statements

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

K. RISK MANAGEMENT The City is exposed to various 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, 2004.

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

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

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

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

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

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

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

NOTE 2 - 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, 2007:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	\$2,159,525	\$2,596,583	\$(437,058)

City of Tallulah
Notes to the Basic Financial Statements

B. Deficit Fund Balances The following fund has a deficit in the fund balance at June 30, 2007:

<u>Fund</u>	<u>Deficit Amount</u>
Capital Project (LCDBG)	\$293

NOTE 3 - DEPOSITS & INVESTMENTS At June 30, 2007, the City had the following investments:

<u>Investment type</u>	<u>Maturities</u>	<u>Fair Value</u>
U. S. Treasury securities	Less than 1 year	\$1,447,889

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

Credit Risk: The City invests in certificate of deposit and U. S. Treasury securities which do not have credit ratings.

Custodial credit risk-Deposits: 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. At year end, the City's carrying amount of deposits was \$1,312,442 (Statement A -Cash and cash equivalents of \$1,170,628 unrestricted and \$141,814 restricted) and the bank balance was \$1,303,627. Of the bank balance, \$351,642 was covered by federal depository insurance or by collateral held by the City's agent in the City's name (GASB Category 1). The remaining \$951,985 of the bank balance was collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name (GASB Category 3). Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No. 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell pledged securities within 10 days of being notified by the City that the fiscal agent has failed to pay deposited funds upon demand.

Custodial Credit Risk-Investments: For an investment, this is the risk that, in the event of the failure of the counter party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2007, the City had 100% of its investments with an outside party.

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.

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

	<u>Authorized Millage</u>	<u>Levied Millage</u>
City operations	17.93	17.39
Police and fire departments	7.53	6.54
1991 street program	9.48	8.40
1988 general obligation bond	Various	2.10
1981 general obligation bond	Various	1.01

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

City of Tallulah
Notes to the Basic Financial Statements

NOTE 5 - RECEIVABLES The following is a summary of receivables at June 30, 2007:

<u>Class of Receivables</u>	<u>General</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Taxes:				
Sales & use	\$ 82,911	\$ -	\$ -	\$ 82,911
State revenue	130,037	-	-	130,037
Sewer user fees			116,268	116,268
Water user fees		161,407	-	161,407
Franchise fees	42,178	-	-	42,178
Due from other governments	15,795	-	-	15,795
Other	420	-	-	420
Gross receivables	<u>271,341</u>	<u>161,407</u>	<u>116,268</u>	<u>549,016</u>
Less allowance for uncollectibles	-	(4,443)	(3,063)	(7,506)
Net total receivables	<u>\$ 271,341</u>	<u>\$ 156,964</u>	<u>\$ 113,205</u>	<u>\$ 541,510</u>

NOTE 6 - INTERFUND TRANSACTIONS/BALANCES Individual balances due from/to other funds at June 30, 2007, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental	\$ 293
	Water Fund	100
	Sewer Fund	124,626
Other governmental	1998 Public improvement bond	13,951
	General Fund	98,231
Water Fund	General Fund	218,428
	Sewer Fund	95,773
Total		<u>\$ 551,402</u>

Transfers during the year were as follows:

<u>Transfer In Fund</u>	<u>Transfer Out Fund</u>	<u>Transfers in</u>	<u>Transfers Out</u>
General Fund	Water Fund	\$ 255,000	\$ 55,000
	Sewer Fund		200,000
Sewer Fund	General Fund	11,065	11,065
Other governmental	General Fund	108,325	50,000
	Sewer Fund		58,325
Total		<u>\$ 374,390</u>	<u>\$ 374,390</u>

City of Tallulah
Notes to the Basic Financial Statements

NOTE 7 - CAPITAL ASSETS The following presents the changes in general fixed assets for the year ended June 30, 2007:

	Balance Beginning	Additions	Deletions	Balance Ending
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 78,500	\$ -	\$ -	\$ 78,500
Construction in progress	-	23,500	-	23,500
Depreciable assets				
Infrastructure	511,285	-	-	511,285
Buildings and improvements	2,344,940	-	-	2,344,940
Furniture and equipment	1,212,434	54,532	36,936	1,230,030
Assets under capital lease	21,347	-	21,347	-
Total	4,168,506	78,032	58,283	4,188,255
Less: accumulated depreciation	3,001,475	95,916	36,936	3,060,455
Net capital assets	<u>\$ 1,167,031</u>	<u>\$ (17,884)</u>	<u>\$ 21,347</u>	<u>\$ 1,127,800</u>

Depreciation expense was charged to governmental activities as follows:

Police department	18,224
Fire department	30,693
Street department	37,407
Culture and recreation	3,837
Total	<u>\$ 95,916</u>

A summary of plant and equipment used in the Enterprise Funds follows:

	Water Fund	Sewer Fund	Total
Land	\$ 65,451	\$ 612,879	\$ 678,330
Construction in progress	-	4,742,973	4,742,973
Depreciable Assets			
Equipment	585,577	376,818	962,395
Plant	2,034,116	7,866,378	9,900,494
Transmission lines	2,203,053	326,942	2,529,995
Water systems	8,313,951	-	8,313,951
Pumping stations	337,944	-	337,944
Total capital assets	13,540,092	13,925,990	27,466,082
Less accumulated depreciation	3,773,844	2,629,492	6,403,336
Net capital assets	<u>\$ 9,766,248</u>	<u>\$ 11,296,498</u>	<u>\$ 21,062,746</u>

City of Tallulah
Notes to the Basic Financial Statements

NOTE 8 - PENSION PLANS Substantially all employees of the City of Tallulah are members of either the Firefighters' Retirement System of Louisiana, the Municipal Police Retirement System of Louisiana, or the Social Security System. The state retirement systems are each multiple-employer, public employee retirement systems (PERS), controlled and administered by separate boards of trustees.

FIREFIGHTERS' RETIREMENT SYSTEM OF LOUISIANA Membership in the Louisiana Firefighters' Retirement System is mandatory for all full-time firefighters employed by a municipality, parish, or fire protection district that did not enact an ordinance before January 1, 1980, exempting itself from participation in the System. Employees are eligible to retire at or after age 55 with at least 12 years of creditable service or at or after age 50 with at least 20 years of creditable service. Upon retirement, members are entitled to a retirement benefit, payable monthly for life, equal to 3½ percent of their final-average salary for each year of creditable service, not to exceed 100 percent of their final-average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least 12 years of service and do not withdraw their employee contributions may retire at or after age 55 (or at or after age 50 with at least 20 years of creditable service at termination) and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

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

Plan members are required by state statute to contribute 8.0 percent of their annual covered salary and the City of Tallulah is required to contribute an actuarially determined rate. The current rate is 18.0 percent of annual covered payroll. The contribution requirements of plan members and the City of Tallulah are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City of Tallulah's contributions to the System for the years ending June 30, 2007, 2006, and 2005, were \$17,655, \$25,183, and \$35,039, respectively, equal to the required contributions for each year.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM All full-time police department employees engage in law enforcement are required to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3½ percent of the final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified previously and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

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

Plan members are required by state statute to contribute 7.5 percent of their annual covered salary and the City of Tallulah is required to contribute at an actuarially determined rate. The current rate is 16.25 percent of annual covered payroll. The contribution requirements of plan members and the City of Tallulah are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the

City of Tallulah
Notes to the Basic Financial Statements

prior fiscal year. The City of Tallulah's contributions to the System for the years ended June 30, 2007, 2006, and 2005, were \$46,498, \$34,716, and \$48,808, respectively, equal to the required contributions for each year.

NOTE 9 - ACCOUNTS, SALARIES AND OTHER PAYABLE

<u>Class of Payables</u>	<u>General</u>	<u>Other Governmental</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Accounts Payable	\$ 182,740	\$ 18,868	\$ 80,299	\$ 20,648	\$ 302,555
Wages Payable	21,126	-	-	-	21,126
Net total receivables	<u>\$ 203,866</u>	<u>\$ 18,868</u>	<u>\$ 80,299</u>	<u>\$ 20,648</u>	<u>\$ 323,681</u>

NOTE 10 - BANK LOANS PAYABLE During the year ended June 30, 1997, the City secured a bank loan to finance the construction of a factory building. The amount of the loan was \$376,813 with a 7.0 percent interest. The remaining principal in the amount of \$112,986 is due in annual installments. Loan payments are made from the general fund. Only interest payments of \$9,929 were made to the bank during the year ended June 30, 2007.

