

1 2204

OFFICIAL
FILE COPY
DO NOT SEND OUT
Where necessary
copy from this
copy of OFFICIAL
BAPTIST

**City of Tallulah
Tallulah, Louisiana**

**Annual Financial Report
As of and for the Year Ended June 30, 2008**

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 5/6/09

CITY OF TALLULAH
Tallulah, Louisiana

Annual Financial Report

As of and for the Year Ended June 30, 2008

Honorable Eddie Beckwith, Jr.
Mayor

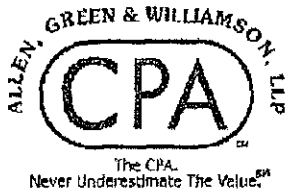
Gerald Odom
City Clerk

**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)	16
Governmental Funds:	
Balance Sheet	C 17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	D 18
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances	E 19-20
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	F 21
Proprietary Fund Type - Enterprise Fund:	
Statements of Net Assets	G 22
Statements of Revenues, Expenses, and Changes in Fund Net Assets	H 23
Statements of Cash Flows	I 24-25
Notes to the Basic Financial Statements	
Index	26
Notes	27-41
REQUIRED SUPPLEMENTAL INFORMATION	42
	<u>Exhibit</u>
General Fund	43
Budgetary Comparison Schedule	1 44
Notes to the Budgetary Comparison Schedule	45-46

**City of Tallulah
Table of Contents**

	<u>Exhibit</u>	<u>Page</u>
SUPPLEMENTAL INFORMATION		47
Nonmajor Governmental Funds		
Combining Balance Sheet – by Fund Type	2	48
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – by Fund Type	3	49
Nonmajor Special Revenue Funds		50
Combining Balance Sheet	4	51
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	5	52
Nonmajor Debt Service Funds		53
Combining Balance Sheet	6	54
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	7	55
Comparative Information Required by Bond Covenant with the U.S. Department of Agriculture		56
Comparative Statement of Net Assets	8	57
Schedule of Compensation Paid to Council Members	9	58
Financial Data Schedule		59
 SINGLE AUDIT INFORMATION		 60
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		61-62
Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133		63-64
Schedule of Expenditures of Federal Awards		65
Notes to the Schedule of Expenditures of Federal Awards		66
Schedule of Findings and Questioned Costs		67-76
 OTHER INFORMATION		 77
Summary of Prior Year Audit Findings		78-81
Corrective Action Plan for Auditor's Current Year Findings		82-90
Management Letter Items		
Management Letter		91
Status of Prior Management Letter Item		92



ALLEN, GREEN & WILLIAMSON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

P. O. Box 6075

Monroe, LA 71211-6075

2441 Tower Drive
Monroe, LA 71201

Telephone: (318) 388-4422

Fax: (318) 388-4664

Toll-free: (888) 741-0205
www.allengreencpa.com

Tim Green, CPA
Margie Williamson, CPA
Amy Tynes, CPA

Aimee Buchanan, CPA
Diane Ferschoff, CPA
Quint Martin, CPA
Brian McBride, CPA
Shonda McCoy, CPA
Cindy Thomason, CPA
Angie Williamson, CPA
Joshua Legg, CPA

Ernest L. Allen, CPA
(Retired) 1963 - 2000

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, 2008, 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, 2008, 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, 2008, 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 April 15, 2009 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
April 15, 2009

City of Tallulah

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, 2008.

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.

A copy of the audit report for Tallulah Housing Authority, a component unit of the City of Tallulah, may be obtained from the City Clerk of Tallulah at 204 North Cedar, Tallulah, LA 71282.

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

Total governmental activities revenues received for June 30, 2008 were \$3,324,055. This is an increase of \$494,020 or 17% change from the year ended June 30, 2007. This was due mainly to an increase in sales tax revenue of about \$200,000, as well as additional transfers in from other funds.

Governmental activities expenses for 2008 were \$2,924,687; this is an increase of \$56,915. Expenses increased from 2007 to 2008 mainly due to increases in travel, supplies, and airport contribution.

General and administrative expenses were \$168,022 less in 2008, police department expenses were \$24,648 more in 2008, fire department expenses were \$59,034 more in 2008, and street department expenses were \$188,978 more in 2008.

Total revenues received through business activities for June 30, 2008 was \$3,268,757, this is a decrease of \$828,461, or 20% between 2007 and 2008. Revenues decreased mainly because of a decrease in capital grants.

Business activities expenses for 2008 were \$3,367,477 which is an increase of \$894,948 or 36% between 2007 and 2008. Expenses increased due to financial outlays in completing the water rehabilitation project.

For the year ended June 30, 2008, the General Fund reported \$2,262,699 in revenues, an increase of \$35,474 or 2% from revenues received for the year ended June 30, 2007. The increase is due mainly to increased sales tax revenue.

Expenditures in the general fund increased \$370,049 from the year ended June 30, 2007 to June 30, 2008. In 2007, the City reported \$2,535,518 in expenditures for the General Fund and \$2,905,567 in expenditures for 2008. This change represents a 15% increase from 2007 to 2008. This increase in expenditures was mainly due to capital outlay expenditures such as the purchase of a large backhoe, major repair/maintenance projects, and rehabilitation improvements on the city barn.

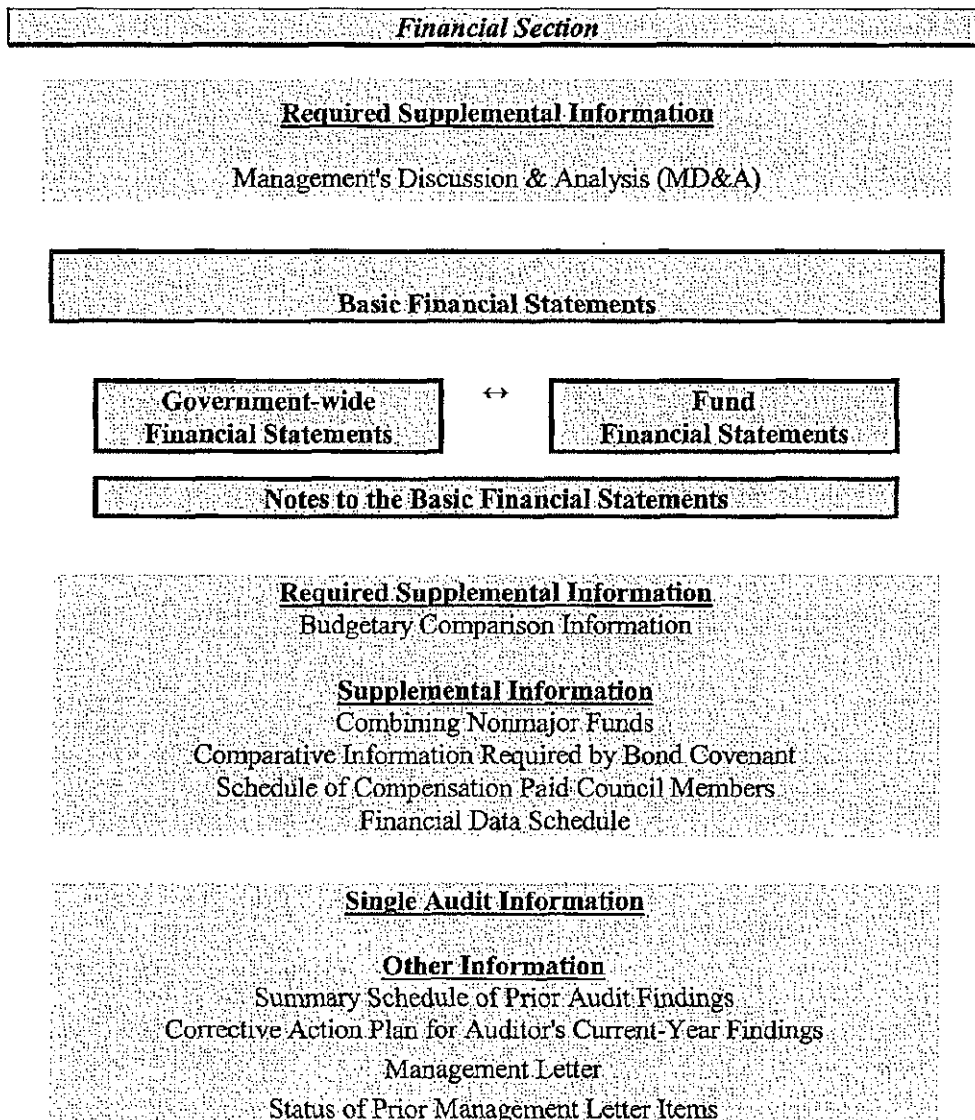
USING THIS ANNUAL REPORT

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

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

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, the 1998 Public Improvement Bonds funds, and Capital Project fund.

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, 2008 and 2007

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
ASSETS						
Current and other assets	\$ 894,514	\$1,118,304	\$ 1,175,934	\$ 595,145	\$ 2,070,448	\$ 1,713,449
Restricted assets	650,757	644,399	10,320	945,304	661,077	1,589,703
Capital assets	1,392,945	1,127,800	21,201,106	21,062,746	22,594,051	22,190,546
Deferred bond issuance costs	-	-	402,003	182,491	402,003	182,491
Total assets	2,938,216	2,890,503	22,789,363	22,785,686	25,727,579	25,676,189
LIABILITIES						
Current and other liabilities	154,266	222,734	139,785	177,946	294,051	400,680
Long-term liabilities	975,906	1,351,506	13,675,352	13,629,259	14,651,258	14,980,765
Total liabilities	1,130,172	1,574,240	13,815,137	13,807,205	14,945,309	15,381,445
NET ASSETS						
Invested in capital assets, net of debt	516,637	3,330	7,927,757	7,615,978	8,444,394	7,619,308
Restricted	-	-	10,320	945,304	10,320	945,304
Unrestricted	1,291,407	1,312,933	1,036,149	417,199	2,327,556	1,730,132
Total net assets	\$1,808,044	\$1,316,263	\$ 8,974,226	\$ 8,978,481	\$10,782,270	\$10,294,744

Net assets of the City's governmental activities for June 30, 2008 were \$1,808,044. 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 \$1,291,407.

The net assets of our business-type activities for June 30, 2008 were \$8,974,226.

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

Table 2
Changes in Net Assets
For the Years Ended June 30, 2008 and 2006

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues						
Charges for services	\$ 155,718	\$ 117,176	\$2,479,320	\$2,380,128	\$ 2,635,038	\$ 2,497,304
Operating grants and contributions	277,756	155,935	-	-	277,756	155,935
Capital grants and contributions	358,531	-	605,430	1,676,070	963,961	1,676,070
General revenues						
Property taxes	566,459	550,032	-	-	566,459	550,032
Sales tax	1,212,912	1,131,547	-	-	1,212,912	1,131,547
Other taxes, penalties	12,270	10,413	-	-	12,270	10,413
License and permits	168,279	163,958	-	-	168,279	163,958
Earnings on investments	28,533	34,123	184,007	41,020	212,540	75,143
Miscellaneous	543,597	666,851	-	-	543,597	666,851
Total Revenues	3,324,055	2,830,035	3,268,757	4,097,218	6,592,812	6,927,253
Functions/Program Expenses:						
Governmental Activities						
General and administrative	647,606	815,628	-	-	647,606	815,628
Police Department	687,338	662,690	-	-	687,338	662,690
Fire Department	443,982	384,948	-	-	443,982	384,948
Street Department	800,532	611,554	-	-	800,532	611,554
Health & Welfare	138,652	139,988	-	-	138,652	139,988
Culture and recreation	84,977	114,459	-	-	84,977	114,459
Legislative	34,180	33,825	-	-	34,180	33,825
Transportation	34,354	20,558	-	-	34,354	20,558
Interest expense	53,066	84,122	-	-	53,066	84,122
Business-type Activities						
Water Enterprise	-	-	2,382,027	1,784,625	2,382,027	1,784,625
Utility Enterprise	-	-	985,450	687,904	985,450	687,904
Total Functions/Program Expenses	2,924,687	2,867,772	3,367,477	2,472,529	6,292,164	5,340,301
Increase (decrease) in net assets before extraordinary items and transfers	399,368	(37,737)	(98,720)	1,624,689	300,648	1,586,952
Extraordinary item	-	550,000	-	-	-	550,000
Transfers	(17,466)	302,260	17,466	(302,260)	-	-
Increase (decrease) in net assets	381,902	814,523	(81,254)	1,322,429	300,648	2,136,952
Net assets - beginning, as originally stated	1,316,263	514,840	8,978,481	7,656,052	10,294,744	8,170,892
Prior period adjustment	109,879	(13,100)	76,999	-	186,878	(13,100)
Net assets - beginning, as restated	1,426,142	501,740	9,055,480	7,656,052	10,481,622	8,157,792
Net assets, ending	\$1,808,044	\$1,316,263	\$8,974,226	\$8,978,481	\$10,782,270	\$10,294,744

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

Governmental Activities

The cost of all governmental activities this year was \$2,924,687. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$2,132,682 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, 2008 and 2007

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	2008	2007	2008	2007
Governmental Activities				
General and administrative	\$ 647,606	\$ 815,628	\$ 571,110	\$ 815,628
Police Department	687,338	662,690	565,546	545,514
Fire Department	443,982	384,948	443,982	384,948
Street Department	800,532	611,554	442,001	611,554
Health and welfare	138,652	139,988	(17,034)	(1,937)
Culture and recreation	84,977	114,459	5,477	100,449
Legislative	34,180	33,825	34,180	33,825
Transportation	34,354	20,558	34,354	20,558
Interest expense	53,066	84,122	53,066	84,122
Total Functions/Program Expenses	<u>\$ 2,924,687</u>	<u>\$2,867,772</u>	<u>\$ 2,132,682</u>	<u>\$2,594,661</u>

Business-type Activities

Revenue of the City's business-type activities (see Table 2) for June 30, 2008 was \$3,268,757.

