

**City of Tallulah
Tallulah, Louisiana**

**Annual Financial Report
As of and for the Year Ended June 30, 2011**

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 **FEB 08 2012**

CITY OF TALLULAH
Tallulah, Louisiana

Annual Financial Report
As of and for the Year Ended June 30, 2011

Honorable Eddie Beckwith, Jr.
Mayor

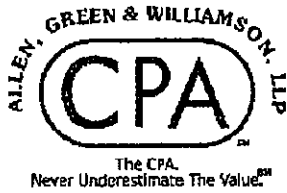
Gerald Odom
City Clerk

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tallulah as of and for the year ended June 30, 2011, 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 State 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 principal 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, 2011, or the changes in financial position thereof for the year then ended. The effect of the omission of the discretely presented component units to the financial statements for the aggregate discretely presented component unit is not reasonably determinable.

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 fund information of the primary government of City of Tallulah, as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows 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 November 29, 2011 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, which includes the Financial Data Schedule required by HUD, are presented for purposes of additional analysis and are 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 them.

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

Monroe, Louisiana
November 29, 2011

City of Tallulah

REQUIRED SUPPLEMENTAL INFORMATION:

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

City of Tallulah
Management's Discussion and Analysis (MD&A)
June 30, 2011

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, 2011. Amounts are presented in thousands unless otherwise noted.

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, 2011 were \$3,036. This is an increase of \$162 or 5.6% change from the year ended June 30, 2010. This was due mainly to a small increase in sales tax as well as operating grants from the State.

Governmental activities expenses for 2011 were \$3,184 this is an increase of \$12 or .4%. Expenses increased from 2010 to 2011 mainly due to increased cost of operations of the police department offset by the \$225 transfer of the LCDBG sewer improvement project to the Sewer fund.

The Police Department, Health and Welfare and Interest expenses increased \$80, \$19 and \$19 respectively, while the General and Administrative, Fire Department and Street Department expenses decreased \$85, \$10 and \$15 respectively.

Total revenues received through business activities for June 30, 2011 was \$2,598, this is an increase of \$244, or 10.4% between 2010 and 2011. Revenues increased mainly due to increased revenue resulting from a water usage rate increase that went into effect during the latter part of the year as well as the City received grant revenue in 2011.

Business activities expenses for 2011 were \$2,829 which is a decrease of \$68 or 2.3% between 2010 and 2011. Expenses decreased because of a decrease in sewer fund operating expenses.

For the year ended June 30, 2011, the General Fund reported \$2,405 in revenues; this is an increase of \$61 or 2.6% from the \$2,344 in revenues for the year ended June 30, 2010. This increase was due to a 3.2% increase in sales tax for the year.