NOTE 11 - CHANGES IN LONG-TERM OBLIGATIONS The following is a summary of long-term obligation transactions for the year ended June 30, 2007:

	General Long-Term Debt					
	<u>Bonded Debt</u>	<u>Capital Leases</u>	<u>Other</u>	<u>Total</u>	<u>Water Enterprise Fund</u>	<u>Sewer Enterprise Fund</u>
Balance, beginning	\$1,455,571	\$2,026	\$227,444	\$1,685,041	\$ 8,306,947	\$2,155,319
Additions	0	0	13,100	13,100	2,354,172	3,160,000
Retirements	<u>331,101</u>	<u>2,026</u>	<u>13,508</u>	<u>346,635</u>	<u>232,188</u>	<u>2,114,991</u>
Balance, ending	<u>\$1,124,470</u>	<u>\$ 0</u>	<u>\$227,036</u>	<u>\$1,351,506</u>	<u>\$10,428,931</u>	<u>\$3,200,328</u>
Amounts due in one year				<u>\$ 479,271</u>	<u>\$ 303,134</u>	<u>\$ 68,017</u>

The classification "other" consists of \$114,050 which represents the balance remaining as a result of the City of Tallulah's Police Retirement Fund merging with the Municipal and State Police Retirement System of Louisiana, and \$112,986, representing a bank loan. A prior period adjustment of \$13,100 was made to record debt to bring bank loan balance to actual amount at June 30, 2007.

Bonded debt payable at June 30, 2007, are comprised of the following individual issues:
General obligation bonds:

\$260,000 - General Obligation Bonds. The remaining principal is due in annual installments of \$4,782 to \$14,527 through October 8, 2021, with interest of 5 percent. Debt retirement payments are made from the 1982 General Obligation Bond Debt Service Fund. The bonds were issued in 1982 for street improvements. \$159,658

City of Tallulah
Notes to the Basic Financial Statements

<p>\$640,000 – 1998 Refunding Bonds. The remaining principal of \$80,000 is due on March 1, 2008, with interest of 4.95 percent. Debt retirement payments are made from the 1998 General Obligation Bond Debt Service Fund. These bonds were issued in 2008 to pay off bonds issued at a higher rate of interest.</p>	<p>\$ 80,000</p>
<p>\$327,740 – Certificates of Indebtedness. The principal will be due in annual installments of \$42,187 June 30, 2011. Interest is 4.50 percent. The certificates were issued in 1981 for construction of a fire station and purchase of a fire truck.</p>	<p style="text-align: right;"><u>149,812</u></p>
<p>Total general obligation bonds</p>	<p style="text-align: right;"><u>389,470</u></p>
<p>Revenue bond – \$2,390,000 – 1998 Public Improvement Refunding Bonds. The remaining principal is due in annual installments of \$175,000 to \$260,000 through July 1, 2009. Interest rates are 3.90 percent to 5.00 percent. Debt retirement payments are made from the 1998 Public Improvement Bond Debt Service Fund. The bonds were issued in 1998 to pay off bonds issued at a higher rate of interest.</p>	<p style="text-align: right;"><u>735,000</u></p>
<p>Total bonded debt payable from Governmental fund-type funds</p>	<p style="text-align: right;"><u>\$1,124,470</u></p>
<p>Water Revenue bonds</p>	
<p>\$6,500,000 – Principal is due in annual installments of \$140,000 to \$465,000 through September 1, 2024. Interest rates are 4.00 percent to 5.50 percent. Debt retirement payments are made from the Water Enterprise Fund. The bonds were issued in 1998 to acquire the water system.</p>	<p style="text-align: right;">\$5,390,000</p>
<p>\$1,733,000 – Principal is due in monthly installments starting February 26, 2003, of \$8,356 through January 26, 2041. Interest rate is 4.875 percent. Debt retirement payments are made from the Water Enterprise Fund. The bonds were issued in 2000 to acquire and construct extensions, improvements and additions to the water system.</p>	<p style="text-align: right;">1,655,306</p>
<p>\$728,000 – Principal is due in monthly installments starting August 20, 2002, through August 20, 2042. Interest rate is 4.50 percent. Debt retirement payments are made from the Water Enterprise Fund. The bonds were issued in 2001 for the purpose of constructing and acquiring extensions, improvements and additions to the water system.</p>	<p style="text-align: right;">697,686</p>
<p>\$385,500 – Principal is due in monthly installments starting September 1, 2004, through August 1, 2044. Interest rate not to exceed 4.75 percent. Debt retirement payments are made from the Water Enterprise Fund.</p>	<p style="text-align: right;"><u>339,964</u></p>
<p>Total revenue bonds payable from Water Enterprise Fund</p>	<p style="text-align: right;">8,082,956</p>
<p>Capital lease payable from Water Enterprise Fund</p>	<p style="text-align: right;"><u>2,345,975</u></p>
<p>Total long-term obligations of Water Enterprise Fund</p>	<p style="text-align: right;"><u>\$10,428,931</u></p>

City of Tallulah
Notes to the Basic Financial Statements

Sewer Revenue bonds

\$2,660,000 - Principal and interest are due in annual installments of \$11,864 through September 6, 2046. Interest rate is 4.375% per annum. Debt retirement payments are made from the Sewer Enterprise Fund. The bonds were issued in 2006 for the purpose of acquiring and constructing extensions, improvements and additions to the sewer system.

\$2,660,000

\$500,000 - Principal and interest are due in annual installments of \$2,230 through September 6, 2046. Interest rate is 4.375% per annum. Debt retirement payments are made from the Sewer Enterprise Fund. The bonds were issued in 2006 for the purpose of acquiring and constructing extensions, improvements and additions to the sewer system.

500,000

Total revenue bonds payable from Sewer Enterprise Fund

\$3,160,000

Capital lease payable form Sewer Enterprise Fund

40,328

Total long-term obligations of Sewer Enterprise Fund

\$3,200,328

Debt service funds have \$612,701 available to service the bonded debt in the Governmental fund-type funds. The annual requirements to amortize all outstanding debt at June 30, 2007 are as follows:

Year	General Long-Term Debt			Water Enterprise Fund		Sewer Enterprise Fund	
	Principal	Interest	Total	Principal	Interest	Principal	Interest
2008	\$ 479,271	\$ 72,395	\$ 551,666	\$ 303,134	\$ 555,213	\$ 68,017	\$ 241,879
2009	302,686	46,425	349,111	318,825	535,419	46,620	136,429
2010	319,158	32,928	352,086	340,771	514,090	48,585	134,464
2011	60,766	18,341	79,107	361,713	493,861	40,299	141,855
2012	42,058	11,764	53,822	427,885	475,937	38,070	131,058
2013-2017	85,869	23,462	109,331	2,223,493	2,069,149	216,395	629,245
2018-2022	61,698	7,570	69,268	2,855,330	1,429,112	267,464	578,176
2023-2027	0	0	0	2,112,817	653,381	330,998	514,642
2028-2032	0	0	0	467,275	365,640	410,034	271,565
2033-2037	0	0	0	536,481	253,862	508,357	337,282
2038-2042	0	0	0	481,207	45,403	630,674	367,142
2043-2047	0	0	0	0	0	594,815	123,979
Total	\$1,351,506	\$212,885	\$1,564,391	\$10,428,931	\$7,391,067	\$3,200,328	\$3,607,716

General obligation bonds totaling \$389,470 at June 30, 2007, are secured by an annual ad valorem tax levy. In accordance with Louisiana Revised Statute 39:562, the City is legally restricted from incurring long-term bonded debt in excess of 35 percent of the assessed value of taxable property in the City. Assessed value for the 2006 tax roll was \$15,950,168. The City is within the statutory limitation of \$5,582,559.