As stated previously, revenues of the City's business-type activities for June 30, 2008 was \$3,268,757; this is a decrease of \$828,461 from 2007 to 2008. Expenses for the year ended June 30, 2008 were \$3,367,477 for the City's business-type activities which increased \$894,948 from 2007 to 2008.

Business-type activities had a decrease in net assets of \$81,254 from 2007 to 2008.

THE CITY'S FUNDS

As the City completed the year, its governmental funds reported a combined fund balance of \$1,391,005, which is a decrease of \$148,964 in fund balance from last year. The general fund had a decrease in fund balance of \$206,911 due mainly to asset purchases, special maintenance/rehabilitation projects, and additional supply outlays coupled with an increase in expenses in police and street departments. The 1998 Public Improvement Board had an increase in fund balance of \$880 due to interest earnings. The Capital Project fund had an increase in fund balance of \$3,722

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

due to grant receipts. The Other Governmental funds had an increase of \$53,345 due mainly to maintenance, repairs, and additional supply purchases.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues were \$96,963 less than budgeted revenues. This unfavorable variance was due to budgeting the portion of sales tax revenue which is transferred to debt service.

Overall actual expenditures were \$219,827 more than budgeted expenditures. The Police Department, the Fire Department, the Street Department, and Transportation exceeded their budget amounts \$43,944, \$62,731, \$111,509, and \$12,754, respectively. Capital Outlay and interest expense exceeded budgeted amounts by \$193,306 and \$23,061, respectively. These unfavorable variances were due to the decision to spend more on capital outlays as well as emergency city maintenance and repair projects. Interest expense was due primarily on the balance owed for the City's industrial building.

CAPITAL ASSETS

At June 30, 2008 and 2007, the City had invested in the following capital assets:

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 78,500	\$ 78,500	\$ 678,330	\$ 678,330	\$ 756,830	\$ 756,830
Construction in progress		23,500		4,742,973	5,256,270	4,766,473
	23,500		5,232,770			
Infrastructure	575,255	511,285	-	-	575,255	511,285
Buildings improvements	2,578,437	2,344,940	-	-	2,578,437	2,344,940
Furniture and equipment	1,311,149	1,230,030		962,395	2,240,684	2,192,425
			929,535			
Plant	-	-	9,900,494	9,900,494	9,900,494	9,900,494
Transmission lines	-	-	2,986,914	2,529,995	2,986,914	2,529,995
Water systems	-	-	8,313,952	8,313,951	8,313,952	8,313,951
Pumping stations	-	-	337,944	337,944	337,944	337,944
Total capital assets	<u>4,566,841</u>	<u>4,188,255</u>	<u>28,379,939</u>	<u>27,466,082</u>	<u>32,946,780</u>	<u>31,654,337</u>
Accumulated depreciation		3,060,455		6,403,336	10,352,729	9,463,791
	3,173,896		7,178,833			
Net capital assets	<u>\$1,392,945</u>	<u>\$ 1,127,800</u>	<u>\$21,201,106</u>	<u>\$21,062,746</u>	<u>\$ 22,594,051</u>	<u>\$22,190,546</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, 2008, the City had bonds outstanding of \$761,988 - in which Governmental Funds make the required payments. Governmental Funds also make payments for other debt which comprises \$99,597 for the Municipal Police Retirement System Merger and \$114,321 which represents the balance of a bank loan. Enterprise Funds had outstanding bonds and loans of \$11,369,758 at June 30, 2008. Proceeds were used for the rehabilitation of the City's Water System and Sewer System. Also, the Enterprise Funds have capital leases of \$2,305,594 for equipment. Additional information regarding long-term debt can be found in Note 11 of the Notes to the Basic Financial Statements.

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

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, 60% 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, 2009.

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, 2008

Statement A

	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u>	<u>TOTAL</u>
ASSETS			
Cash and cash equivalents	\$ 611,439	\$ 650,306	\$ 1,261,745
Receivables (net)	454,758	353,945	808,703
Internal balances	(171,683)	171,683	0
Restricted assets			
Cash and cash equivalents	141,513	9,524	151,037
Investments	509,244	796	510,040
Capital assets			
Land and construction in progress	102,000	5,911,100	6,013,100
Depreciable assets, net of depreciation	1,290,945	15,290,006	16,580,951
Deferred bond issuance costs (net of amortization)	0	402,003	402,003
TOTAL ASSETS	<u>2,938,216</u>	<u>22,789,363</u>	<u>25,727,579</u>
LIABILITIES			
Accounts, salaries and other payables	154,266	132,077	286,343
Payable from restricted assets - deposits	0	7,708	7,708
Long term liabilities			
Due within one year	418,039	275,870	693,909
Due in more than one year	557,867	13,399,482	13,957,349
TOTAL LIABILITIES	<u>1,130,172</u>	<u>13,815,137</u>	<u>14,945,309</u>
NET ASSETS			
Invested in capital assets, net of related debt	516,637	7,927,757	8,444,394
Restricted	0	10,320	10,320
Unrestricted	1,291,407	1,036,149	2,327,556
TOTAL NET ASSETS	<u>\$ 1,808,044</u>	<u>\$ 8,974,226</u>	<u>\$ 10,782,270</u>

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

CITY OF TALLULAH
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Governmental Activities:				
General and administrative	\$ 647,606	\$ 33,926	\$ 42,570	\$ 0
Police Department	687,338	121,792	0	
Fire Department	443,982		0	
Street Department	800,532		0	358,531
Health and welfare	138,652		155,686	
Culture and recreation	84,977		79,500	
Legislative	34,180			
Transportation	34,354			
Interest expense	53,066			
Total Governmental Activities	<u>2,924,687</u>	<u>155,718</u>	<u>277,756</u>	<u>358,531</u>
Business-Type Activities:				
Water activities	2,382,027	1,624,576	0	0
Sewer activities	985,450	854,744	0	605,430
Total Business-Type Activities	<u>3,367,477</u>	<u>2,479,320</u>	<u>0</u>	<u>605,430</u>
Total	<u>\$ 6,292,164</u>	<u>\$ 2,635,038</u>	<u>\$ 277,756</u>	<u>\$ 963,961</u>

General revenues:

Taxes:

Property taxes

Sales tax revenue

Other taxes, penalties

Licenses and permits

Earnings on investments

Miscellaneous

Transfers

Total general revenues and transfers

Changes in net assets

Net assets - beginning, 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>	
\$ (571,110)	\$ 0	\$ (571,110)
(565,546)		(565,546)
(443,982)		(443,982)
(442,001)		(442,001)
17,034		17,034
(5,477)		(5,477)
(34,180)		(34,180)
(34,354)		(34,354)
(53,066)		(53,066)
<u>(2,132,682)</u>	<u>0</u>	<u>(2,132,682)</u>
	(757,451)	(757,451)
	<u>474,724</u>	<u>474,724</u>
0	(282,727)	(282,727)
<u>(2,132,682)</u>	<u>(282,727)</u>	<u>(2,415,409)</u>
566,459		566,459
1,212,912		1,212,912
12,270		12,270
168,279		168,279
28,533	184,007	212,540
543,597	0	543,597
(17,466)	17,466	0
<u>2,514,584</u>	<u>201,473</u>	<u>2,716,057</u>
<u>381,902</u>	<u>(81,254)</u>	<u>300,648</u>
1,316,263	8,978,481	10,294,744
<u>109,879</u>	<u>76,999</u>	<u>186,878</u>
<u>1,426,142</u>	<u>9,055,480</u>	<u>10,481,622</u>
\$ <u>1,808,044</u>	\$ <u>8,974,226</u>	\$ <u>10,782,270</u>

City of Tallulah

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

CITY OF TALLULAH
 GOVERNMENTAL FUNDS
 Balance Sheet
 June 30, 2008

Statement C

	1998				TOTAL
	GENERAL	PUBLIC IMPROVEMENT BONDS	CAPITAL PROJECT	OTHER GOVERNMENTAL	
ASSETS					
Cash and cash equivalents	\$ 266,677	\$ 0	\$ 3,722	\$ 341,040	\$ 611,439
Receivables	434,581	0	20,177	0	454,758
Interfund receivables	111,697	0	0	58,269	169,966
Restricted assets					
Cash and cash equivalents	141,513	0	0	0	141,513
Investments	0	509,244	0	0	509,244
TOTAL ASSETS	954,468	509,244	23,899	399,309	1,886,920
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts, salaries and other payables	124,208	0	20,177	9,881	154,266
Interfund payables	325,744	13,951	293	1,661	341,649
TOTAL LIABILITIES	449,952	13,951	20,470	11,542	495,915
FUND BALANCES:					
Reserved for Debt Service	0	495,293	0	80,605	575,898
Unreserved and undesignated	504,516	0	3,429	307,162	815,107
TOTAL FUND BALANCES	504,516	495,293	3,429	387,767	1,391,005
TOTAL LIABILITIES AND FUND BALANCES	\$ 954,468	\$ 509,244	\$ 23,899	\$ 399,309	\$ 1,886,920

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, 2008

Statement D

Total fund balances - governmental funds \$ 1,391,005

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	4,566,841	
Depreciation expense to date	<u>(3,173,896)</u>	
		1,392,945

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, 2008 are:

Bonds payable	(761,988)	
Other long-term debt	<u>(213,918)</u>	
		<u>(975,906)</u>

Net Assets - Governmental Activities \$ 1,808,044

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, 2008

	1998				Statement E
	PUBLIC			OTHER GOVERNMENTAL	TOTAL
	GENERAL	IMPROVEMENT BONDS	CAPITAL PROJECT		
REVENUES					
Local sources:					
Taxes					
Ad valorem	\$ 387,803	\$ 0	\$ 0	\$ 178,856	\$ 566,459
Sales	961,815	251,097	0	0	1,212,912
Other taxes, penalties and interest	12,270	0	0	0	12,270
Licenses and permits	168,279	0	0	0	168,279
Intergovernmental revenues	295,734	0	358,531	155,686	809,951
Rental income	14,415	0	0	0	14,415
Use of money and property	12,745	10,853	0	4,935	28,533
Fines and forfeitures	116,459	0	0	0	116,459
Miscellaneous revenues	293,379	0	200	101,198	394,777
Total revenues	2,262,699	261,950	358,731	440,675	3,324,055
EXPENDITURES					
Current:					
General and administrative	637,554	0	11,375	0	648,929
Police Department	665,784	0	0	0	665,784
Fire Department	407,681	0	0	0	407,681
Street Department	593,959	0	0	162,331	756,290
Health and welfare	0	0	0	138,652	138,652
Culture and recreation	78,171	0	0	0	78,171
Legislative	34,180	0	0	0	34,180
Transportation	34,354	0	0	0	34,354
Other	0	0	90	0	90
Capital outlay	380,906	0	0	0	380,906
Debt service:					
Principal retirement	49,917	230,000	0	75,044	354,961
Interest and bank charges	23,061	31,070	0	11,303	65,434
Total expenditures	2,905,567	261,070	11,465	387,330	3,565,432
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES					
	\$ (642,868)	\$ 880	\$ 347,266	\$ 53,345	\$ (241,377)

(Continued)

CITY OF TALLULAH

GOVERNMENTAL FUNDS
 Combined Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 For the Year Ended June 30, 2008

	1998				Statement E
	PUBLIC			OTHER GOVERNMENTAL	TOTAL
	GENERAL	IMPROVEMENT BONDS	CAPITAL PROJECT		
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ 326,078	\$ 0	\$ 0	\$ 0	\$ 326,078
Transfers out	0	0	(343,544)	0	(343,544)
TOTAL OTHER FINANCING SOURCES	326,078	0	(343,544)	0	(17,466)
NET CHANGE IN FUND BALANCES	(316,790)	880	3,722	53,345	(258,843)
FUND BALANCES - BEGINNING, AS ORIGINALLY STATED	711,427	494,413	(293)	334,422	1,539,969
PRIOR PERIOD ADJUSTMENT	109,879	0	0	0	109,879
FUND BALANCES - BEGINNING, AS RESTATED	821,306	494,413	(293)	334,422	1,649,848
FUND BALANCES - ENDING	\$ 504,516	\$ 495,293	\$ 3,429	\$ 387,767	\$ 1,391,005

(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, 2008

Statement F

Total net change in fund balances - governmental funds \$ (258,843)

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	\$ 378,586	
Depreciation	(113,441)	265,145

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.