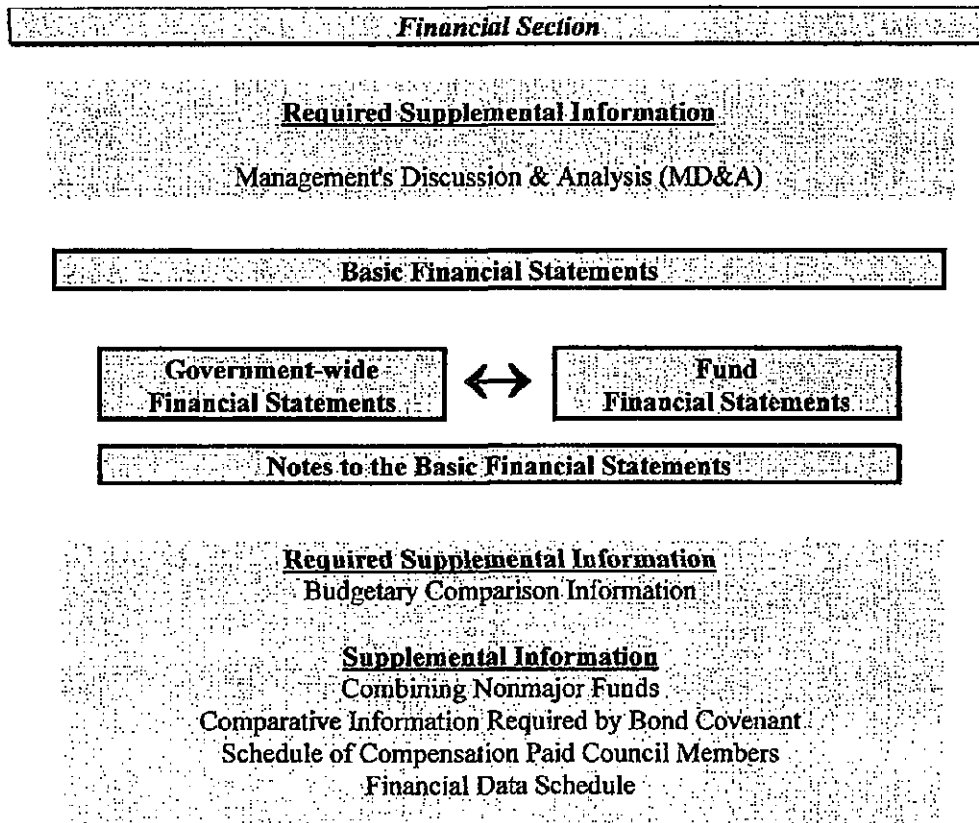
Expenditures in the General Fund decreased \$308 from the year ended June 30, 2010 to June 30, 2011. In 2010, the City reported \$3,174 in expenditures for the General Fund and \$2,866 in expenditures for 2011. This change represents a 9.7% decrease from 2010 to 2011. This decrease in expenditures was due to a sharp decline in repair and rehabilitation spending.

City of Tallulah
Management's Discussion and Analysis (MD&A)
June 30, 2011

USING THIS ANNUAL REPORT

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

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



City of Tallulah
Management's Discussion and Analysis (MD&A)
June 30, 2011

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

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

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

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:

City of Tallulah
Management's Discussion and Analysis (MD&A)
June 30, 2011

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).

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
(In Thousands)
June 30, 2011 and 2010

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
ASSETS						
Current and other assets	\$ 726	\$ 883	\$ 384	\$ 369	\$ 1,110	\$ 1,252
Restricted assets	4	4	189	186	193	190
Capital assets	1,762	1,847	19,315	19,634	21,077	21,481
Total assets	2,492	2,734	19,888	20,189	22,380	22,923
LIABILITIES						
Current and other liabilities	377	424	622	454	999	878
Long-term liabilities	476	483	12,455	12,733	12,931	13,216
Total liabilities	853	907	13,077	13,187	13,930	14,094
NET ASSETS						
Invested in capital assets, net of debt	1,336	1,432	6,860	6,900	8,196	8,332
Restricted	186	20	-	-	186	20
Unrestricted	117	375	(49)	102	68	477
Total net assets	\$ 1,639	\$ 1,827	\$ 6,811	\$ 7,002	\$ 8,450	\$ 8,829

Net assets of the City's governmental activities for June 30, 2011 were \$1,639. 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 \$117.

The net assets of our business-type activities for June 30, 2011 were \$6,811.

City of Tallulah
Management's Discussion and Analysis (MD&A)
June 30, 2011

Table 2
Changes in Net Assets
(In Thousands)
For the Years Ended June 30, 2011 and 2010