City of Tallulah
Notes to the Basic Financial Statements

NOTE 12 – CAPITAL LEASES The City entered into a lease agreement for financing the acquisition of a water meter system and a backhoe. The assets acquired through capital leases are as follows:

	<u>Water Fund</u>	<u>Sewer Fund</u>
Asset:		
Water meter system	\$2,354,172	
Backhoe		\$63,012

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2007, were as follows:

Year Ending June 30	<u>Water Fund</u>	<u>Sewer Fund</u>
2008	\$ 204,860	\$ 13,922
2009	200,382	13,922
2010	201,748	13,922
2011	201,748	1,160
2012	201,748	0
2013-2017	1,009,559	0
2018-2022	1,010,000	0
2023-2027	953,303	0
Total minimum lease payments	<u>3,983,348</u>	<u>42,926</u>
Less: amount representing interest	1,637,373	2,598
Present value of minimum lease payments	<u>\$ 2,345,975</u>	<u>\$ 40,328</u>

NOTE 13 - LITIGATION AND CLAIMS At June 30, 2007, the City is involved in several lawsuits. In the opinion of the City's legal counsel, the outcome of any remaining lawsuits will not materially affect the financial statements. There were three unfavorable settlements during the year. The city paid \$8,100 to a homeowner for water damage in his home, \$15,000 for closing a bar which was deemed to be illegal and \$15,000 for a trailer which was damaged.

NOTE 14 - RISK MANAGEMENT During fiscal year 2007 the City carried no insurance on city vehicles. The City obtained insurance for the 2008 fiscal year. In addition, the City carried no general liability insurance.

NOTE 15 - PRIOR PERIOD ADJUSTMENT A prior period adjustment in the amount of \$13,100 was made to record an increase in the bank note payable. The confirmation revealed that amounts recorded as principal payments were all interest payments.

NOTE 16 – EXTRAORDINARY ITEM A breach of contract suit was brought against the local youth correctional center for renegeing on promised yearly payments of \$150,000 for eight or more years. The suit was settled during the year for \$550,000.

City of Tallulah

REQUIRED SUPPLEMENTAL INFORMATION

City of Tallulah

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

CITY OF TALLULAH

GENERAL FUND
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2007

Exhibit 1

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
BUDGETARY FUND BALANCES, Beginning	\$ 275,785	\$ 275,785	\$ 275,785	0
Resources (inflows)				
Local sources:				
Taxes				
Ad valorem	389,700	389,700	371,396	(18,304)
Sales and use	1,034,890	1,034,890	871,496	(163,394)
Beer Tax	10,000	10,000	10,413	413
Licenses and permits	145,000	145,000	163,958	18,958
Intergovernmental revenues	143,900	143,900	160,881	16,981
Rental income	6,000	6,000	9,299	3,299
Fees, charges, and commission for services	8,400	8,400	4,768	(3,632)
Use of money and property	0	0	12,759	12,759
Fines and forfeitures	123,300	123,300	111,479	(11,821)
Miscellaneous revenues	218,335	218,335	510,776	292,441
Proceeds from settlement	0	0	550,000	550,000
Transfers from other funds	80,000	80,000	255,000	175,000
Amounts available for appropriations	<u>2,435,310</u>	<u>2,435,310</u>	<u>3,308,010</u>	<u>872,700</u>
Charges to appropriations (outflows)				
Current:				
General and administrative	1,211,790	1,211,790	784,991	426,799
Police Department	217,440	217,440	644,466	(427,026)
Fire Department	147,310	147,310	354,255	(206,945)
Street Department	49,400	49,400	460,292	(410,892)
Health and welfare	22,700	22,700	0	22,700
Culture and recreation	500	500	132,204	(131,704)
Legislative	43,500	43,500	33,825	9,675
Transportation	18,000	18,000	20,558	(2,558)
Capital outlay	24,100	24,100	27,584	(3,484)
Debt service:				
Principal retirement	68,505	68,505	49,576	18,929
Interest expense	3,600	3,600	27,767	(24,167)
Transfers to other funds	352,680	352,680	61,065	291,615
Total charges to appropriations	<u>2,159,525</u>	<u>2,159,525</u>	<u>2,596,583</u>	<u>(437,058)</u>
BUDGETARY FUND BALANCES, ENDING	\$ <u>275,785</u>	\$ <u>275,785</u>	\$ <u>711,427</u>	<u>435,642</u>

City of Tallulah

**Notes to the Budgetary Comparison Schedule
For the Year Ended June 30, 2007**

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

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

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

Note B. Excess of Actual Expenditures over Budgeted Appropriations For the fund which a budget to actual comparison was made, 2007 budgeted appropriations exceeded actual appropriations at the level of budgetary control as follows:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	\$2,159,525	\$2,596,583	\$(437,058)

CITY OF TALLULAH

Notes to the Budgetary Comparison Schedule
For the Year Ended June 30, 2007

Note C - Budget to GAAP Reconciliation - Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures

	<u>GENERAL FUND</u>
<u>Sources/inflows of resources:</u>	
Actual amounts (budgetary basis) "available for appropriation" from the Budgetary Comparison Schedule	\$ 3,308,010
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	(275,785)
Proceeds from settlement are shown as resources (inflows) for budgetary purposes but as other financial resources for the Statement of Revenues and Expenditures and Changes in Fund Balances.	(550,000)
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.	<u>(255,000)</u>
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 2,227,225</u>
<u>Uses/outflows of resources:</u>	
Actual amounts (budgetary basis) "Total charges to appropriations" from the Budgetary Comparison Schedule	2,596,583
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(61,065)</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 2,535,518</u>

City of Tallulah

SUPPLEMENTAL INFORMATION

CITY OF TALLULAH

NONMAJOR GOVERNMENTAL FUNDS
 Combining Balance Sheet - By Fund Type
 June 30, 2007

Exhibit 2

	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECT	TOTAL
ASSETS				
Cash and cash equivalents	\$ 142,082	\$ 99,026	\$ 0	\$ 241,108
Interfund receivables	<u>92,920</u>	<u>19,262</u>	<u>0</u>	<u>112,182</u>
TOTAL ASSETS	<u>235,002</u>	<u>118,288</u>	<u>0</u>	<u>353,290</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts, salaries and other payables	18,868	0	0	18,868
Interfund payables	<u>0</u>	<u>0</u>	<u>293</u>	<u>293</u>
TOTAL LIABILITIES	<u>18,868</u>	<u>0</u>	<u>293</u>	<u>19,161</u>
FUND BALANCES:				
Reserved for debt service	0	118,288	0	118,288
Unreserved and undesignated	<u>216,134</u>	<u>0</u>	<u>(293)</u>	<u>215,841</u>
Total Fund Balances	<u>216,134</u>	<u>118,288</u>	<u>(293)</u>	<u>334,129</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 235,002</u>	<u>\$ 118,288</u>	<u>\$ 0</u>	<u>\$ 353,290</u>

CITY OF TALLULAH

NONMAJOR GOVERNMENTAL FUNDS
 Combining Statement of Revenues, Expenditures,
 and Changes in Fund Balances - By Fund Type
 For the Year Ended June 30, 2007

Exhibit 3

	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECT	TOTAL
REVENUES				
Local sources:				
Taxes				
Ad valorem	\$ 130,369	\$ 48,267	\$ 0	\$ 178,636
Intergovernmental revenues	141,925	0	0	141,925
Use of money and property	4,821	642	0	5,463
Miscellaneous revenues	834	0	0	834
Total revenues	<u>277,949</u>	<u>48,909</u>	<u>0</u>	<u>326,858</u>
EXPENDITURES				
Current:				
General and administrative	0	0	25,825	25,825
Street Department	87,458	0	32,500	119,956
Health and welfare	139,988	0	0	139,988
Other	0	0	120	120
Debt service:				
Principal retirement	0	77,059	0	77,059
Interest and bank charges	0	15,140	0	15,140
Total expenditures	<u>227,444</u>	<u>92,199</u>	<u>58,445</u>	<u>378,088</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	<u>50,505</u>	<u>(43,290)</u>	<u>(58,445)</u>	<u>(51,230)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>50,000</u>	<u>0</u>	<u>58,325</u>	<u>108,325</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>50,000</u>	<u>0</u>	<u>58,325</u>	<u>108,325</u>
NET CHANGE IN FUND BALANCES	100,505	(43,290)	(120)	57,095
FUND BALANCES - BEGINNING	<u>115,629</u>	<u>161,578</u>	<u>(173)</u>	<u>277,034</u>
FUND BALANCES - ENDING	<u>\$ 216,134</u>	<u>\$ 118,288</u>	<u>\$ (293)</u>	<u>\$ 334,129</u>