375,600

Change in net assets of governmental activities.

\$ 381,902

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, 2008

Statement G

	WATER FUND	SEWER FUND	TOTAL
ASSETS			
Current Assets:			
Cash	\$ 650,111	\$ 195	\$ 650,306
Receivables	194,732	159,213	353,945
Interfund receivables	439,295	0	439,295
Restricted Assets:			
Cash	9,524	0	9,524
Investments	796	0	796
Total Current Assets	1,294,458	159,408	1,453,866
Non Current Assets			
Property, plant and equipment (net of accumulated depreciation)	9,107,320	12,093,786	21,201,106
Deferred bond issuance costs (net of amortization)	402,003	0	402,003
Total Non Current Assets	9,509,323	12,093,786	21,603,109
TOTAL ASSETS	10,803,781	12,253,194	23,056,975
LIABILITIES			
Current Liabilities			
Accounts payable	58,350	73,727	132,077
Interfund payables	0	267,612	267,612
Customer deposits	7,708	0	7,708
Current portion of long-term debt	229,249	46,621	275,870
Total Current Liabilities	295,307	387,960	683,267
Long-term debt - revenue bonds payable	10,282,102	3,117,380	13,399,482
TOTAL LIABILITIES	10,577,409	3,505,340	14,082,749
NET ASSETS			
Invested in capital assets, net of related debt	(1,002,028)	8,929,785	7,927,757
Restricted - Expendable	10,320	0	10,320
Unrestricted	1,218,080	(181,931)	1,036,149
TOTAL NET ASSETS	\$ 226,372	\$ 8,747,854	\$ 8,974,226

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, 2008

Statement H

	WATER FUND	SEWER FUND	TOTAL
OPERATING REVENUES			
Charges for services	\$ 1,598,006	\$ 845,750	\$ 2,443,756
Other operating revenue	26,570	8,994	35,564
Total operating revenues	<u>1,624,576</u>	<u>854,744</u>	<u>2,479,320</u>
OPERATING EXPENSES			
Personal services	318,934	199,312	518,246
Supplies	160,916	12,079	172,995
Maintenance	50,475	187,794	238,269
Utilities	110,245	91,962	202,207
Miscellaneous	130,133	80,211	210,344
Uniforms	3,706	2,644	6,350
Insurance	16,881	41,204	58,085
Accounting fees	7,000	0	7,000
Depreciation	658,929	149,428	808,357
Capital outlay	2,567	0	2,567
Total operating expenses	<u>1,459,786</u>	<u>764,634</u>	<u>2,224,420</u>
OPERATING INCOME (Loss)	<u>164,790</u>	<u>90,110</u>	<u>254,900</u>
NONOPERATING REVENUES (EXPENSES)			
Grant revenue	0	605,430	605,430
Interest income	183,535	472	184,007
Interest expense & Other charges	(712,950)	(220,816)	(933,766)
Amortization of bond issue costs	(209,291)	0	(209,291)
Total nonoperating revenues (expenses)	<u>(738,706)</u>	<u>385,086</u>	<u>(353,620)</u>
NET INCOME (Loss)	(573,916)	475,196	(98,720)
OTHER FINANCING SOURCES (USES)			
Transfers in	0	343,544	343,544
Transfers out	(250,000)	(76,078)	(326,078)
Total Other Financing Sources (Uses)	<u>(250,000)</u>	<u>267,466</u>	<u>17,466</u>
NET CHANGE IN FUND BALANCES	<u>(823,916)</u>	<u>742,662</u>	<u>(81,254)</u>
NET ASSETS - BEGINNING, AS ORIGINALLY STATED	1,050,288	7,928,193	8,978,481
PRIOR PERIOD ADJUSTMENT	0	76,999	76,999
NET ASSETS - BEGINNING, AS RESTATED	<u>1,050,288</u>	<u>8,005,192</u>	<u>9,055,480</u>
NET ASSETS - END OF YEAR	<u>\$ 226,372</u>	<u>\$ 8,747,854</u>	<u>\$ 8,974,226</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, 2008

Statement 1

	WATER FUND	SEWER FUND	TOTAL
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,435,144	\$ 799,742	\$ 2,234,886
Payments to employees	(318,934)	(199,312)	(518,246)
Payments to others	(496,264)	(314,291)	(810,555)
Other receipts	26,570	8,994	35,564
Net cash provided (used) for operating activities	<u>646,516</u>	<u>295,133</u>	<u>941,649</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Sale of investments	939,525	0	939,525
Earnings on investments	183,535	472	184,007
Net cash provided (used) for investing activities	<u>1,123,060</u>	<u>472</u>	<u>1,123,532</u>
CASH FLOW (USES) FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	0	343,544	343,544
Transfers out	(250,000)	(76,078)	(326,078)
Grant receipts	0	605,430	605,430
Increase (decrease) in customer receipts	0	0	0
Net cash provided (used) for noncapital financing activities	<u>(250,000)</u>	<u>872,896</u>	<u>622,896</u>
CASH FLOW (USES) FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Bond issue costs paid from cash	0	0	0
Acquisition of capital assets	0	(924,841)	(924,841)
Principal payment bonds	(347,467)	(36,327)	(383,794)
Interest paid on bonds	(712,663)	(242,691)	(955,354)
Net cash provided (used) for capital and related financing activities	<u>(1,060,130)</u>	<u>(1,203,859)</u>	<u>(2,263,989)</u>
Net increase (decrease) in cash and cash equivalents	459,446	(35,358)	424,088
CASH AND CASH EQUIVALENTS - BEGINNING	<u>200,189</u>	<u>36,553</u>	<u>235,742</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 659,635</u>	<u>\$ 195</u>	<u>\$ 659,830</u>
Reconciliation to balance sheet			
Cash	\$ 650,111	\$ 195	\$ 650,306
Restricted assets - cash	9,524	0	9,524
	<u>\$ 659,635</u>	<u>\$ 195</u>	<u>\$ 659,830</u>

(Continued)

CITY OF TALLULAH

PROPRIETARY FUND TYPE- ENTERPRISE FUNDS
 Statements of Cash Flows
 For the Year Ended June 30, 2008

Statement 1

	WATER FUND	SEWER FUND	TOTAL
Non cash transactions			
Amortization of bond issuance cost	\$ 26,800	\$ 0	\$ 26,800
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	164,790	90,110	254,900
Adjustments to reconcile operating income to net cash provided (used) for operating activities:			
Depreciation	658,929	149,428	808,357
(Increase) decrease in accounts receivable	(37,768)	(46,008)	(83,776)
(Increase) decrease in prepaids	0	1,311	1,311
Increase (decrease) in accounts payable	(14,241)	53,079	38,838
Increase (decrease) in interfunds	(125,194)	47,213	(77,981)
Net cash provided (used) by operating activities	\$ 646,516	\$ 295,133	\$ 941,649

(Concluded)

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

City of Tallulah
Notes to the Basic Financial Statements
June 30, 2008

INDEX

	<u>Page</u>
NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	27
A. REPORTING ENTITY	27
B. FUND ACCOUNTING	27
Governmental Funds	28
Proprietary Fund Type - Enterprise Funds	28
C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING	28
Fund Financial Statements (FFS)	28
Proprietary Funds	29
D. BUDGET PRACTICES	29
E. CASH AND CASH EQUIVALENTS	30
F. INVESTMENTS	30
G. CAPITAL ASSETS	30
H. LONG-TERM DEBT	30
I. VACATION AND SICK LEAVE	30
J. RESTRICTED ASSETS	31
K. RISK MANAGEMENT	31
L. RESTRICTED NET ASSETS	31
M. FUND BALANCES OF FUND FINANCIAL STATEMENTS	31
N. INTERFUND TRANSACTIONS	31
O. USE OF ESTIMATES	31
P. ELIMINATION AND RECLASSIFICATION	31
NOTE 2 - STEWARDSHIP, COMPLIANCE, & ACCOUNTABILITY	32
NOTE 3 - DEPOSITS & INVESTMENTS	32
NOTE 4 - LEVIED TAXES	32
NOTE 5 - RECEIVABLES	33
NOTE 6 - INTERFUND TRANSACTIONS/BALANCES	33
NOTE 7 - CAPITAL ASSETS	34
NOTE 8 - PENSION PLANS	35
NOTE 9 - ACCOUNTS, SALARIES, AND OTHER PAYABLE	36
NOTE 10 - BANK LOANS PAYABLE	36
NOTE 11 - CHANGES IN LONG-TERM OBLIGATIONS	37
NOTE 12 - CAPITAL LEASES	39
NOTE 13 - COMMITMENTS AND CONTINGENCIES	40
NOTE 14 - RISK MANAGMENT	40
NOTE 15 - PRIOR PERIOD ADJUSTMENT	40

City of Tallulah
Notes to the Basic Financial Statements
June 30, 2008

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

City of Tallulah
Notes to the Basic Financial Statements
June 30, 2008

governmental and proprietary fund types described as follows:

Governmental Funds

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

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.

Capital Project fund – is used to account for the accumulation of resources and the expenditures associated with the administration of the LCDBG grant.

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-Wide Financial Statements (GWFS) The Statement of Net 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

City of Tallulah
Notes to the Basic Financial Statements
June 30, 2008

pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt which is recognized when due. Compensated absences and claims and judgments are reported in a governmental fund only if the claims are due and payable.

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

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

City of Tallulah
Notes to the Basic Financial Statements
June 30, 2008

journal.

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

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

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

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

City of Tallulah
Notes to the Basic Financial Statements
June 30, 2008

provided in the case of resignation the employee has completed at least 12 months of continuous service and has given two weeks' notice of resignation.

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

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

K. RISK MANAGEMENT The City is exposed to various 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.

City of Tallulah
Notes to the Basic Financial Statements
June 30, 2008

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, 2008:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	\$2,685,740	\$2,905,567	\$(219,827)

NOTE 3 - DEPOSITS & INVESTMENTS At June 30, 2008, 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	\$510,040

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 \$1,412,782 (Statement A -Cash and cash equivalents of \$1,261,745 unrestricted and \$151,037 restricted) and the bank balance was \$1,565,205. Of the bank balance, \$416,681 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 \$1,148,524 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. The City's policy does not address custodial credit risk.

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, 2008, the City had 100% of its investments with an outside party. The securities are not registered in the City's name.

NOTE 4 - LEVIED TAXES The City levies property taxes on real and business property located within the City's boundaries. Property taxes are levied by the City on property values assessed by the Madison Parish Tax Assessor and approved by the state of Louisiana Tax Commission. The Madison Parish Tax Assessor prepares tax statements for the City. Ad valorem taxes were levied on September 5, 2007 with a due date of December 31, 2007 and a levy date of January 1, 2008.