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues						
Charges for services	\$ 94	\$ 92	\$ 2,517	\$ 2,353	\$ 2,611	\$ 2,445
Operating grants and contributions	361	352	81	-	442	352
Capital grants and contributions	360	194	-	-	360	194
General revenues						
Property taxes	486	511	-	-	486	511
Sales tax	1,123	1,088	-	-	1,123	1,088
Other taxes, penalties	330	284	-	-	330	284
License and permits	90	95	-	-	90	95
Grants and contributions <i>not</i> restricted to a program	109	112	-	-	109	112
Earnings on investments	1	1	-	1	1	2
Miscellaneous	82	145	-	-	82	145
Total Revenues	3,036	2,874	2,598	2,354	5,634	5,228
Functions/Program Expenses:						
Governmental Activities						
General and Administrative	644	729	-	-	644	729
Police Department	766	686	-	-	766	686
Fire Department	475	485	-	-	475	485
Street Department	790	805	-	-	790	805
Health and Welfare	208	189	-	-	208	189
Culture and Recreation	138	135	-	-	138	135
Legislative	66	62	-	-	66	62
Transportation	46	49	-	-	46	49
Interest Expense	51	32	-	-	51	32
Business-type Activities						
Water Enterprise	-	-	1,953	1,943	1,953	1,943
Utility Enterprise	-	-	876	954	876	954
Total Functions/Program Expenses	3,184	3,172	2,829	2,897	6,013	6,069
Increase (decrease) in net assets before transfers	(148)	(298)	(231)	(543)	(379)	(841)
Transfers	147	306	(147)	(306)	-	-
Increase (decrease) in net assets	(1)	8	(378)	(849)	(379)	(841)
Net assets – beginning, as originally stated	1,827	1,860	7,002	7,851	8,829	9,711
Prior period adjustment	(187)	(41)	187	-	-	(41)
Net assets – beginning, as restated	1,640	1,819	7,189	7,851	8,829	9,670
Net assets, ending	\$ 1,639	\$ 1,827	\$ 6,811	\$ 7,002	\$ 8,450	\$ 8,829

City of Tallulah
Management's Discussion and Analysis (MD&A)
June 30, 2011

Governmental Activities

The cost of all governmental activities this year was \$3,184. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$2,369 because some of the cost was paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions.

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

Table 3
Governmental Activities
(In Thousands)
For the Years Ended June 30, 2011 and 2010

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	2011	2010	2011	2010
Governmental Activities				
General and administrative	\$ 644	\$ 729	\$ 583	\$ 685
Police Department	766	686	538	522
Fire Department	475	485	451	427
Street Department	790	805	474	610
Health and welfare	208	189	32	29
Culture and recreation	138	135	128	125
Legislative	66	62	66	62
Transportation	46	49	46	42
Interest expense	51	32	51	32
Total Functions/Program Expenses	<u>\$ 3,184</u>	<u>\$ 3,172</u>	<u>\$ 2,369</u>	<u>\$ 2,534</u>

Business-type Activities

Revenue of the City's business-type activities (see Table 2) for June 30, 2011 was \$2,598. This is an increase of \$244 from 2010 to 2011. Expenses for the year ended June 30, 2011 were \$2,829 for the City's business-type activities which decreased \$68 from 2010-2011.

Business-type activities had a decrease in net assets of \$191. This decrease is due to the \$378 decrease from the results of activities from 2010 to 2011 offset by the \$187 increase of a prior period adjustment to transfer the completed governmental Sewer improvement project that was placed into operations in the Sewer fund during 2011.

THE CITY'S FUNDS

As the City completed the year, its governmental funds reported a combined fund balance of \$353, which is a decrease of \$109 in fund balance from last year. The General Fund had a decrease in fund balance of \$40 due mainly to an increase in expenditures in excess of budgeted amounts.

City of Tallulah
Management's Discussion and Analysis (MD&A)
June 30, 2011

The Section 8 fund had a decrease in fund balance of \$41 from 2010. This decrease is due to deficit spending in that too much was paid for certain vouchers where the tenant should have been correctly certified. The Street fund had a decrease in fund balance of \$31 due mainly to increase spending on street repairs and equipment. The other government funds had an increase of \$4.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues were \$61 less than budgeted revenues. This unfavorable variance was due to the non budgeted grants from the State and transfers from other funds.

Overall actual expenditures were \$80 more than budgeted expenditures. The General and administrative, Street, Transportation, and Capital Outlay exceeded their budget amounts \$35, \$36, \$19, and \$22, respectively. These unfavorable variances were due to additional repair and rehabilitation expense

Budget revisions for fiscal year ending June 30, 2011 included a \$50 increase in grant revenues and expenditures.