City of Tallulah

Nonmajor Special Revenue Funds

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

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

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

CITY OF TALLULAH

NONMAJOR SPECIAL REVENUE FUNDS
 Combining Balance Sheet
 June 30, 2007

Exhibit 4

	<u>SECTION 8</u>	<u>STREET PROGRAM</u>	<u>TEC BUILDING</u>	<u>TOTAL</u>
ASSETS				
Cash and cash equivalents	\$ 52,131	\$ 79,936	\$ 10,015	\$ 142,082
Interfund receivables	<u>69,303</u>	<u>23,237</u>	<u>380</u>	<u>92,920</u>
TOTAL ASSETS	<u>121,434</u>	<u>103,173</u>	<u>10,395</u>	<u>235,002</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts, salaries and other payables	<u>0</u>	<u>18,868</u>	<u>0</u>	<u>18,868</u>
TOTAL LIABILITIES	<u>0</u>	<u>18,868</u>	<u>0</u>	<u>18,868</u>
FUND BALANCES:				
Unreserved and undesignated	<u>121,434</u>	<u>84,305</u>	<u>10,395</u>	<u>216,134</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 121,434</u>	<u>\$ 103,173</u>	<u>\$ 10,395</u>	<u>\$ 235,002</u>

CITY OF TALLULAH

NONMAJOR SPECIAL REVENUE FUNDS
Combining Schedule of Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended June 30, 2007

Exhibit 5

	SECTION 8	STREET PROGRAM	TEC BUILDING	TOTAL
REVENUES				
Local sources:				
Taxes				
Ad valorem	\$ 0	\$ 130,369	\$ 0	\$ 130,369
Intergovernmental revenues	141,925	0	0	141,925
Use of money and property	2,501	2,240	80	4,821
Miscellaneous revenues	834	0	0	834
Total revenues	145,260	132,609	80	277,949
EXPENDITURES				
Current:				
Street Department	0	87,456	0	87,456
Health and Welfare	139,988	0	0	139,988
Total expenditures	139,988	87,456	0	227,444
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	5,272	45,153	80	50,505
OTHER FINANCING SOURCES (USES)				
Transfers in	50,000	0	0	50,000
TOTAL OTHER FINANCING SOURCES (USES)	50,000	0	0	50,000
NET CHANGE IN FUND BALANCES	55,272	45,153	80	100,505
FUND BALANCES - BEGINNING	66,162	39,152	10,315	115,629
FUND BALANCES - ENDING	\$ 121,434	\$ 84,305	\$ 10,395	\$ 216,134

City of Tallulah

Nonmajor Debt Service Funds

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

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

CITY OF TALLULAH
NONMAJOR DEBT SERVICE FUNDS
Combining Balance Sheet
June 30, 2007

Exhibit 6

	1981 GENERAL OBLIGATION BONDS	1998 GENERAL OBLIGATION BONDS	TOTAL
ASSETS			
Cash and cash equivalents	\$ 36,982	\$ 62,044	\$ 99,026
Interfund receivables	<u>2,771</u>	<u>16,491</u>	<u>19,262</u>
TOTAL ASSETS	<u>39,753</u>	<u>78,535</u>	<u>118,288</u>
FUND BALANCES:			
Reserved for debt service	<u>39,753</u>	<u>78,535</u>	<u>118,288</u>
TOTAL FUND BALANCES	<u>\$ 39,753</u>	<u>\$ 78,535</u>	<u>\$ 118,288</u>

CITY OF TALLULAH

NONMAJOR DEBT SERVICE FUNDS
 Combining Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 For the Year Ended June 30, 2007

Exhibit 7

	1981 GENERAL OBLIGATION BONDS	1988 GENERAL OBLIGATION BONDS	TOTAL
REVENUES			
Local sources:			
Taxes			
Ad valorem	\$ 15,675	\$ 32,592	\$ 48,267
Sales tax	0	0	0
Use of money and property	<u>166</u>	<u>476</u>	<u>642</u>
Total revenues	<u>15,841</u>	<u>33,068</u>	<u>48,909</u>
EXPENDITURES			
Debt service:			
Principal retirement	7,059	70,000	77,059
Interest and bank charges	<u>8,356</u>	<u>6,784</u>	<u>15,140</u>
Total expenditures	<u>15,415</u>	<u>76,784</u>	<u>92,199</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	426	(43,716)	(43,290)
FUND BALANCES - BEGINNING	<u>39,327</u>	<u>122,251</u>	<u>161,578</u>
FUND BALANCES - ENDING	<u>\$ 39,753</u>	<u>\$ 78,535</u>	<u>\$ 118,288</u>

City of Tallulah

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

CITY OF TALLULAH

PROPRIETARY FUND TYPE - ENTERPRISE FUNDS
 Comparative Statement of Net Assets
 June 30, 2007 and 2006

Exhibit 8

	2007 WATER FUND	2006 WATER FUND	2007 SEWER FUND	2006 SEWER FUND
ASSETS				
Current Assets:				
Cash	\$ 194,410	\$ 137,911	\$ 35,553	\$ 51,964
Receivables	156,964	135,411	113,205	101,558
Interfund receivables	314,201	386,620	0	18,484
Prepaid expenses	0	0	1,311	1,311
Restricted Assets:				
Cash	5,779	5,836	0	0
Investments	939,525	869,943	0	0
Total Current Assets	1,610,879	1,535,721	150,069	173,317
Long-term Assets				
Property, plant and equipment (net of accumulated depreciation)	9,766,248	7,927,388	11,296,498	9,112,933
Deferred bond issuance costs (net of amortization)	182,491	201,606	0	0
TOTAL ASSETS	11,559,618	9,664,715	11,446,567	9,286,250
LIABILITIES				
Current Liabilities				
Accounts payable	80,299	56,905	20,648	370,795
Interfund payables	100	32,476	220,399	302,882
Customer deposits	0	0	76,999	69,589
Current portion of long-term debt	303,134	220,736	68,017	2,108,904
Total Current Liabilities	383,533	310,117	386,063	2,852,170
Long-term debt - revenue bonds payable	10,125,797	8,086,211	3,132,311	46,415
TOTAL LIABILITIES	10,509,330	8,396,328	3,518,374	2,898,585
NET ASSETS				
Invested in capital assets, net of related debt	(480,192)	42,783	8,096,170	9,112,933
Restricted	945,304	875,779	0	0
Unrestricted	585,176	349,825	(167,977)	(2,725,268)
Total Net Assets	\$ 1,050,288	\$ 1,268,387	\$ 7,928,193	\$ 6,387,665

City of Tallulah

Exhibit 9

Schedule of Compensation Paid to Council Members
For the Year Ended June 30, 2007

The schedule of per diem paid council members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Compensation of council members is included in legislative expenditures of the General Fund. In accordance with Louisiana Revised Statute 33:405, council members receive \$500 per month. The president receives \$525 per month.