City of Tallulah
Notes to the Basic Financial Statements
June 30, 2008

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

	<u>Levied Millage</u>
General Fund operations	7.94
General fund 77	708
General fund 91	8.91
1991 street program	8.40
1981 sewer bond	1.01
1987 sewer bond	2.10

NOTE 5 - RECEIVABLES The following is a summary of receivables at June 30, 2008:

<u>Class of Receivables</u>	<u>General</u>	<u>Capital Project</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Taxes:					
Sales & use	\$ 209,307	\$ -	\$ -	\$ -	\$ 209,307
State revenue	92,570	-	-	-	92,570
Sewer user fees				183,213	183,213
Water user fees			212,732		212,732
Franchise fees	45,762	-			45,762
Due from other governments	15,495	20,177			35,672
Other	71,447	-			71,447
Gross receivables	434,581	20,177	212,732	183,213	850,703
Less allowance for uncollectibles	-	-	18,000	24,000	42,000
Net total receivables	<u>\$ 434,581</u>	<u>\$ 20,177</u>	<u>\$ 194,732</u>	<u>\$ 159,213</u>	<u>\$ 808,703</u>

NOTE 6 - INTERFUND TRANSACTIONS/BALANCES Individual balances due from/to other funds at June 30, 2008, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Project	\$ 293
	Sewer Fund	111,404
Other governmental	General Fund	42,657
	1998 Public Improvement bond	13,951
	Other governmental	1,661
Water Fund	General Fund	283,087
	Sewer Fund	156,208
Total		<u>\$ 609,261</u>

Interfund balances result from loans to cover cash shortages during the year.

City of Tallulah
Notes to the Basic Financial Statements
June 30, 2008

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	\$ 326,078	\$ 250,000
	Sewer Fund		76,078
Sewer Fund	Capital Project	<u>343,544</u>	<u>343,544</u>
Total		<u>\$ 669,622</u>	<u>\$ 669,622</u>

The City normally transfers money from the utility funds to the general fund to cover shortfalls in the general fund. The transfer from the capital projects fund was a transfer of construction in progress which was paid for by LCDBG funds and should have been recorded in the sewer fund.

NOTE 7 - CAPITAL ASSETS The following presents the changes in governmental activities capital assets for the year ended June 30, 2008:

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Ending</u>
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 78,500	\$ -	\$ -	\$ 78,500
Construction in progress	23,500	-	-	23,500
Depreciable assets				
Infrastructure	511,285	63,970	-	575,255
Buildings and improvements	2,344,940	233,497	-	2,578,437
Furniture and equipment	1,230,030	81,119	-	1,311,149
Total	<u>4,188,255</u>	<u>378,586</u>	<u>-</u>	<u>4,566,841</u>
Less: accumulated depreciation	3,060,455	113,441		3,173,896
Net capital assets	<u>\$ 1,127,800</u>	<u>\$ 265,145</u>	<u>\$ -</u>	<u>\$ 1,392,945</u>

Depreciation expense was charged to governmental activities as follows:

General and administrative	\$ 4,538
Police department	21,554
Fire department	36,301
Street department	44,242
Culture and recreation	6,806
Total	<u>\$ 113,441</u>

City of Tallulah
Notes to the Basic Financial Statements
June 30, 2008

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

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets not being depreciated				
Land	\$ 678,330	\$ -	\$ -	\$ 678,330
Construction in progress	<u>4,742,973</u>	<u>889,689</u>	<u>399,892</u>	<u>5,232,770</u>
Capital assets, not being depreciated,	5,421,303	889,689	399,892	5,911,100
Depreciable assets				
Equipment	962,395	-	32,860	929,535
Plant	9,900,494	-	-	9,900,494
Transmission lines	2,529,995	456,919	-	2,986,914
Water systems	8,313,952	-	-	8,313,952
Pumping stations	<u>337,944</u>	<u>-</u>	<u>-</u>	<u>337,944</u>
Capital assets, depreciable, net	22,044,780	456,919	32,860	22,468,839
Less accumulated depreciation	<u>6,403,336</u>	<u>808,357</u>	<u>32,860</u>	<u>7,178,833</u>
Depreciable Capital assets, net	15,641,444	(351,438)	-	15,290,006
Total Capital assets, net	<u>\$21,062,747</u>	<u>\$ 538,251</u>	<u>\$ 399,892</u>	<u>\$21,201,106</u>

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

Water	\$658,929
Sewer	<u>149,428</u>
	<u>\$808,357</u>

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 The Firefighters' Retirement System is a cost-sharing, multiple employer defined benefit pension plan. 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 3 1/3% of their final-average salary for each year of creditable service, not to exceed 100% of their final-average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least 12 years of service and do not withdraw their employee contributions may retire at or after age 55 (or at or after age 50 with at least 20 years of creditable service at termination) and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

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

City of Tallulah
Notes to the Basic Financial Statements
June 30, 2008

Plan members are required by state statute to contribute 8.0% of their annual covered salary and the City of Tallulah is required to contribute an actuarially determined rate. The current rate is 13.75% 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, 2008, 2007, and 2006, were \$14,634, \$17,655, and \$25,183, respectively, equal to the required contributions for each year.

MUNICIPAL POLICE EMPLOYEES' RETIREMENT SYSTEM The Municipal Police Employees' Retirement System is a cost-sharing, multiple employer defined benefit pension plan. 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 3 1/3% 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% of their annual covered salary and the City of Tallulah is required to contribute at an actuarially determined rate. The current rate is 13.75% of annual covered payroll. The contribution requirements of plan members and the City of Tallulah are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City of Tallulah's contributions to the System for the years ended June 30, 2008, 2007, and 2006, were \$42,819, \$46,498, and \$34,716, respectively, equal to the required contributions for each year.

NOTE 9 - ACCOUNTS, SALARIES AND OTHER PAYABLE

Class of Payables	General	Capital Project	Other Governmental	Water Fund	Sewer Fund	Total
Accounts Payable	\$ 115,915	\$ -	\$ 9,881	\$ 58,350	\$ 73,727	\$ 257,873
Retainage Payable	-	20,177	-	-	-	20,177
Wages Payable	8,293	-	-	-	-	8,293
Net total payable	<u>\$ 124,208</u>	<u>\$ 20,177</u>	<u>\$ 9,881</u>	<u>\$ 58,350</u>	<u>\$ 73,727</u>	<u>\$ 286,343</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% interest. The remaining principal in the amount of \$114,320 is due in annual installments. Loan payments are made from the general fund. Only interest payments of \$2,410 were made to the bank during the year ended June 30, 2008.

City of Tallulah
Notes to the Basic Financial Statements
June 30, 2008

NOTE 11 - CHANGES IN LONG-TERM OBLIGATIONS The following is a summary of long-term obligation transactions for the year ended June 30, 2008:

	General Long-Term Debt			Water	Sewer
	Bonded Debt	Other	Total	Enterprise Fund	Enterprise Fund
Balance, beginning	\$ 1,124,470	\$ 227,036	\$ 1,351,506	\$10,428,931	\$ 3,200,328
Additions	-	1,335	1,335	5,631,416	-
Retirements	362,482	14,453	376,935	5,548,996	36,327
Balance, ending	\$ 761,988	\$ 213,918	\$ 975,906	\$10,511,351	\$ 3,164,001
Unamortized issue cost - 2007 Refunding				(141,349)	
Deferred amount on refunding - 2007 Refunding				(260,654)	
Totals				\$10,109,348	
Amounts due in one year			\$ 418,039	\$ 229,249	\$ 46,621

The classification "other" consists of \$99,598 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 \$114,320, representing a bank loan.

Bonded debt payable at June 30, 2008, are comprised of the following individual issues:

Bonded Debt:

\$260,000 - General Obligation Bonds. The remaining principal is due in annual installments of \$7,790 to \$14,527 through October 8, 2021, with interest of 5%. Debt retirement payments are made from the 1982 General Obligation Bond Debt Service Fund. The bonds were issued in 1982 for street improvements.

\$ 152,246

\$327,740 - Certificates of Indebtedness. The principal will be due in annual installments of \$42,187 through June 30, 2011. Interest is 4.50%. The certificates were issued in 1981 for construction of a fire station and purchase of a fire truck.

104,742

Total general obligation bonds

256,988

Revenue bond - \$2,390,000 - 1998 Public Improvement Refunding Bonds. The remaining principal is due in annual installments of \$245,000 to \$260,000 through July 1, 2009. Interest rates are 3.90% to 5.00%. 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.

505,000

Total bonded debt payable from Governmental fund-type funds

\$ 761,988

Water Enterprise Fund:

\$5,630,000 - Principal is due annually beginning in September 2007 and continuing until 2032. Principal payments range from \$50,000 to \$370,000. Interest rates are 4.3% to 5%. Debt retirement payments are made from the Water Enterprise Fund. The bonds

City of Tallulah
Notes to the Basic Financial Statements
June 30, 2008

were issued to refund the 1998 water revenue funds, which were issued to acquire the water system in 1998.	<u>\$ 5,580,000</u>
\$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%. 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.	1,633,906
\$728,000 – Principal is due in monthly installments starting August 20, 2002, through August 20, 2042. Interest rate is 4.50%. 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.	\$ 688,815
\$385,500 – Principal is due in monthly installments starting September 1, 2004, through August 1, 2044. Interest rate not to exceed 4.75%. Debt retirement payments are made from the Water Enterprise Fund.	<u>330,823</u>
Total revenue bonds payable from Water Enterprise Fund	8,233,544
Capital lease payable from Water Enterprise Fund	<u>2,277,807</u>
Total long-term obligations of Water Enterprise Fund	<u>\$10,511,351</u>
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.	\$ 2,639,977
\$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.	<u>496,237</u>
Total revenue bonds payable from Sewer Enterprise Fund	3,136,214
Capital lease payable form Sewer Enterprise Fund	<u>27,787</u>
Total long-term obligations of Sewer Enterprise Fund	<u>\$ 3,164,001</u>

City of Tallulah
Notes to the Basic Financial Statements
June 30, 2008

Debt service funds have \$575,898 available to service the bonded debt in the Governmental fund-type funds. The annual requirements to amortize all outstanding debt at June 30, 2008 are as follows:

<u>Year</u>	<u>General Long-Term Debt</u>			<u>Water Enterprise Fund</u>		<u>Sewer Enterprise Fund</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 418,039	\$ 39,389	\$ 457,428	\$ 229,249	\$ 521,355	\$ 46,620	\$ 136,429
2010	320,191	25,415	345,606	246,700	509,896	48,586	134,464
2011	60,108	18,988	79,096	258,169	497,730	37,660	132,628
2012	27,963	8,957	36,920	275,002	484,877	38,070	131,058
2013	29,741	7,179	36,920	287,217	471,318	39,705	129,423
2014-2018	65,598	22,230	87,828	1,660,599	2,122,497	225,737	619,903
2019-2023	54,266	7,570	61,836	2,113,493	1,649,441	279,086	566,554
2024-2028				2,422,702	1,043,098	345,456	500,184
2029-2033				2,111,256	489,457	428,020	417,620
2034-2038				547,467	155,259	530,732	314,908
2039-2043				359,497	25,044	658,509	187,131
2044-2047						485,820	38,643
Total	<u>\$ 975,906</u>	<u>\$129,728</u>	<u>\$1,105,634</u>	<u>\$10,511,351</u>	<u>\$ 7,969,972</u>	<u>\$3,164,001</u>	<u>\$ 3,308,945</u>

General obligation bonds totaling \$256,988 at June 30, 2008, are secured by an annual ad valorem tax levy. In accordance with Louisiana Revised Statute 39:562, the City is legally restricted from incurring long-term bonded debt in excess of 35% of the assessed value of taxable property in the City. Assessed value for the 2007 tax roll was \$16,326,395. The City is within the statutory limitation of \$5,714,238.