CAPITAL ASSETS

At June 30, 2011 and 2010, the City had invested in the following capital assets (in thousands):

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 79	\$ 79	\$ 678	\$ 678	\$ 757	\$ 757
Construction in progress	21	187	-	-	21	187
Infrastructure	575	575	-	-	575	575
Buildings improvements	2,790	2,689	10	-	2,800	2,689
Furniture and equipment	1,743	1,642	945	945	2,688	2,587
Plant	-	-	9,900	9,900	9,900	9,900
Transmission lines	-	-	9,005	8,437	9,005	8,437
Water systems	-	-	8,314	8,314	8,314	8,314
Pumping stations	-	-	338	338	338	338
Total capital assets	5,208	5,172	29,190	28,612	34,398	33,784
Accumulated depreciation	3,446	3,325	9,875	8,978	13,321	12,303
Net capital assets	\$ 1,762	\$ 1,847	\$ 19,315	\$ 19,634	\$ 21,077	\$ 21,481

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

DEBT ADMINISTRATION At June 30, 2011, the City had bonds and certificates outstanding of \$357 and capital leases of \$69 in which Governmental Funds make the required payments. Governmental Funds also make payments for other debt which comprises \$50 for the Municipal Police Retirement System Merger. Enterprise Funds had net outstanding bonds and loans of \$10,395 at June 30, 2011. Proceeds were used for the rehabilitation of the City's Water System and Sewer System. Also, the Enterprise Funds have capital leases of \$2,060 for equipment. Additional information regarding long-term debt can be found in Note 11 of the Notes to the Basic Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS Our elected and appointed officials and citizens consider many factors when setting the City's budget and tax rates. One of the most important factors affecting the

City of Tallulah
Management's Discussion and Analysis (MD&A)
June 30, 2011

budget is our ad valorem and sales tax collections. Approximately, 61% of total revenues in the general fund are from ad valorem and sales tax collections. The general fund budget for the year ending June 30, 2012 as originally adopted varied little from the 2011 budget, but due to a continuing short fall in revenues, the town is currently undergoing a budget amendment process which will pare expenses by an annual rate of about \$300,000.

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, 2011

Statement A

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL PRIMARY GOVERNMENT
ASSETS			
Cash and cash equivalents	\$ 215,942	\$ 24,204	\$ 240,146
Receivables (net)	432,183	431,444	863,627
Prepaid insurance	5,694	0	5,694
Internal balances	71,751	(71,751)	0
Restricted assets			
Cash and cash equivalents	4,200	189,212	193,412
Capital assets			
Land and construction in progress	99,508	678,330	777,838
Depreciable assets, net of depreciation	1,662,817	18,636,873	20,299,690
TOTAL ASSETS	2,492,095	19,888,312	22,380,407
LIABILITIES			
Accounts, salaries and other payables	246,525	266,652	513,177
Bank overdraft	130,152	73,959	204,111
Interest payable	0	92,948	92,948
Payable from restricted assets - customer deposits	0	189,212	189,212
Long term liabilities			
Due within one year	73,028	297,640	370,668
Due in more than one year	403,294	12,157,202	12,560,496
TOTAL LIABILITIES	852,999	13,077,613	13,930,612
NET ASSETS			
Invested in capital assets, net of related debt	1,335,882	6,860,361	8,196,243
Restricted - expendable	185,516	0	185,516
Unrestricted	117,698	(49,662)	68,036
TOTAL NET ASSETS	\$ 1,639,096	\$ 6,810,699	\$ 8,449,795

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, 2011

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Governmental Activities:				
General and administrative	\$ 644,209	\$ 0	\$ 11,000	\$ 50,000
Police Department	765,839	94,040	133,721	
Fire Department	475,063		24,000	
Street Department	789,943		6,190	309,751
Health and welfare	208,217		176,309	
Culture and recreation	137,502		10,000	
Legislative	66,351			
Transportation	45,658			
Interest expense	51,210			
Total Governmental Activities	3,183,992	94,040	381,220	359,751
Business-Type Activities:				
Water activities	1,952,930	1,735,258	0	0
Sewer activities	876,771	781,856	81,262	0
Total Business-Type Activities	2,829,701	2,517,114	81,262	0
Total Primary Government	\$ 6,013,693	\$ 2,611,154	\$ 442,482	\$ 359,751