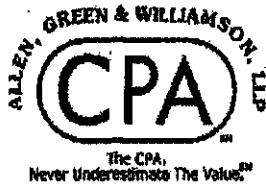
Michael Whitney	\$ 6,000
Charles Finlayson, President	6,300
Henry Williams	6,000
Eddie Fountain	6,000
Kelvin Brooks	<u>6,000</u>
TOTAL	<u>\$30,300</u>

**City of Tallulah
Financial Data Schedule
For the Year Ended June 30, 2007**

PHA: LA242 FYED: 06/30/2007

Line Item No.	Account Description	Housing Choice Vouchers	Total
111	Cash - Unrestricted	\$52,131	\$52,131
100	Total Cash	\$52,131	\$52,131
120	Total Receivables, net of allowances for doubtful accounts	\$0	\$0
144	Interprogram Due From	\$69,303	\$69,303
150	Total Current Assets	\$121,434	\$121,434
160	Total Fixed Assets, Net of Accumulated Depreciation	\$0	\$0
180	Total Non-Current Assets	\$0	\$0
190	Total Assets	\$121,434	\$121,434
310	Total Current Liabilities	\$0	\$0
350	Total Noncurrent Liabilities	\$0	\$0
300	Total Liabilities	\$0	\$0
508	Total Contributed Capital	\$0	\$0
511	Total Reserved Fund Balance	\$0	\$0
512	Undesignated Fund Balance/Retained Earnings	\$121,434	\$121,434
513	Total Equity/Net Assets	\$121,434	\$121,434
600	Total Liabilities and Equity/Net Assets	\$121,434	\$121,434
705	Total Tenant Revenue	\$0	\$0
706	HUD PHA Operating Grants	\$141,925	\$141,925
711	Investment Income - Unrestricted	\$2,501	\$2,501
715	Other Revenue	\$834	\$834
700	Total Revenue	\$145,260	\$145,260
916	Other Operating - Administrative	\$23,548	\$23,548
969	Total Operating Expenses	\$23,548	\$23,548
970	Excess Operating Revenue over Operating Expenses	\$121,712	\$121,712
973	Housing Assistance Payments	\$116,440	\$116,440
976	Capital Outlays - Governmental Funds	\$0	\$0
977	Debt Principal Payment - Governmental Funds	\$0	\$0
900	Total Expenses	\$139,988	\$139,988
1001	Operating Transfers In	\$50,000	\$50,000
1010	Total Other Financing Sources (Uses)	\$50,000	\$50,000
1000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$55,272	\$55,272
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0
1103	Beginning Equity	\$66,162	\$66,162
1107	Changes in Unrecognized Pension Transition Liability	\$0	\$0
1108	Changes in Special Term/Severance Benefits Liability	\$0	\$0
1109	Changes in Allowance for Doubtful Accounts - Dwelling Rents	\$0	\$0
1110	Changes in Allowance for Doubtful Accounts - Other	\$0	\$0
1120	Unit Months Available	\$660	\$660
1121	Number of Unit Months Leased	\$449	\$449
1117	Administrative Fee Equity	\$82,994	\$82,994
1118	Housing Assistance Payments Equity	\$36,440	\$36,440

SINGLE AUDIT INFORMATION



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

Mayor and Council Members
City of Tallulah
Tallulah, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tallulah as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements of the City's primary government and have issued our report thereon dated February 6, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 07-F1, 07-F2, 07-F3, 07-F4, 07-F6, 07-F7, and 07-F8 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe the significant deficiency identified as 07-F1 above indicates a material weakness in the City's internal control.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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 is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as items 07-F5, 07-F9 and 07-F10.

We noted a matter that we reported to management of the City in a separate letter dated February 6, 2008.

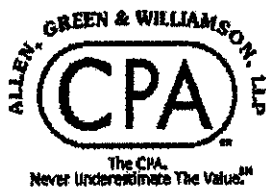
The City's response to the findings identified in our audit are described in the accompanying Corrective Action Plan. We did not audit the City's response and, accordingly, we express no opinion on it.

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

Allen, Green + Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
February 6, 2008



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Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Mayor and Council Members
City of Tallulah
Tallulah, Louisiana

Compliance

We have audited the compliance of the City of Tallulah with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 07-F11.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 07-F11 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

Schedule of Expenditures of Federal Awards

We have audited the financial statement of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2007, and have issued our report thereon dated February 6, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken a whole.

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

Allen, Green + Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
February 6, 2008

City of Tallulah
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM NAME	<u>CFDA Number</u>	<u>Pass-Through Grantor No.</u>	<u>Expenditures</u>
CASH FEDERAL AWARDS			
United States Department of Housing and Urban Development			
Direct Program:			
Section 8 Housing Choice Vouchers	14.871		\$ 141,925
United States Department of Agriculture			
Direct Program - Water and Waste Disposal Systems for Rural Communities	10.760		<u>4,836,070</u>
TOTAL FEDERAL AWARDS			<u>\$4,977,995</u>

City of Tallulah
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

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

NOTE 2 - BASIS OF ACCOUNTING The accompanying schedule of expenditures of federal awards is prepared on the modified accrual basis of accounting for Section 8 Vouchers and the accrual basis for Water and Waste Disposal Systems.

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

Special Revenue	\$ 141,925
Section 8	
Enterprise Fund	<u>4,836,070</u>
Water Fund	
Total	<u>\$4,977,995</u>

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

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

NOTE 6 - USDA - WATER & WASTE DISPOSAL SYSTEM The \$4,836,070 amount on the schedule of federal awards is \$1,676,070 in grant revenue from the USDA, and also a \$2,660,000 Sewer Revenue Bond, Series 2006 R1 and a \$500,000 Sewer Revenue Bond, Series 2006 R2.

City of Tallulah
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

PART I- Summary of the Auditors' Results

Financial Statement Audit

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

One significant deficiency was considered to be a material weaknesses.
- iii. There were three instances of noncompliance considered material, as defined by the Government Auditing Standards, to the financial statement.

Audit of Federal Awards

- iv. There was one significant deficiency required to be disclosed by OMB Circular A-133. The significant deficiency was not considered to be a material weakness.
- v. The type of report the auditor issued on compliance for major programs was unqualified.
- vi. The audit disclosed one audit finding which the auditor is required to report under OMB Circular A-133, Section .510(a).
- vii. The major federal program is:

CFDA # 10.760 Water and Waste Disposal System for Rural Communities
- viii. The dollar threshold used to distinguish between Type A and Type B programs as described in OMB Circular A-133, Section .520(b) was \$300,000.
- ix. The auditee does not qualify as a low-risk auditee under OMB Circular A-133, Section .530.

City of Tallulah
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

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

Reference # and title: 07-F1 Accounting Records on Investments not Maintained Properly

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

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

Possible asserted effect (cause and effect):

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

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

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

Reference # and title: 07-F2 Unauthorized Costs of Cell Phone Use

Criteria or specific requirement: The City adopted a cell phone policy on February 24, 2005 which states in part "the Council will determine who will possess a city cell phone" and also, "the Council will monitor all cell phone usage".

Condition found: While testing expenditures for cell phone usage, it was noted cell phone use is not monitored on a monthly basis. It was noted that a City employee had an excessive number of personal phone calls. The "extra" cell phone, which is to be used when employees travel and/or for emergencies, had a large number of minutes used for several months to what appears to be private numbers. The City is not following the cell phone policy which it adopted. There was no evidence that the usage of cell phones is being monitored by the Council as the policy states.

Possible asserted effect (cause and effect):

Cause: Unknown

Effect: The City is paying expenses for cell phones which were not authorized as required by cell phone policy.

Recommendations to prevent future occurrences: The City should follow adopted cell phone policy by having the City Council approve the employees/elected officials who possess a cell phone in which the City pays the expense or should revise its cell phone policy. The use of cell phones should be monitored for abusive use and when required be reimbursed for any charges considered unnecessary or abusive in nature as stated by the adopted policy.

City of Tallulah
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

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

Reference # and title: 07-F3 Violations of City Travel Policy

Criteria or specific requirement: The City adopted a travel policy on March 25, 2004 stating requirements for all travel by employees/elected officials.

Condition found: Ten cash expenditures for travel were examined and the following violations of the City's adopted travel policy were noted:

- 3 of 10 travel expenditures tested taxes were paid for hotel rooms.
- 4 of 10 travel expenditures tested did not have a receipt for the hotel rooms.
- 1 of 10 travel expenditures tested did not have a signed travel voucher.
- 1 of 10 travel expenditures tested did not have support for the travel voucher.
- 7 of the 10 travel expenditures tested did not have documentation noting the purpose for travel.