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

City of Tallulah
Notes to the Basic Financial Statements
June 30, 2008

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2008, were as follows:

<u>Year Ending June 30</u>	<u>Water Fund</u>	<u>Sewer Fund</u>
2009	\$ 200,382	\$ 13,922
2010	201,748	13,922
2011	201,748	1,160
2012	201,748	-
2013	201,748	-
2014-2018	1,009,811	-
2019-2023	1,010,000	-
2024-2027	<u>751,302</u>	<u>-</u>
Total minimum lease payments	3,778,487	29,004
Less: amount representing interest	<u>1,500,680</u>	<u>1,217</u>
Present value of minimum lease payments	<u>\$ 2,277,807</u>	<u>\$ 27,787</u>

Defeased Debt: The City defeased the water revenue bonds by placing the bond proceeds from the refunding into an irrevocable escrow account. This amount plus interest earned until the call date of the bonds will provide for all future debt service payment on these bonds. Accordingly, the assets of the escrow account are not included in the City's financial statements. At year-end, defeased bonds outstanding consisted of the following:

Water Revenue Bonds – Series 1998	\$5,195,000
-----------------------------------	-------------

The difference of the cash flow required to service old debt and required to service the new debt is (\$1,991,855). However, the economic loss from transaction \$246,833.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Litigation At June 30, 2008, the City is involved in several lawsuits. In the opinion of the City's legal Council, the outcome of any remaining lawsuits will not materially affect the financial statements. There were two unfavorable settlements during the year. The city paid \$5,000 as a settlement for a disputed contract and \$3,667 for settlement of a suit filed by a former employee of the police department.

Construction Projects There are certain sewer construction projects in progress at June 30, 2008. These projects are for sewer system improvements throughout the City. The construction commitment outstanding at June 30, 2008 is \$261,190.

NOTE 14 - RISK MANAGEMENT The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and automobile liability for which the City carries commercial insurance. The City currently has no deductibles for any insurance coverage.

NOTE 15 – PRIOR PERIOD ADJUSTMENT For the fiscal year ended June 30, 2008, there were two prior period adjustments recorded. One prior period adjustment in the amount of \$109,879 was made to record an increase in sales taxes. The City receives sales tax revenue two months after the sales tax period, yet in prior year only one month after year end was accrued. This adjustment was recorded in the general fund.

City of Tallulah
Notes to the Basic Financial Statements
June 30, 2008

A prior period adjustment in the amount of \$76,999 was recorded in the sewer fund. The City collects customer deposits for sewer services which were recorded as a liability in prior years; however, these deposits are nonrefundable to the customer. Therefore these funds should be recorded as operating revenue.

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, 2008

Exhibit 1

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
BUDGETARY FUND BALANCES, Beginning	\$ 821,306	\$ 821,306	\$ 821,306	0
Resources (inflows)				
Local sources:				
Taxes				
Ad valorem	389,700	389,700	387,603	(2,097)
Sales and use	1,084,890	1,084,890	961,815	(123,075)
Beer Tax	10,000	10,000	12,270	2,270
Licenses and permits	154,800	154,800	168,279	13,479
Intergovernmental revenues	238,015	238,015	295,734	57,719
Rental income	8,400	8,400	14,415	8,015
Fees, charges, and commission for services	4,800	4,800	0	(4,800)
Use of money and property	0	0	12,745	12,745
Fines and forfeitures	117,300	117,300	116,459	(841)
Miscellaneous revenues	337,835	337,835	293,379	(44,456)
Transfers from other funds	340,000	340,000	326,078	(13,922)
Amounts available for appropriations	<u>3,507,046</u>	<u>3,507,046</u>	<u>3,410,083</u>	<u>(96,963)</u>
Charges to appropriations (outflows)				
Current:				
General and administrative	850,395	850,395	637,554	212,841
Police Department	621,840	621,840	665,784	(43,944)
Fire Department	344,950	344,950	407,681	(62,731)
Street Department	482,450	482,450	593,959	(111,509)
Health and welfare	0	0	0	0
Culture and recreation	78,330	78,330	78,171	159
Legislative	47,175	47,175	34,180	12,995
Transportation	21,600	21,600	34,354	(12,754)
Capital outlay	187,600	187,600	380,906	(193,306)
Debt service:				
Principal retirement	51,400	51,400	49,917	1,483
Interest expense	0	0	23,061	(23,061)
Transfers to other funds	0	0	0	0
Total charges to appropriations	<u>2,685,740</u>	<u>2,685,740</u>	<u>2,905,567</u>	<u>(219,827)</u>
BUDGETARY FUND BALANCES, ENDING	<u>\$ 821,306</u>	<u>\$ 821,306</u>	<u>\$ 504,516</u>	<u>(316,790)</u>

City of Tallulah

Notes to the Budgetary Comparison Schedule
For the Year Ended June 30, 2008

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	\$2,685,740	\$2,905,567	\$(219,827)

CITY OF TALLULAH

Notes to the Budgetary Comparison Schedule
For the Year Ended June 30, 2008

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	\$ 3,410,083
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	(821,306)
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>(326,078)</u>
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 2,262,699</u>

City of Tallulah

SUPPLEMENTAL INFORMATION

CITY OF TALLULAH

NONMAJOR GOVERNMENTAL FUNDS
 Combining Balance Sheet - By Fund Type
 June 30, 2008

Exhibit 2

	SPECIAL REVENUE	DEBT SERVICE	TOTAL
ASSETS			
Cash and cash equivalents	\$ 275,225	\$ 65,815	\$ 341,040
Interfund receivables	<u>41,818</u>	<u>16,451</u>	<u>58,269</u>
TOTAL ASSETS	<u>317,043</u>	<u>82,266</u>	<u>399,309</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts, salaries and other payables	9,881	0	9,881
Interfund payables	<u>0</u>	<u>1,661</u>	<u>1,661</u>
TOTAL LIABILITIES	<u>9,881</u>	<u>1,661</u>	<u>11,542</u>
FUND BALANCES:			
Reserved for debt service	0	80,605	80,605
Unreserved and undesignated	<u>307,162</u>	<u>0</u>	<u>307,162</u>
Total Fund Balances	<u>307,162</u>	<u>80,605</u>	<u>387,767</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 317,043</u>	<u>\$ 82,266</u>	<u>\$ 399,309</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, 2008

Exhibit 3

	SPECIAL REVENUE	DEBT SERVICE	TOTAL
REVENUES			
Local sources:			
Taxes			
Ad valorem	\$ 130,529	\$ 48,327	\$ 178,856
Intergovernmental revenues	155,686	0	155,686
Use of money and property	4,598	337	4,935
Miscellaneous revenues	101,198	0	101,198
	<u>392,011</u>	<u>48,664</u>	<u>440,675</u>
Total revenues			
EXPENDITURES			
Current:			
Street Department	162,331	0	162,331
Health and welfare	138,652	0	138,652
Debt service:			
Principal retirement	0	75,044	75,044
Interest and bank charges	0	11,303	11,303
	<u>300,983</u>	<u>86,347</u>	<u>387,330</u>
Total expenditures			
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	91,028	(37,683)	53,345
FUND BALANCES - BEGINNING	<u>216,134</u>	<u>118,288</u>	<u>334,422</u>
FUND BALANCES - ENDING	<u>\$ 307,162</u>	<u>\$ 80,605</u>	<u>\$ 387,767</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, 2008

Exhibit 4

	SECTION 8	STREET PROGRAM	TEC BUILDING	TOTAL
ASSETS				
Cash and cash equivalents	\$ 123,112	\$ 142,018	\$ 10,095	\$ 275,225
Interfund receivables	<u>19,303</u>	<u>22,135</u>	<u>380</u>	<u>41,818</u>
TOTAL ASSETS	<u>142,415</u>	<u>164,153</u>	<u>10,475</u>	<u>317,043</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts, salaries and other payables	0	9,881	0	9,881
FUND BALANCES:				
Unreserved and undesignated	<u>142,415</u>	<u>154,272</u>	<u>10,475</u>	<u>307,162</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 142,415</u>	<u>\$ 164,153</u>	<u>\$ 10,475</u>	<u>\$ 317,043</u>

CITY OF TALLULAH

NONMAJOR SPECIAL REVENUE FUNDS
 Combining Schedule of Revenues, Expenditures,
 and Changes in Fund Balances
 For the Year Ended June 30, 2008

Exhibit 5

	SECTION 8	STREET PROGRAM	TEC BUILDING	TOTAL
REVENUES				
Local sources:				
Taxes				
Ad valorem	\$ 0	\$ 130,529	\$ 0	\$ 130,529
Intergovernmental revenues	155,686	0	0	155,686
Use of money and property	2,749	1,769	80	4,598
Miscellaneous revenues	1,198	100,000	0	101,198
Total revenues	159,633	232,298	80	392,011
EXPENDITURES				
Current:				
Street Department	0	162,331	0	162,331
Health and Welfare	138,652	0	0	138,652
Total expenditures	138,652	162,331	0	300,983
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	20,981	69,967	80	91,028
FUND BALANCES - BEGINNING	121,434	84,305	10,395	216,134
FUND BALANCES - ENDING	\$ 142,415	\$ 154,272	\$ 10,475	\$ 307,162

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, 2008

Exhibit 6

	1981 GENERAL OBLIGATION BONDS	1998 GENERAL OBLIGATION BONDS	TOTAL
ASSETS			
Cash and cash equivalents	\$ 41,821	\$ 23,994	\$ 65,815
Interfund receivables	<u>0</u>	<u>16,451</u>	<u>16,451</u>
TOTAL ASSETS	<u>41,821</u>	<u>40,445</u>	<u>82,266</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Interfund payables	1,661	0	1,661
FUND BALANCES:			
Reserved for debt service	<u>40,160</u>	<u>40,445</u>	<u>80,605</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 41,821</u>	<u>\$ 40,445</u>	<u>\$ 82,266</u>

CITY OF TALLULAH

NONMAJOR DEBT SERVICE FUNDS
 Combining Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 For the Year Ended June 30, 2008

Exhibit 7

	1981 GENERAL OBLIGATION BONDS	1998 GENERAL OBLIGATION BONDS	TOTAL
REVENUES			
Local sources:			
Taxes			
Ad valorem	\$ 15,695	\$ 32,632	\$ 48,327
Use of money and property	127	210	337
Total revenues	<u>15,822</u>	<u>32,842</u>	<u>48,664</u>
EXPENDITURES			
Debt service:			
Principal retirement	7,412	67,632	75,044
Interest and bank charges	<u>8,003</u>	<u>3,300</u>	<u>11,303</u>
Total expenditures	<u>15,415</u>	<u>70,932</u>	<u>86,347</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	407	(38,090)	(37,683)
FUND BALANCES - BEGINNING	<u>39,753</u>	<u>78,535</u>	<u>118,288</u>
FUND BALANCES - ENDING	<u>\$ 40,160</u>	<u>\$ 40,445</u>	<u>\$ 80,605</u>

City of Tallulah

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

CITY OF TALLULAH
 PROPRIETARY FUND TYPE - ENTERPRISE FUNDS
 Comparative Statement of Net Assets
 June 30, 2008 and 2007

Exhibit 8

	2008 WATER FUND	2007 WATER FUND	2008 SEWER FUND	2007 SEWER FUND
ASSETS				
Current Assets:				
Cash	\$ 650,111	\$ 194,410	\$ 195	\$ 35,553
Receivables	194,732	156,964	159,213	113,205
Interfund receivables	439,295	314,201	0	0
Prepaid expenses	0	0	0	1,311
Restricted Assets:				
Cash	9,524	5,779	0	0
Investments	796	939,525	0	0
Total Current Assets	1,294,458	1,610,879	159,408	150,069
Long-term Assets				
Property, plant and equipment (net of accumulated depreciation)	9,107,320	9,766,248	12,093,786	11,296,498
Deferred bond issuance costs (net of amortization)	402,003	182,491	0	0
TOTAL ASSETS	10,803,781	11,559,618	12,253,194	11,446,567
LIABILITIES				
Current Liabilities				
Accounts payable	58,350	75,957	73,727	20,648
Interfund payables	0	100	267,612	220,399
Customer deposits	7,708	4,342	0	76,999
Current portion of long-term debt	229,249	303,134	46,621	68,017
Total Current Liabilities	295,307	383,533	387,960	386,063
Long-term debt - revenue bonds payable	10,282,102	10,125,797	3,117,380	3,132,311
TOTAL LIABILITIES	10,577,409	10,509,330	3,505,340	3,518,374
NET ASSETS				
Invested in capital assets, net of related debt	(1,002,028)	(480,192)	8,929,785	8,096,170
Restricted	10,320	945,304	0	0
Unrestricted	1,218,080	585,176	(181,931)	(167,977)
Total Net Assets	\$ 226,372	\$ 1,050,288	\$ 8,747,854	\$ 7,928,193

City of Tallulah

Exhibit 9

Schedule of Compensation Paid to Council Members
For the Year Ended June 30, 2008

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.