General revenues:

Taxes:

Property taxes

Sales tax revenue

Other taxes, penalties

Licenses and permits

Grants and contributions not restricted to a specific program

Earnings on investments

Miscellaneous

Transfers

Total general revenues and transfers

Changes in net 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>	
\$ (583,209)	\$ 0	\$ (583,209)
(538,078)		(538,078)
(451,063)		(451,063)
(474,002)		(474,002)
(31,908)		(31,908)
(127,502)		(127,502)
(66,351)		(66,351)
(45,658)		(45,658)
(51,210)		(51,210)
<u>(2,368,981)</u>	<u>0</u>	<u>(2,368,981)</u>
	(217,672)	(217,672)
	(13,653)	(13,653)
0	(231,325)	(231,325)
<u>\$ (2,368,981)</u>	<u>\$ (231,325)</u>	<u>\$ (2,600,306)</u>

\$ 486,135	\$ 0	\$ 486,135
1,122,946		1,122,946
330,499		330,499
90,485		90,485
108,695		108,695
466	149	615
82,347	0	82,347
147,346	(147,346)	0
<u>2,368,919</u>	<u>(147,197)</u>	<u>2,221,722</u>
<u>(62)</u>	<u>(378,522)</u>	<u>(378,584)</u>
1,826,548	7,001,831	8,828,379
<u>(187,390)</u>	<u>187,390</u>	<u>0</u>
<u>1,639,158</u>	<u>7,189,221</u>	<u>8,828,379</u>
<u>\$ 1,639,096</u>	<u>\$ 6,810,699</u>	<u>\$ 8,449,795</u>

City of Tallulah

BASIC FINANCIAL STATEMENTS:

FUND FINANCIAL STATEMENTS (FFS)

CITY OF TALLULAH
GOVERNMENTAL FUNDS
Balance Sheet
June 30, 2011

Statement C

	<u>GENERAL</u>	<u>SECTION 8</u>	<u>STREET</u>	<u>OTHER GOVERNMENTAL</u>	<u>TOTAL</u>
ASSETS					
Cash and cash equivalents	\$ 6,286	\$ 79,665	\$ 50,646	\$ 79,345	\$ 216,942
Receivables	382,831	0	49,352	0	432,183
Interfund receivables	83,898	0	4,140	2,500	90,538
Prepaid expenses	5,694	0	0	0	5,694
Restricted assets					
Cash	<u>4,200</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,200</u>
TOTAL ASSETS	<u>482,909</u>	<u>79,665</u>	<u>104,138</u>	<u>81,845</u>	<u>748,557</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts, salaries and other payables	175,972	0	70,553	0	246,525
Bank overdraft	130,152	0	0	0	130,152
Interfund payables	<u>5,008</u>	<u>0</u>	<u>2,576</u>	<u>11,203</u>	<u>18,787</u>
TOTAL LIABILITIES	<u>311,132</u>	<u>0</u>	<u>73,129</u>	<u>11,203</u>	<u>395,464</u>
FUND BALANCES:					
Restricted	4,200	79,665	31,009	70,642	185,516
Unassigned	<u>167,577</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>167,577</u>
TOTAL FUND BALANCES	<u>171,777</u>	<u>79,665</u>	<u>31,009</u>	<u>70,642</u>	<u>353,093</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 482,909</u>	<u>\$ 79,665</u>	<u>\$ 104,138</u>	<u>\$ 81,845</u>	<u>\$ 748,557</u>

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

CITY OF TALLULAH

Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Assets
June 30, 2011

Statement D

Total fund balances - governmental funds \$ 353,093

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 City as a whole. The cost of those capital assets is allocated over their estimated useful lives (as depreciation expense) to the various programs reported as governmental activities in the Statement of Activities. Because depreciation expense does not affect financial resources, it is not reported in governmental funds.