Additional tests were performed regarding the Mayor's travel reimbursements. It was discovered that the Mayor had been paid twice for a number of trips taken during the year. The overpayment totaled \$1,839.16. In addition he was reimbursed for mileage for trips and there were also charges on the city's credit card for gasoline during these trips. Also, the per diem amounts used are supposed to be based on the U.S. General Services Administration per diem rates and guidelines. There were trips made which were begun and completed in the course of a day and the Mayor was paid a full day's per diem which does not follow federal guidelines. Finally, the Mayor receives a monthly payment of \$500 to defray local travel expenses for the use of his personal vehicle. Testing revealed that he was overpaid \$500 for this allotment.

Possible asserted effect (cause and effect):

Cause: The Council and the staff don't place enough importance on proper documentation of travel expenses.

Effect: The City is reimbursing cost of travel without the required approval/documentation the adopted travel policy requires.

Recommendation to prevent future occurrences: The City should follow the travel policy which was legally adopted on February 25, 2004 by the City Council. The policy states clearly in item #8 that "travel shall be approved in advance of the trip". The policy also states that "travel vouchers must be signed by employee and turned in after all trips to the Clerk's office". At a time when the City is experiencing a cash flow problem, it is of the utmost importance that costs for travel is monitored closely and the policy adopted followed by all employees/elected officials. All payments for travel should be monitored and receipts should be cancelled to prevent duplicate payments.

Reference # and title: 07-F4 Incomplete Personnel Files

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

City of Tallulah
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

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

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

- 4 personnel files with no pay rate documentation in the file did not match amount being paid to employee.
- 1 personnel file did not have proof of existence (I-9, social security card, i.e.)
- 1 instance in which the payroll check could not be found to be tested.

Possible asserted effect (cause and effect):

Cause: Unknown.

Effect: The City's personnel records are incomplete.

Recommendations to prevent future occurrences: The City should have documentation in file for salary or hourly rate of pay for each employee and all other pertinent information regarding the employee. Also, proof of identification should be included in all personnel files such as I-9, social security card, i.e.

Reference # and title: **07-F5** **Donation of Public Funds**

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

Condition found: In reviewing the general ledger, it was noted that \$15,802 in public funds had been given to private organizations.

Possible asserted effect (cause and effect):

Cause: Unknown

Effect: The City is in violation of Article 7, Section 14 which prohibits donation of public funds.

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

Reference # and title: **07-F6** **Use of Credit Card for Personal Purchases**

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

Condition found: The Mayor uses the City's credit card for personal as well as business expenses. We reviewed all of the mayor's statements and noted that some of the statements submitted for payment did not include itemized receipts attached to verify the purpose of the charges. In addition, almost all statements reflected finance charges because the full amount was not paid prior to the due date. The Mayor no longer turns his monthly credit card statement over to the City. He pays the monthly statement and the City reimburses him for any business related charges. It was also noted that there were \$1,786 charged to the fuel man account which was later reimbursed. There

City of Tallulah
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

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

is still \$187.95 for the month of May which has not been reimbursed. The explanations provided by the Mayor regarding the use of the fuel man account were inconsistent with the records reviewed and general ledger. Review of the travel reimbursements recorded were tied in most cases to the credit card statement. The mayor receives a per diem amount when he travels which is payment for meals and incidentals. The per diem amount is based on the U.S. General Services Administration (GSA) per diem rates. It appears that gasoline was also charged to the credit card so, in essence, he was paid twice – once through the mileage reimbursement and again through payment of the credit card expense either directly or indirectly. Due to the lack of itemized receipts for the credit cards, there is a total questioned cost of \$958.80

Possible asserted effect (cause and effect):

Cause: Unknown

Effect: The City is in violation of Article 7, Section 14 which prohibits donation of public funds.

Recommendations to prevent future occurrences: The City should require that all statement be submitted to the City along with all supporting documentation. The City should review all charge card purchases for unapproved and/or personal purchases charged to the City. These receipts should be retained with the paid credit card statements. All personal use should be prohibited.

Reference # and title: 07-F7 Delinquent Customer Accounts in Water & Sewer Department

Criteria or specific requirement: All customer accounts not made by the required date should be disconnected and procedures taken to collect all monies owed to the City for services. Policies should be in place and strictly adhered to.

Condition found: The test of collection procedures it was noted that there were:

- 4 instances where bills were paid the following month and none of the 4 had their services terminated.
- 1 instance where the bill was consistently late, but not disconnected, and an unpaid balance existed after the deposit was applied because customer moved away.
- 4 instances where the account was left with an unpaid balance after the deposit was applied.

Possible asserted effect (cause and effect):

Cause: The City has a problem with customers turning their meter on after they have been turned off for non-payment.

Effect: The City is not collecting all monies owed for utility services.

Recommendations to prevent future occurrences: The City should establish written guidelines to be followed in regards to non-payment of utility bills by customers. Also, a procedure should be written outlining the process to be followed to attempt to collect delinquent amounts. These guidelines should be strictly enforced on all delinquent accounts.

City of Tallulah
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

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

Reference # and title: 07-F8 Vendor Expenses

Criteria or specific requirement: Purchase orders should be used according to the City's purchasing policy. Original invoices should be used as support for all purchases and/or payments. Invoices should be paid on a timely basis. A timely basis is considered 30 days after the invoice date, if not noted otherwise on the invoice.

Condition found: The following was noted from a test of 33 vendor disbursements:

- 1 instance where expenditures were not supported by purchase orders.
- 3 instances where the invoice was not paid timely.
- 1 instances where no check was available to be tested.
- 2 instances we were unable to view authorized signatures on checks.
- 1 instance where invoice copy was used as support.
- 1 instance where the check nor the invoice could be located to test.

Possible asserted effect (cause and effect):

Cause: Unknown

Effect: In the instances noted above, the City's policy for using purchase orders was not adhered to, copy of an invoice was used as support for a purchase made by the City, and invoices were not paid in a timely manner by the City.

Recommendations to prevent future occurrences: All invoices should be paid timely. Invoice copies should not be used as support for purchases made by the City. The purchase order policy of the City should be followed for purchases which require a purchase order.

Reference # and title: 07-F9 Violation of Louisiana Local Government Budget Act

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

Condition found: The City's budgeted revenue exceeded that of actual revenue by an amount in excess of five percent. There were several areas including the police department, fire department and street department which exceeded budgeted funds and, after all the funds had been spent, a revision budget was presented to the Board and the Board refused to approve the revised budget.

Possible asserted effect (cause and effect):

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

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

City of Tallulah
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

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

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

Reference # and title: **07-F10** **Late Submission of Audit Report to Legislative Auditor**

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

Criteria or specific requirement: Louisiana Revised Statute 24:513A (5) (a) (i) requires that "...audits shall be completed within six months of the close of the entity's fiscal year".

Condition: Although field work was completed in the month of November there were additional questions which the audit team had regarding certain expenses. After review by the partner it was determined that additional fieldwork needed to be performed in order to obtain a comfort level regarding these questioned expenses. This field work was performed on the final date of submission and there were still additional questions which needed responses prior to issue of the report.

Possible asserted effect (cause and effect):

Cause: In order to fulfill the auditing requirements additional time and fieldwork had to be devoted to the questioned transactions.

Effect: The City did not comply with the Revised Statutes.

Recommendations to prevent future occurrences: All questions should be answered in a timely manner in order to complete the report and file on a timely basis.

City of Tallulah
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

PART III - Findings and questioned costs for federal awards which are required to be reported under OMB Circular A-133 Section .510(a):

Reference # and title: **07-F11** **Late Submission of the Audit Report to the USDA**

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

Criteria or specific requirement: While LSA-R.S. 24:513A (5)(a) states: "Audits shall be completed within six months of the close of the entity's fiscal year.", the United States Department of Agriculture requires the audit for the City be submitted within 150 days after fiscal year end of June 30 each year.