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

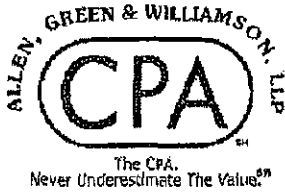
City of Tallulah
Financial Data Schedule
For the Year Ended June 30, 2008

PHA: LA242 FYED: 06/30/2008

Line Item No.	Account Description	Housing Choice Vouchers	Total
111	Cash - Unrestricted	\$123,112	\$123,112
100	Total Cash	\$123,112	\$123,112
120	Total Receivables, net of allowances for doubtful accounts	\$0	\$0
144	Interprogram Due From	\$19,303	\$19,303
150	Total Current Assets	\$142,415	\$142,415
160	Total Fixed Assets, Net of Accumulated Depreciation	\$0	\$0
180	Total Non-Current Assets	\$0	\$0
190	Total Assets	\$142,415	\$142,415
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	\$142,415	\$142,415
513	Total Equity/Net Assets	\$142,415	\$142,415
600	Total Liabilities and Equity/Net Assets	\$142,415	\$142,415
705	Total Tenant Revenue	\$0	\$0
706	HUD PHA Operating Grants	\$155,686	\$155,686
711	Investment Income - Unrestricted	\$2,749	\$2,749
715	Other Revenue	\$1,198	\$1,198
700	Total Revenue	\$159,633	\$159,633
916	Other Operating - Administrative	\$20,125	\$20,125
969	Total Operating Expenses	\$20,125	\$20,125
970	Excess Operating Revenue over Operating Expenses	\$139,508	\$139,508
973	Housing Assistance Payments	\$118,527	\$118,527
976	Capital Outlays - Governmental Funds	\$0	\$0
977	Debt Principal Payment - Governmental Funds	\$0	\$0
900	Total Expenses	\$138,652	\$138,652
1001	Operating Transfers In	\$0	\$0
1010	Total Other Financing Sources (Uses)	\$0	\$0
1000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$20,981	\$20,981
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0
1103	Beginning Equity	\$121,434	\$121,434
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

City of Tallulah

SINGLE AUDIT INFORMATION



ALLEN, GREEN & WILLIAMSON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

P. O. Box 6075

Monroe, LA 71211-6075

2441 Tower Drive
Monroe, LA 71201

Telephone: (318) 388-4422

Fax: (318) 388-4664

Toll-free: (888) 741-0205

www.allengreencpa.com

Tim Green, CPA
Margie Williamson, CPA
Amy Tynes, CPA

Aimee Buchanan, CPA
Diane Ferschoff, CPA
Quint Martin, CPA
Brian McBride, CPA
Shonda McCoy, CPA
Cindy Thomason, CPA
Angie Williamson, CPA
Joshua Legg, CPA

Ernest L. Allen, CPA
(Retired) 1963 - 2009

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, 2008, which collectively comprise the City's basic financial statements of the City's primary government and have issued our report thereon dated April 15, 2009. 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 opinions 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 08-F1, 08-F2, 08-F3, 08-F4, 08-F5, and 08-F7 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 deficiencies identified as 08-F1, 08-F2, 08-F5, and 08-F7 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 08-F6, 08-F8, and 08-F9.

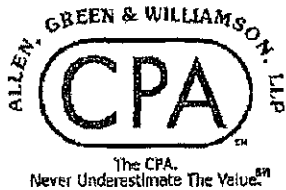
The City's response to the findings identified in our audit are described in the accompanying Corrective Action Plan. We did not audit the City's response and, accordingly, we express no opinion on it.

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
April 15, 2009



ALLEN, GREEN & WILLIAMSON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

P. O. Box 6075

Monroe, LA 71211-6075

2441 Tower Drive

Monroe, LA 71201

Telephone: (318) 388-4422

Fax: (318) 388-4664

Toll-free: (888) 741-0205

www.allengreencpa.com

Tim Green, CPA
Margie Williamson, CPA
Amy Tynes, CPA

Aimee Buchanan, CPA
Diane Ferschoff, CPA
Quint Martin, CPA
Brian McBride, CPA
Shonda McCoy, CPA
Cindy Thomason, CPA
Angie Williamson, CPA
Joshua Legg, CPA

Ernest L. Allen, CPA
(Retired) 1963 - 2000

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, 2008. 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, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 08-F10 and 08-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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 08-F10 and 08-F11 to be significant deficiencies.

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 deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

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, 2008, and have issued our report thereon dated April 15, 2009. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise City's primary government 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.

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
April 15, 2009

City of Tallulah
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2008

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM	<u>CFDA Number</u>	<u>Pass-Through Grantor No.</u>	<u>Expenditure</u>
CASH FEDERAL AWARDS			
United States Department of Housing and Urban Development			
Direct Program:			
Section 8 Housing Choice Vouchers	14.871		\$155,686
Community Development Block Grant	14.228		358,531
United States Department of Agriculture			
Direct Program - Water and Waste Disposal Systems for Rural Communities	10.760		<u>3,741,644</u>
TOTAL FEDERAL AWARDS			<u><u>\$4,255,861</u></u>

City of Tallulah
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

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:

Capital project-Intergovernmental revenue	\$ 358,531
Special Revenue	
Section 8 - Intergovernmental revenues	155,686
Enterprise Fund	
Revenue bonds payable	3,136,214
Grant revenue	<u>605,430</u>
Total	<u>\$ 4,255,861</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 \$3,741,644 amount on the schedule of federal awards is \$605,430 in grant revenue from the USDA, and also a \$2,639,977 Sewer Revenue Bond, Series 2006 R1 and a \$496,237 Sewer Revenue Bond, Series 2006 R2.

City of Tallulah
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

PART I - Summary of the Auditors' Results

Financial Statement Audit

- i. The type of audit report issued was adverse for the government as a whole and unqualified for the primary government.
- ii. There were six significant deficiencies required to be disclosed by Government Auditing Standards, issued by the Comptroller General of the United States of America.

Four significant deficiencies were considered to be 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 were two significant deficiencies required to be disclosed by OMB Circular A-133. The significant deficiencies were not considered to be material weaknesses.
- v. The type of report the auditor issued on compliance for major programs was unqualified.
- vi. The audit disclosed two audit findings which the auditor is required to report under OMB Circular A-133, Section .510(a).
- vii. The major federal programs are:
 - CFDA # 14.228 Community Development Block Grant
 - CFDA # 10.760 Water and Waste Disposal Systems for Rural Communities
- viii. The dollar threshold used to distinguish between Type A and Type B programs as described in OMB Circular 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, 2008

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: 08-F1 Inadequate Accounting Controls

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

Criteria or specific requirement: In order to ensure that there are adequate internal controls, incompatible functions should not be performed by one person. Separation of duties helps ensure that any discrepancies will be noted in the normal course of business.

Good internal controls also require that bank reconciliations be performed timely, to ensure that unexplained differences are discovered and resolved quickly. Additionally, information used to develop accounting records should be readily available for review and should mirror the accounting records. Periodic reviews should be performed to ensure that all transactions relating to the fiscal year have been recorded in the correct accounts and entered in the correct amount. Effective internal controls include vendor disbursements having original documentation (invoices, receipts, etc.), purchase order when required by policy, proper approval, supported by evidence of receipt of goods or services, and should be paid timely. Good internal controls over payroll records require that proper documentation be included in payroll records to support an employee's employability status and to support an employee's salary/hourly rate. Payroll records should include all employee authorizations for direct deposits.

Condition found:

There is not adequate separation of duties over cash since the City Clerk prepares accounts payable checks, performs the payroll direct deposit wire transfers to the bank, and also prepares the bank reconciliations.

During the review of accounting records, it was noted that bank reconciliations were not prepared in a timely manner. It appears that the two reconciliations tested reconciled seven to eight months after month end.

Numerous audit adjustments were made to record or correct transactions.

The minutes are typed and saved on the computer but not printed, signed, and filed in the official minute book until year end. In addition, the Lawrason Act R.S. 33:406 D.(1) states that the municipal clerk should keep a book entitled "Ordinances" in which all original ordinances that have been adopted by the Board are filed immediately after passage and a note should be attached which references the date of the enactment and the page of the minutes containing the adoption. The ordinance book was full and a new book had not been ordered so the ordinances were saved on the computer.

When testing sixty-one vendor disbursements, the following exceptions were noted:

- Six exceptions were noted in which the invoice was not paid timely. Three of the six exceptions were the City exceeded the three day requirement for LCDBG grant in which the day lapse ranged from seven to forty-five days from the time payment was received by the City to the time disbursement was made. The remaining three exceptions were paid between forty-three to seventy-two days past invoice date.
- Two exceptions noted were charged to lease equipment when the expense was for professional services.

A total of fifteen payroll checks were tested for various attributes. Of the fifteen checks tested:

- One exception was noted in which the hours paid (96 hours) did not agree to time sheet (92 hours).
- One exception was noted in which the payment to a fireman did not include payments for the fire runs.
- Three exceptions were noted in which the pay rate could not be traced to a approved pay rate authorization form.
- Two exceptions were noted in which the time sheet was not signed by the supervisor.

City of Tallulah
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

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:

The following exceptions were noted in the test of three credit card statements:

- Three exceptions were noted in which there was no supporting documentation for credit card charges.
- One exception was noted in which the charge was a donation in which the City paid for a School Board expense.
- One exception was noted in which there were late charges on the credit card statement.

A sample of twenty direct deposit summaries were selected to determine whether they were being approved by the mayor. Of the twenty selected, the mayor did not approve three of the direct deposit summaries.

In test of check registers, it was noted that three of the checks were reflected as being voided on the register; however when viewed the voided checks, it was noted that checks were not properly defaced.

Blank checks are not maintained in locked and secure area when not being used.

Possible asserted effect (cause and effect):

Cause: Low priority place on maintaining accounting records

Effect: Internal controls over accounting functions are weakened.

Recommendations to prevent future occurrences Bank reconciliations should be performed monthly within reasonable time of receiving the bank statement, which is normally the following month. All vendor disbursements in the future should be paid in a timely manner and recorded properly. The City should require that supporting documentation is turned in to accounting for all credit card charges. All charges should be properly reviewed to ensure purchases are allowable and reasonable as well as payments should be made timely to avoid late fees. The City should also have documentation in personnel files of the approved salary including the signature of the individual who approved the salary. Furthermore, direct deposit summaries should be signed off by the Mayor each pay period. Quality control procedures should be established for some assurance that job functions are being performed adequately. Blank checks should be maintained in a locked and secured area at times of not being used. Also, all voided check should be properly defaced to prevent further negotiation.

Reference # and title: 08-F2 **Accounting Records on Investments not Maintained Properly**

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

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 and reviews the statements, but activity each month is not recorded in the accounting system.

City of Tallulah
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

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:

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 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: **08-F3** **Possible Violations of Cell Phone Policy**

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

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 that cell phone use is not monitored on a monthly basis. Cell phones charges for the entire fiscal year amounted to \$17,021. A motion was passed in the May 24, 2007 minutes requesting that all phones be taken up except the department heads and that a listing of all cell phones by Department be provided to the Council at the next Council meeting to determine which employees should have cell phones. In reviewing the minutes, there was no discussion on this matter in the next meeting or any subsequent meeting.

Possible asserted effect (cause and effect):

Cause: Unknown

Effect: The City is paying expenses for cell phones in which usage is not being monitored by the Council as indicated in the cell phone policy.

Recommendations to prevent future occurrences: The City should follow the 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 excessive use and when required be reimbursed for any charges considered unnecessary or excessive in nature as stated by the adopted policy. The City should also review the terms of the cell phone contracts to determine if any adjustment to the terms could be made to mitigate the costs.

Reference # and title: **08-F4** **Professional and Occupational Licenses**

Entity-wide or program/department specific: This finding relates only to the General Fund.

Criteria or specific requirement: In accordance with R.S. 47:341 the City has a right to impose an occupational license tax on any person conducting business in the City. The application instructions indicate that each person pursuing any trade, profession, vocation, calling, or business should complete a form for each municipality or parish in which he/she maintains a business location.

City of Tallulah
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

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: Presently, the City has a listing of occupational licenses which includes a history of payments for several years. The City does not presently have a listing of delinquent filers. There are no procedures in place to remove businesses that are no longer in business or to add new businesses to the list.

Possible asserted effect (cause and effect):

Cause: The City is not maintaining accountability of occupational license fees.

Effect: The City could lose revenue by not maintaining accountability of occupational license fees and this also weakens internal controls over occupational and professional licenses.

Recommendations to prevent future occurrences: The City should establish a system of maintaining records of professional and occupational licenses. This should include the ability to print a list of delinquent filers. There should also be procedures established to keep the list updated.

Reference # and title: 08-F5 Delinquent Customer Accounts in Water & Sewer Department

Entity-wide or program/department specific: This finding relates to the Water and Sewer department.

Criteria or specific requirement: Good internal controls require that all customer accounts not paid by the required date should be disconnected and necessary steps taken to collect all monies owed to the City for services. Policies should be established and enforced.

Condition found: In reviewing delinquent accounts and discussing collection procedures with the utility department, it appears there is no written policy regarding delinquent accounts. Customers who do not pay the full bill will ask for an extension and it is usually granted. There are no written payment plans for customers that are several months past due.

Possible asserted effect (cause and effect):

Cause: The City does not currently have a policy for delinquencies.

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. Payment plans should be in writing and signed by both parties.

Reference # and title: 08-F6 Budget Violation

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

Criteria or specific requirement: The Council is required to pass a budget ordinance in accordance with the

City of Tallulah
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

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:

Louisiana Government Budget Act. Furthermore, the adoption of the budget should occur no later than fifteen days prior to the beginning of the fiscal year according to R.S. 39:1306.

Condition found: The budget for the 2007-2008 fiscal year was approved at the April 16, 2008 meeting which was past the required deadline for adoption of the budget. Council members made several oral amendments to the budget to decrease the budgeted salaries of the Mayor, City Clerk, and Police Chief. The budget, including the oral amendments, was approved.

Possible asserted effect (cause and effect):

Cause: There is an ongoing conflict between the Council and the Mayor, City Clerk, and Police Chief regarding their salaries.

Effect: City operated without a budget for most of the fiscal year.

Recommendations to prevent future occurrences: The budget should be adopted at least fifteen days before the beginning of the fiscal year.

Reference # and title: **08-F7** **Internal Control Weakness**

Entity-wide or program/department specific: This finding relates to the police department

Criteria or specific requirement: Good internal controls require that adequate safeguards be in place and enforced over the ticket process. This includes maintaining logs of ticket books issued to police officers, maintaining records of tickets issued, recording collection of ticket fines, and depositing fines collected in a timely manner. All transactions should be reasonable and adequately substantiated with supporting documentation.

Condition found: When reviewing the ticket collection process it was noted that ticket receipts were not being kept in a secure location once brought to accounting for deposit. Also noted is that once ticket receipts are turned in to accounting they are not deposited within a reasonable time. In addition, the police staff did not always count and document the amount of ticket receipts being released to accounting for deposit.

When testing the accountability of receipts, the following was noted:

- A set of July 2007 receipts were not located, which totals approximately \$1,000. These receipts could not be traced to a deposit. The Police Department indicated that they were not aware of this until auditor's testing.
- July 2007 and August 2007 receipts in the amount of \$2,177 were deposited March 27, 2009.
- September 2007 and October 2007 receipts in the amount of \$3,211 were deposited March 27, 2009.
- Another set of December 2007 receipts were not available to view for testing. The City indicated that some of the December receipts and support estimated to be \$1,200 were turned over to state police for investigation.

When testing the issuance and outcome of tickets, the following was noted:

- One exception was noted in which the City was unable to locate the ticket and support for outcome of the ticket.
- Three exceptions were noted in which the ticket was either not paid or not paid in full and no further action by the police department was taken.
- One exception was noted in which the ticket was underpaid, but was considered paid in full.

City of Tallulah
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

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

Possible asserted effect (cause and effect):

Cause: The City did not have good separation of duties over the ticket receipts for some part of the fiscal year. Also, ticket receipts are not kept in a secure location which increases the opportunity for theft to occur. The City does not have good accountability over ensuring that tickets issued are deposited.

Effect: Internal controls are weakened and the City is losing ticket revenue.

Recommendations to prevent future occurrences: The City should establish procedures to ensure that the ticket process is reasonable and adequate. These procedures should establish safeguards in which the police and accounting staff involved in the collection process sign the deposit slip showing that they have counted the funds and tickets support the total deposited. All deposits should be deposited within three business days of the receipt of funds and are locked in a secure area until deposit is made. Furthermore, validated deposit slips should be copied and submitted to the police department for their record.

Reference # and title: 08-F8 Donation of Public Funds

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

Criteria or specific requirement: According to Article 7, Section 14 of the Louisiana Constitution, any political subdivision shall not loan, pledge, or donate to or for any person, association, or corporation, public or private, any funds or items of value.

Condition found: In reviewing the general ledger, it was noted that \$3,688 in public funds had been given to private and public organizations, in which these organizations do not appear to fall within the exceptions allowed within Article 7, Section 14 of the Louisiana Constitution. This was a prior year finding and was discussed with City employees at the exit conference in the prior year. No donations were noted in the current year after the exit conference last year which was in December 2007.

Possible asserted effect (cause and effect):

Cause: Unknown.

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

Recommendations to prevent future occurrences: The City should establish procedures to ensure that all requirements of the Constitution are followed.

City of Tallulah
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

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: 08-F9 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: The City's audit for the year ended June 30, 2008 was not completed within six months of the close of the City's year end.

Possible asserted effect (cause and effect):

Cause: The City did not have financials ready for the audit until February of 2009 which is after the six month requirement. The City did undergo a software conversion during the year.

Effect: The City did not meet state requirements.

Recommendations to prevent future occurrences: Client should establish procedures to ensure that financials and trial balances are prepared in time to conduct the audit and meet six month requirement.

City of Tallulah
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

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: **08-F10** **Cash Management**

Federal program and specific federal award identification: This finding relates to Community Development Block Grant, CFDA#14.228, from federal agency, Department of Housing and Urban Development, passed through the State of Louisiana for Federal Award year 2006.

Criteria or specific requirement: According to the Financial Management Manual all grantees must generally disburse all LCDBG programs funds received within three days of receipt. Additionally, all disbursements should be properly recorded and paid out of the applicable fund.

Condition found: In a sample of four cash disbursements the following were noted:

- Three exceptions were noted in which the payment was made past the three day requirement of receipt of funds. The payment day lapse ranged from seven to forty-five days from the day of receipt of funds.
- One exception was noted in which the invoice pertained to the LCDBG fund yet was charged to the USDA fund. This error was later corrected by City employees.

Possible asserted effect (cause and effect):

Cause: No procedures are established to ensure that payment is made within three days of receipt of funds.

Effect: Payments are not being made timely to vendors once funds are received.

Recommendations to prevent future occurrences: The City should comply with federal regulations of the Community Development Block grant by making payments to vendors within reasonable time of receipt of funds.

Reference # and title: **08-F11** **Late Submission of the Audit Report to the USDA**

Federal program and specific federal award identification: This finding relates to Water and Waste Disposal Systems for Rural Communities, CFDA# 10.760, from Federal agency direct program: United States Department of Agriculture for Federal Award year 2006.

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, 2008 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 financials ready for the audit until February of 2009 which is after the 150 day requirement.

City of Tallulah
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

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

Effect: The City is in violation of the requirements of the USDA regarding submission due date of audit report.

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.

City of Tallulah

Other Information

City of Tallulah
Summary of Prior Year Audit Findings
June 30, 2008

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

Year of Origination: 2004

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: See current year 08-F2.

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

Year of Origination: 2004

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: See current year 08-F3.

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

Year of Origination: 2005

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.

City of Tallulah
Summary of Prior Year Audit Findings
June 30, 2008

Corrective action taken: All travel by employees or elected officials is approved in advance, and the traveler signs a travel voucher, and submits necessary documentation upon return.

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

Year of Origination: 2004

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:

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

Corrective action planned: See current year 08-F1.

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

Year of Origination: 2007

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: See current year 08-F8.

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

Year of Origination: 2007

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 taken: Henceforth, no city elected official or employee will use a city credit card for a personal

City of Tallulah
Summary of Prior Year Audit Findings
June 30, 2008

purchase. All credit card statements will be closely examined for approve purchases and all accompanying documentation shall be attached.

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

Year of Origination: 2007

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: See current year 08-F5.

Reference # and title: 07-F8 Vendor Expenses

Year of Origination: 2007

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: See current year 08-F1.

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

Year of Origination: 2007

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

City of Tallulah
Summary of Prior Year Audit Findings
June 30, 2008

refused to approve the revised budget.

Corrective action planned: See current year 08-F6.

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

Year of Origination: 2007

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: See current year 08-F9.

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

Year of Origination: 2004

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: See current year 08-F11.

City of Tallulah
Corrective Action Plan for Auditor's Current Year Findings
June 30, 2008

Reference # and title: 08-F1 Inadequate Accounting Controls

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

Condition found: In order to ensure that there are adequate internal controls, incompatible functions should not be performed by one person. Separation of duties helps ensure that any discrepancies will be noted in the normal course of business.

Good internal controls also require that bank reconciliations be performed timely, to ensure that unexplained differences are discovered and resolved quickly. Additionally, information used to develop accounting records should be readily available for review and should mirror the accounting records. Periodic reviews should be performed to ensure that all transactions relating to the fiscal year have been recorded in the correct accounts and entered in the correct amount. Effective internal controls include vendor disbursements having original documentation (invoices, receipts, etc.), purchase order when required by policy, proper approval, supported by evidence of receipt of goods or services, and should be paid timely. Good internal controls over payroll records require that proper documentation be included in payroll records to support an employee's employability status and to support an employee's salary/hourly rate. Payroll records should include all employee authorizations for direct deposits.

There is not adequate separation of duties over cash since the City Clerk prepares accounts payable checks, performs the payroll direct deposit wire transfers to the bank, and also prepares the bank reconciliations.

During the review of accounting records, it was noted that bank reconciliations were not prepared in a timely manner. It appears that the two reconciliations tested reconciled seven to eight months after month end.

Numerous audit adjustments were made to record or correct transactions.

The minutes are typed and saved on the computer but not printed, signed, and filed in the official minute book until year end. In addition, the Lawrason Act R.S. 33:406 D.(1) states that the municipal clerk should keep a book entitled "Ordinances" in which all original ordinances that have been adopted by the Board are filed immediately after passage and a note should be attached which references the date of the enactment and the page of the minutes containing the adoption. The ordinance book was full and a new book had not been ordered so the ordinances were saved on the computer.

When testing sixty-one vendor disbursements, the following exceptions were noted:

- Six exceptions were noted in which the invoice was not paid timely. Three of the six exceptions were the City exceeded the three day requirement for LCDBG grant in which the day lapse ranged from seven to forty-five days from the time payment was received by the City to the time disbursement was made. The remaining three exceptions were paid between forty-three to seventy-two days past invoice date.
- Two exceptions noted were charged to lease equipment when the expense was for professional services.

A total of fifteen payroll checks were tested for various attributes. Of the fifteen checks tested:

- One exception was noted in which the hours paid (96 hours) did not agree to time sheet (92 hours).
- One exception was noted in which the payment to a fireman did not include payments for the fire runs.
- Three exceptions were noted in which the pay rate could not be traced to a approved pay rate authorization form.
- Two exceptions were noted in which the time sheet was not signed by the supervisor.

City of Tallulah
Corrective Action Plan for Auditor's Current Year Findings
June 30, 2008

The following exceptions were noted in the test of three credit card statements:

- Three exceptions were noted in which there was no supporting documentation for credit card charges.
- One exception was noted in which the charge was a donation in which the City paid for a School Board expense.
- One exception was noted in which there were late charges on the credit card statement.

A sample of twenty direct deposit summaries were selected to determine whether they were being approved by the mayor. Of the twenty selected, the mayor did not approve three of the direct deposit summaries.

In test of check registers, it was noted that three of the checks were reflected as being voided on the register; however when viewed the voided checks, it was noted that checks were not properly defaced.

Blank checks are not maintained in locked and secure area when not being used.