Condition found: The City's audit for the year ended June 30, 2007 was not submitted to the USDA within the 150 days after fiscal year end as required.

Possible asserted effect (cause and effect):

Cause: The City did not have financial information available in September, 2007 when auditors had scheduled time to complete the City's audit. Financial information was not available until mid-October for auditors to begin testing thus causing the release date of the audit report being beyond the date of the USDA.

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

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

Other Information

City of Tallulah
Summary of Prior Year Audit Findings
June 30, 2007

Reference # and title: **06-F1** **Lack of Separation of Duties**

Year of Origination: 2004

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

Corrective action taken: For good internal control, the City enacted the following accounting practices:

- 1) All sealed bank statements were opened and reviewed by the Mayor.
- 2) Reviewed bank statements were given to the City Clerk for reconciliation and processing. The City Clerk reconciled the General Fund, Utility Fund, and Water Fund which was approved by the Mayor. All other funds were reconciled by the clerical accounting staff and approved by the City Clerk.

Reference # and title: **06-F2** **Accounting Records on Investments not Maintained Properly**

Year of Origination: 2004

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

Corrective action planned: See current year finding 07-F1.

Reference # and title: **06-F3** **Unauthorized Costs of Cell Phone Use**

Year of Origination: 2004

Condition found: While testing expenditures for cell phone usage, it was noted that two council members have cell phones in their names, but the City is paying the bill each month. A review of the minutes revealed no approval by the Council for the City to pay expenses for the cell phones of council members. The City is not following the cell phone policy which it adopted. There was no evidence that the cost of cell phones is being monitored by the Council as the policy states. Also, the cell phone statements/invoices were copies and not the original invoice.

Corrective action planned: See current year finding 07-F2.

Reference # and title: **06-F4** **Untimely Cash Deposit**

Year of Origination: 2005

Condition found: While testing cash receipts for the Water and Sewer Enterprise funds, it was noted that 8 of 20 tested were not deposited in a timely manner (within three business days).

City of Tallulah
Summary of Prior Year Audit Findings
June 30, 2007

Corrective action taken: Tallulah Water Service management promptly made cash deposits with the assurance that periodical reviews of cash statements would occur to determine that the action was being taken.

Reference # and title: **06-F5** **Violations of City Travel Policy**

Year of Origination: 2005

Condition found: Ten cash expenditures for travel were examined and the following violations of the City's adopted travel policy were noted:

- 1) 9 of 10 travel expenditures tested were not signed by the employee requesting reimbursement.
- 2) 10 of 10 travel expenditures tested did not have the required prior approval.
- 3) 2 of the 10 travel expenditures tested did not have documentation for the conference attended.

Corrective action planned: See current year finding 07-F3.

Reference # and title: **06-F6** **Incomplete Personnel Files**

Year of Origination: 2004

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

- 4 personnel files did not have proof of existing approved pay rate for the employee.
- 1 personnel file the pay rate documentation in the file did not match amount being paid to employee.
- 5 personnel files did not have proof of existence (I-9, social security card, i.e.)

Corrective action planned: See current year finding 07-F4.

Reference # and title: **06-F7** **Transfer of Funds from Section 8 Housing Program**

Year of Origination: 2006

Condition found: The City transferred \$50,000 from the Section 8 program to the General Fund. The money was not used for a housing purpose in the General Fund. Current HUD guidelines prohibit use of Section 8 reserves for anything other than Section 8. Approximately \$32,000 of these reserves that were transferred was accumulated prior to the requirement that reserves be used only for Section 8.

Corrective action taken: In a discussion with HUD officials, the City Clerk feels that perhaps \$22,000 of the \$50,000 transfer should be repaid to the Section 8 housing program. Further discussions with HUD will allow for the correct solution to this problem. The City will communicate with HUD and resolve the issues regarding the allowability of the use of the transferred funds. The \$50,000 was transferred back to Section 8.

City of Tallulah
Summary of Prior Year Audit Findings
June 30, 2007

Reference # and title: **06-F8** **Late Submission of the Audit Report to the USDA**

Year of Origination: 2004

Condition found: The City's audit for the year ended June 30, 2006 was not submitted to the USDA within the 150 days after fiscal year end as required although the audit was filed timely by December 31, 2006 with the Legislative Auditor's office as required by Louisiana Statute.

Corrective action planned: See current year finding 07-F11.

City of Tallulah
Corrective Action Plan for Auditor's Current Year Findings
June 30, 2007

Reference # and title: **07-F1 Accounting Records on Investments not Maintained Properly**

Condition found: Bond covenants require that full and correct accounting records are maintained for the sinking fund account, reserve account, and contingency fund. The City does not reconcile the investment accounts each month for the sinking fund account, reserve account, or the contingency fund account at present.

Corrective action planned: Each month when the City receives JP Morgan statements, the statements will be reviewed, and the month's activity will be recorded into the accounting system thus providing current financial information for the sinking funds, reserve funds, and contingency funds.

Person responsible for the above corrective actions:

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

Anticipated completion date: Immediately.

Reference # and title: **07-F2 Unauthorized Costs of Cell Phone Use**

Condition found: The City adopted a cell phone policy on February 24, 2005 which states in part "the Council will determine who will possess a city cell phone" and also, "the Council will monitor all cell phone usage". While testing expenditures for cell phone usage, it was noted cell phone use is not monitored on a monthly basis. It was noted that a city employee had an excessive number of personal phone calls. The "extra" cell phone, which is to be used when employees travel and/or for emergencies, had a large number of minutes used for several months to what appears to be private numbers. The City is not following the cell phone policy which it adopted. There was no evidence that the usage of cell phones is being monitored by the Council as the policy states.

Corrective action planned: The City will adhere to its cell phone policy. Cell phone usage by employees will be monitored much more closely, and if it is determined that an employee is making unnecessary calls, that employee will be required to personally reimburse the City for the overage.

Person responsible for the above corrective actions:

Gerald Odom, City Clerk Phone: (318) 574-0964
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Anticipated completion date: Immediately.

City of Tallulah
Corrective Action Plan for Auditor's Current Year Findings
June 30, 2007

Reference # and title: **07-F3** **Violations of City Travel Policy**

Condition found: The City adopted a travel policy on March 25, 2004 stating requirements for all travel by employees/elected officials. Ten cash expenditures for travel were examined and the following violations of the City's adopted travel policy were noted:

- 3 of 10 travel expenditures tested taxes were paid for hotel rooms.
- 4 of 10 travel expenditures tested did not have a receipt for the hotel rooms.
- 1 of 10 travel expenditures tested did not have a signed travel voucher.
- 1 of 10 travel expenditures tested did not have support for the travel voucher.
- 7 of the 10 travel expenditures tested did not have documentation noting the purpose for travel.

Additional tests were performed regarding the Mayor's travel reimbursements. It was discovered that the Mayor had been paid twice for a number of trips taken during the year. The overpayment totaled \$1,839.16. In addition he was reimbursed for mileage for trips and there were also charges on the city's credit card for gasoline during these trips. Also, the per diem amounts used are supposed to be based on the U.S. General Services Administration per diem rates and guidelines. There were trips made which were begun and completed in the course of a day and the Mayor was paid a full day's per diem which does not follow federal guidelines. Finally, the Mayor receives a monthly payment of \$500 to defray local travel expenses for the use of his personal vehicle. Testing revealed that he was overpaid \$500 for this allotment.

Corrective action planned: All travel by employees or elected officials shall be approved in advance, and the traveler shall sign each travel voucher and submit all necessary documentation required of the trip upon his/her return.

Person responsible for the above corrective actions:

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Anticipated completion date: Immediately.

Reference # and title: **07-F4** **Incomplete Personnel Files**

Condition found: Personnel files should contain information regarding the proof of existence such as I-9, copy of driver's license, social security or birth certificate. Also included should be information regarding the salary/hourly rate of the employee which should be updated as required. A test of personnel files revealed the following:

- 4 personnel files with no pay rate documentation in the file did not match amount being paid to employee.
- 1 personnel file did not have proof of existence (I-9, social security card, i.e.)
- 1 instance in which the payroll check could not be found to be tested.

Corrective action planned: All personnel files will be examined for completeness ensuring that all pertinent documentation is present.

City of Tallulah
Corrective Action Plan for Auditor's Current Year Findings
June 30, 2007

Person responsible for the above corrective actions:

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Anticipated completion date: Immediately.

Reference # and title: **07-F5** **Donation of Public Funds**

Condition found: Article 7, Section 14 of the Louisiana Constitution prohibits donation of public fund. In reviewing the general ledger, it was noted that \$15,802 in public funds had been given to private organizations.

Corrective action planned: The City will execute cooperative endeavor agreements with all public bodies such as the Office of Tourism prior to making additional donations.

Person responsible for the above corrective actions:

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Anticipated completion date: Immediately.

Reference # and title: **07-F6** **Use of Credit Card for Personal Purchases**

Condition found: Article 7, Section 14 of the Louisiana Constitution prohibits donation of public fund. The Mayor uses the City's credit card for personal as well as business expenses. We reviewed all of the mayor's statements and noted that some of the statements submitted for payment did not include itemized receipts attached to verify the purpose of the charges. In addition, almost all statements reflected finance charges because the full amount was not paid prior to the due date. The Mayor no longer turns his monthly credit card statement over to the City. He pays the monthly statement and the City reimburses him for any business related charges. It was also noted that there were \$1,786 charged to the fuel man account which was later reimbursed. There is still \$187.95 for the month of May which has not been reimbursed. The explanations provided by the Mayor regarding the use of the fuel man account were inconsistent with the records reviewed and general ledger. Review of the travel reimbursements recorded were tied in most cases to the credit card statement. The mayor receives a per diem amount when he travels which is payment for meals and incidentals. The per diem amount is based on the U.S. General Services Administration (GSA) per diem rates. It appears that gasoline was also charged to the credit card so, in essence, he was paid twice – once through the mileage reimbursement and again through payment of the credit card expense either directly or indirectly. Due to the lack of itemized receipts for the credit cards, there is a total questioned cost of \$958.80

Corrective action planned: Henceforth, no city elected official or employee will use a city credit card for a personal purchase. All credit card statements will be closely examined for approve purchases and all accompanying documentation shall be attached.

City of Tallulah
Corrective Action Plan for Auditor's Current Year Findings
June 30, 2007

Person responsible for the above corrective actions:

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Anticipated completion date: Immediately.

Reference # and title: **07-F7** **Delinquent Customer Accounts in Water & Sewer Department**

Condition found: All customer accounts not made by the required date should be disconnected and procedures taken to collect all monies owed to the City for services. Policies should be in place and strictly adhered to. The test of collection procedures it was noted that there were:

- 4 instances where bills were paid the following month and none of the 4 had their services terminated.
- 1 instance where the bill was consistently late, but not disconnected, and an unpaid balance existed after the deposit was applied because customer moved away.
- 4 instances where the account was left with an unpaid balance after the deposit was applied.

Corrective action planned: The City has established policies regarding late payment of water and sewer billings which specify when service is to be disconnected, etc. In the future, these policies will be rigidly enforced.

Person responsible for the above corrective actions:

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Anticipated completion date: Immediately.

Reference # and title: **07-F8** **Vendor Expenses**

Condition found: Purchase orders should be used according to the City's purchasing policy. Original invoices should be use as support for all purchases and/or payments. Invoices should be paid on a timely basis. A timely basis is considered 30 days after the invoice date, if not noted otherwise on the invoice. The following was noted from a test of 33 vendor disbursements:

- 1 instance where expenditures were not supported by purchase orders.
- 3 instances where the invoice was not paid timely.
- 1 instances where no check was available to be tested.
- 2 instances we were unable to view authorized signatures on checks.
- 1 instance where invoice copy was used as support.
- 1 instance where the check nor the invoice could be located to test.

Corrective action planned: The City's existing purchase order policy will be strictly enforced. Invoices will be paid on a timely basis, within thirty days, and the original invoice will be the official document of the transaction.

City of Tallulah
Corrective Action Plan for Auditor's Current Year Findings
June 30, 2007

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Anticipated completion date: Immediately.

Reference # and title: **07-F9** **Violation of Louisiana Local Government Budget Act**

Condition found: The "Louisiana Local Government Act" requires budgets be amended if expected actual revenues are five percent less than budgeted revenues or expected actual expenditures are 5% greater than budgeted expenditures. The City's budgeted revenue exceeded that of actual revenue by an amount in excess of five percent. There were several areas including the police department, fire department and street department which exceeded budgeted funds and, after all the funds had been spent, a revision budget was presented to the Board and the Board refused to approve the revised budget.

Corrective action planned: In keeping with the Louisiana Local Government Budget Act, an amended budget was put before the Council as required. However, the Council had certain issues with the amended budget and refused to approve it. We do not see this situation occurring in the future.

Person responsible for the above corrective actions:

Gerald Odom, City Clerk Phone: (318) 574-0964
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Anticipated completion date: June 30, 2008.

Reference # and title: **07-F10** **Late Submission of Audit Report to Legislative Auditor**

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

Condition: Louisiana Revised Statute 24:513A (5) (a) (i) requires that "...audits shall be completed within six months of the close of the entity's fiscal year". Although field work was completed in the month of November there were additional questions which the audit team had regarding certain expenses. After review by the partner it was determined that additional fieldwork needed to be performed in order to obtain a comfort level regarding these questioned expenses. This field work was performed on the final date of submission and there were still additional questions which needed responses prior to issue of the report.

Corrective action planned: By taking corrective actions concerning finding of the current audit report, internal controls will become more stringent allowing for consistency in financial operations which will make future audits less likely to encounter entanglements requiring additional time to complete.

City of Tallulah
Corrective Action Plan for Auditor's Current Year Findings
June 30, 2007

Person responsible for the above corrective actions:

Gerald Odom, City Clerk Phone: (318) 574-0964
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Tallulah, LA 71282

Anticipated completion date: Immediately.

Reference # and title: **07-F11** **Late Submission of the Audit Report to the USDA**

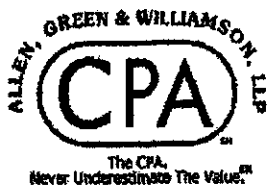
Condition found Louisiana Revised Statute 24:513A (5) (a) (i) requires that "...audits shall be completed within six months of the close of the entity's fiscal year". Although field work was completed in the month of November there were additional questions which the audit team had regarding certain expenses. After review by the partner it was determined that additional fieldwork needed to be performed in order to obtain a comfort level regarding these questioned expenses. This field work was performed on the final date of submission and there were still additional questions which needed responses prior to issue of the report.

Corrective action planned: The City will plan annual financial activity completions with its audit firm in order to allow for the timely completion and submission of its annual audit report.

Person responsible for the above corrective actions:

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

Anticipated completion date: Immediately.



ALLEN, GREEN & WILLIAMSON, LLP

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Management Letter

Mayor and Council Members
City of Tallulah
Tallulah, Louisiana

In planning and performing our audit of the financial statements of the City of Tallulah, for the year ended June 30, 2007, we considered the City's internal control to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit, we noted certain matters involving internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated February 6, 2008 on the financial statements of the City. We will review the status of these comments during our next audit engagement. Our comments and recommendations, which have been discussed with appropriate members of management, are intended to improve internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

07-M1 Lack of Insurance Coverage

Comment: During conversations with staff it was determined that the City carried no insurance on City vehicles or general liability insurance.

Recommendation: The City should immediately obtain insurance at whatever levels they can afford in order to mitigate possible losses occurring from public claims.

Management's response: As of July 1, 2007 all city vehicles have liability coverage.

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

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

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

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

Allen, Green + Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
February 6, 2008

City of Tallulah
Status of Prior Management Letter Item
June 30, 2007

06-M1 Issuance of 1099's

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

Management's response: The City's accounting staff will take the necessary steps required for the issuance of 1099's to all individuals as defined by IRS laws and regulations. This management letter item has been cleared.