Corrective action planned: High priority will be placed on the filing and maintaining of all accounting records, minutes, and ordinances. Better documentation, more timely cash reconciliations, and timely invoice payments will be incorporated into office procedures. The separation of duties issue will be corrected as described and instructed by auditors during the exit interview. Personnel files will be reviewed periodically to ensure that all required documentation is present. The City Clerk will lock the financial office on leaving work each day, thus providing improved security of the office.

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: June 30, 2009.

Reference # and title: **08-F2** **Accounting Records on Investments not Maintained Properly**

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

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: The City contracts an outside agency to perform its investment accounting and will insist in the future that all bank statements be posted on a monthly basis as well postings of appropriate journal entries.

City of Tallulah
Corrective Action Plan for Auditor's Current Year Findings
June 30, 2008

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: June 30, 2009.

Reference # and title: **08-F3** **Possible Violations of Cell Phone Policy**

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

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 that cell phone use is not monitored on a monthly basis. Cell phones charges for the entire fiscal year amounted to \$17,021. A motion was passed in the May 24, 2007 minutes requesting that all phones be taken up except the department heads and that a listing of all cell phones by Department be provided to the Council at the next Council meeting to determine which employees should have cell phones. In reviewing the minutes, there was no discussion on this matter in the next meeting or any subsequent meeting.

Management response to corrective action planned: Departmental managers and supervisors along with the City Clerk's office will more closely monitor all cell phone charges and provide such information to the City Council. It is determined that a new cell phone policy is desired, and therefore the City will institute a current one.

Council response to corrective action planned: The Council has on many occasions since the May 24, 2007 meeting raised the issue of collection of the cell phones for disbursement in accordance to established policy. The phones still have not been collected.

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: June 30, 2009.

Reference # and title: **08-F4** **Professional and Occupational Licenses**

Entity-wide or program/department specific: This finding relates only to the General Fund.

Condition found: In accordance with R.S. 47:341 the City has a right to impose an occupational license tax on any person conducting business in the City. The application instructions indicate that each person pursuing any trade, profession, vocation, calling, or business should complete a form for each municipality or parish in which he/she

City of Tallulah
Corrective Action Plan for Auditor's Current Year Findings
June 30, 2008

maintains a business location.

Presently, the City has a listing of occupational licenses which includes a history of payments for several years. The City does not presently have a listing of delinquent filers. There are no procedures in place to remove businesses that are no longer in business or to add new businesses to the list.

Corrective action planned: The City realizes the need to strengthen controls and collection procedures of occupational licenses as well as the proper accounting of current license holders. The City of Tallulah is contracting with LMAT to manage the issuance and compliance of occupational licenses as well the collection of subsequent license fees.

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: June 30, 2009.

Reference # and title: **08-F5** **Delinquent Customer Accounts in Water & Sewer Department**

Entity-wide or program/department specific: This finding relates to the Water and Sewer department.

Condition found: Good internal controls require that all customer accounts not paid by the required date should be disconnected and necessary steps taken to collect all monies owed to the City for services. Policies should be established and enforced.

In reviewing delinquent accounts and discussing collection procedures with the utility department, it appears there is no written policy regarding delinquent accounts. Customers who do not pay the full bill will ask for an extension and it is usually granted. There are no written payment plans for customers that are several months past due.

Corrective action planned: The City will establish a standard operating procedures manual regarding controls on billing collections which will entail written guidelines on what constitutes payment delinquency. This policy will be instituted and followed closely. Should payment plans be required for certain customers, such plans will be in writing and signed by both parties.

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: June 30, 2009.

City of Tallulah
Corrective Action Plan for Auditor's Current Year Findings
June 30, 2008

Reference # and title: **08-F6** **Budget Violation**

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

Condition found: The Council is required to pass a budget ordinance in accordance with the Louisiana Government Budget Act. Furthermore, the adoption of the budget should occur no later than fifteen days prior to the beginning of the fiscal year according to R.S. 39:1306. The budget for the 2007-2008 fiscal year was approved at the April 16, 2008 meeting which was past the required deadline for adoption of the budget. Council members made several oral amendments to the budget to decrease the budgeted salaries of the Mayor, City Clerk, and Police Chief. The budget, including the oral amendments, was approved.

Management response to corrective action planned: In the future, the City will comply with all the budgeting provisions of its governing statute, the Lawrason Act.

Council response to corrective action planned: Consideration of the 07-08 budget was delayed through no fault of the Council, apparently because of concern by the Mayor and Clerk as to the legality of their purported raises. Notwithstanding, the Council passed a budget (3-2) over the objection of the Mayor in July 07, which was vetoed by the Mayor and overrode at the next council meeting by a 4-1 vote. The budget is final (see R.S. 33:406(C)(3)) as there was no suspension of its affect by the Council (see R.S. 33:406(F)) and there is no judicial declaration to the contrary.

Your proposed finding that the City operated without a budget for fiscal year 07-08 is, therefore, erroneous.

For your additional consideration, the Council believed it acted in good faith in not recognizing the ordinance purporting to raise the salaries of the Mayor, Clerk, and Chief of Police because the ordinance did not pass pursuant to the Lawrason Act and therefore did not become effective.

The Mayor and Council took office with salaries set by the previous Council. As the first order of business, the Mayor introduced an ordinance to raise the salaries in question. The Council voted the ordinance down (3-2). The ordinance was brought up for reconsideration at the same meeting and did not receive a vote of the majority of the council members (2 of 5 Council members present voted for the ordinance and 1 abstained) as required to become law (see R. S. 33:406(A)(1)). In such a situation, the Mayor is not permitted to vote to break the purported tie (see AGO 93-441). (See also *City of Pineville v AFSCME 791So2d 609 (La. 2001)*). Furthermore, no Councilman was given the opportunity to participate in the litigation of that question when Gerald Odom's lawsuit against the City was heard and the question was not before the court in the lawsuit filed by the Mayor against 4 of the 5 Councilmen. Still there is not a lawful affirmative vote on that ordinance by the Council.

Technically speaking: (1) If the oral motion to amend the salaries was supposedly without effect then how could the Council violate the statute by voting to reduce his salary since no amendment took place. (2) If the Council took office under a definite salary and subsequently votes to keep those salaries unchanged by aligning the succeeding budget accordingly, does that constitute an attempt to reduce the salaries of officials for the term for which they were elected irrespective of the intervening ordinance.

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	

City of Tallulah
Corrective Action Plan for Auditor's Current Year Findings
June 30, 2008

Anticipated completion date: June 30, 2009.

Reference # and title: **08-F7** **Internal Control Weakness**

Entity-wide or program/department specific: This finding relates to the police department

Condition found: Good internal controls require that adequate safeguards be in place and enforced over the ticket process. This includes maintaining logs of ticket books issued to police officers, maintaining records of tickets issued, recording collection of ticket fines, and depositing fines collected in a timely manner. All transactions should be reasonable and adequately substantiated with supporting documentation.

When reviewing the ticket collection process it was noted that ticket receipts were not being kept in a secure location once brought to accounting for deposit. Also noted is that once ticket receipts are turned in to accounting they are not deposited within a reasonable time. In addition, the police staff did not always count and document the amount of ticket receipts being released to accounting for deposit.

When testing the accountability of receipts, the following was noted:

- A set of July 2007 receipts were not located, which totals approximately \$1,000. These receipts could not be traced to a deposit. The Police Department indicated that they were not aware of this until auditor's testing.
- July 2007 and August 2007 receipts in the amount of \$2,177 were deposited March 27, 2009.
- September 2007 and October 2007 receipts in the amount of \$3,211 were deposited March 27, 2009.
- Another set of December 2007 receipts were not available to view for testing. The City indicated that some of the December receipts and support estimated to be \$1,200 were turned over to state police for investigation.

When testing the issuance and outcome of tickets, the following was noted:

- One exception was noted in which the City was unable to locate the ticket and support for outcome of the ticket.
- Three exceptions were noted in which the ticket was either not paid or not paid in full and no further action by the police department was taken.
- One exception was noted in which the ticket was underpaid, but was considered paid in full.

Corrective action planned: The City will establish safeguards for the police ticket process by ensuring that all collections are deposited within three days of receipt and that interim collections are locked in a secure location. The numerical sequence of tickets shall accompany payments and be closely monitored. A standard operating procedures manual will be established regarding all collected receipts by the City Clerk's office

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: June 30, 2009.

City of Tallulah
Corrective Action Plan for Auditor's Current Year Findings
June 30, 2008

Reference # and title: **08-F8** **Donation of Public Funds**

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

Condition found: According to Article 7, Section 14 of the Louisiana Constitution, any political subdivision shall not loan, pledge, or donate to or for any person, association, or corporation, public or private, any funds or items of value.

In reviewing the general ledger, it was noted that \$3,688 in public funds had been given to private and public organizations, in which these organizations do not appear to fall within the exceptions allowed within Article 7, Section 14 of the Louisiana Constitution. This was a prior year finding and was discussed with City employees at the exit conference in the prior year. No donations were noted in the current year after the exit conference last year which was in December 2007.

Corrective action planned: In the future, the City will closely follow guidelines as stipulated in Article 7, Section 14 of the Louisiana Constitution regarding donation of public 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: June 30, 2009.

Reference # and title: **08-F9** **Late Submission of Audit Report to Legislative Auditor**

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

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".

The City's audit for the year ended June 30, 2008 was not completed within six months of the close of the City's year end.

Corrective action planned: The City Clerk and staff will have all accounting functions and financial statements prepared for audit within the six month period of the close of the fiscal year.

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: June 30, 2009.

City of Tallulah
Corrective Action Plan for Auditor's Current Year Findings
June 30, 2008

Reference # and title: **08-F10** **Cash Management**

Federal program and specific federal award identification: This finding relates to Community Development Block Grant, CFDA#14.228, from federal agency, Department of Housing and Urban Development, passed through the State of Louisiana for Federal Award year 2006.

Condition found: According to the Financial Management Manual all grantees must generally disburse all LCDBG programs funds received within three days of receipt. Additionally, all disbursements should be properly recorded and paid out of the applicable fund.

In a sample of four cash disbursements the following were noted:

- Three exceptions were noted in which the payment was made past the three day requirement of receipt of funds. The payment day lapse ranged from seven to forty-five days from the day of receipt of funds.
- One exception was noted in which the invoice pertained to the LCDBG fund yet was charged to the USDA fund. This error was later corrected by City employees.

Corrective action planned: The City Clerk and staff will be prompt in its payments to vendors of future Community Block Development Grants and verify the correct fund from which the payments should be made. The error of paying from the wrong fund during the year was discovered and corrected. It should be noted that such an error is extremely rare and has never happened before during the current City Clerk's 16 year tenure with the City.

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: June 30, 2009.

Reference # and title: **08-F11** **Late Submission of the Audit Report to the USDA**

Federal program and specific federal award identification: This finding relates to Water and Waste Disposal Systems for Rural Communities, CFDA# 10.760, from Federal agency direct program: United States Department of Agriculture for Federal Award year 2006.

Condition found: 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.

The City's audit for the year ended June 30, 2008 was not submitted to the USDA within the 150 days after fiscal year end as required.

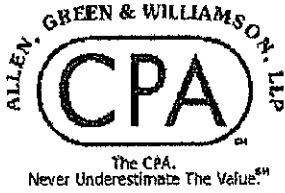
Corrective action planned: In the future, the City Clerk and staff fully intend to have financials prepared and ready for audit within the 150 day period as prescribed by USDA.

City of Tallulah
Corrective Action Plan for Auditor's Current Year Findings
June 30, 2008

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: June 30, 2009.



ALLEN, GREEN & WILLIAMSON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

P. O. Box 6075

Monroe, LA 71211-6075

2441 Tower Drive
Monroe, LA 71201

Telephone: (318) 388-4422

Fax: (318) 388-4664

Toll-free: (888) 741-0205

www.allengreencpa.com

Tim Green, CPA
Margie Williamson, CPA
Amy Tynes, CPA

Aimee Buchanan, CPA
Diane Ferschoff, CPA
Quint Martin, CPA
Brian McBride, CPA
Shonda McCoy, CPA
Cindy Thomason, CPA
Angie Williamson, CPA
Joshua Legg, CPA

Ernest L. Allen, CPA
(Retired) 1963 - 2000

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, 2008, 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.

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 opinions 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
April 15, 2009

City of Tallulah
Status of Prior Management Letter Item
June 30, 2008

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.

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