Costs of capital assets	\$ 5,208,055	
Depreciation expense to date	<u>(3,445,730)</u>	
		1,762,325

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, 2011 are:

Bonds payable	(128,116)	
Certificates of Indebtness	(229,065)	
Capital Lease payable	(69,262)	
Other long-term debt	<u>(49,879)</u>	
		<u>(476,322)</u>

Net Assets - Governmental Activities \$ 1,639,096

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, 2011

Statement E

	<u>GENERAL</u>	<u>SECTION 8</u>	<u>STREET</u>	<u>OTHER GOVERNMENTAL</u>	<u>TOTAL</u>
REVENUES					
Local sources:					
Taxes:					
Ad valorem	\$ 352,231	\$ 0	\$ 119,961	\$ 13,943	\$ 486,135
Sales	1,122,946	0	0	0	1,122,946
Other taxes, penalties and interest	330,499	0	0	0	330,499
Licenses and permits	90,485	0	0	0	90,485
Intergovernmental revenues	343,606	176,309	49,352	260,399	829,666
Rental income	8,560	0	0	0	8,560
Use of money and property	115	173	66	112	466
Fines and forfeitures	94,040	0	0	0	94,040
Miscellaneous revenues	62,810	0	0	0	62,810
Total revenues	2,405,292	176,482	169,379	274,454	3,025,607
EXPENDITURES					
Current:					
General and administrative	621,270	0	0	16,323	637,593
Police Department	734,844	0	0	0	734,844
Fire Department	422,861	0	0	0	422,861
Street Department	603,166	0	123,155	0	726,321
Health and welfare	0	198,429	0	0	198,429
Culture and recreation	163,152	0	0	0	163,152
Legislative	66,351	0	0	0	66,351
Transportation	45,658	0	0	0	45,658
Other	0	0	0	91	91
Capital outlay	96,957	0	121,736	21,008	239,701
Debt service:					
Principal retirement	67,667	0	3,099	8,580	79,346
Interest and bank charges	44,042	0	332	6,836	51,210
Total expenditures	2,865,966	198,429	248,322	52,838	3,365,557
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	\$ (460,676)	\$ (21,947)	\$ (78,943)	\$ 221,616	\$ (339,950)

(Continued)

CITY OF TALLULAH
GOVERNMENTAL FUNDS
Combined Statement of Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended June 30, 2011

Statement E

	<u>GENERAL</u>	<u>SECTION 8</u>	<u>STREET</u>	<u>OTHER GOVERNMENTAL</u>	<u>TOTAL</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ 418,488	\$ 0	\$ 0	\$ 15,774	\$ 434,262
Transfers out	(9,260)	(19,303)	(24,592)	(233,761)	(286,916)
Insurance proceeds	10,977	0	0	0	10,977
Loan proceeds	0	0	72,361	0	72,361
TOTAL OTHER FINANCING SOURCES (USES)	<u>420,205</u>	<u>(19,303)</u>	<u>47,769</u>	<u>(217,987)</u>	<u>230,684</u>
NET CHANGE IN FUND BALANCES	<u>(40,471)</u>	<u>(41,250)</u>	<u>(31,174)</u>	<u>3,629</u>	<u>(109,266)</u>
FUND BALANCES - BEGINNING	212,248	120,915	62,183	67,013	462,359
FUND BALANCES - ENDING	<u>\$ 171,777</u>	<u>\$ 79,665</u>	<u>\$ 31,009</u>	<u>\$ 70,642</u>	<u>\$ 353,093</u>

(Concluded)

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

CITY OF TALLULAH

Reconciliation of the Governmental Funds
 Statement of Revenues, Expenditures, and Changes in Fund Balances
 to the Statement of Activities
 For the Year Ended June 30, 2011

Statement F

Total net change in fund balances - governmental funds \$ (109,266)

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	\$	265,351	
Depreciation		<u>(163,132)</u>	102,219

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. 79,348

Debt proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the Statement of Net Assets, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities. (72,361)

Change in net assets of governmental activities. \$ (62)

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, 2011

Statement G

	WATER FUND	SEWER FUND	TOTAL
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 0	\$ 24,204	\$ 24,204
Receivables, net	239,748	191,696	431,444
Interfund receivables	0	21,655	21,655
Restricted Assets:			
Cash and cash equivalents	189,212	0	189,212
Total Current Assets	428,960	237,555	666,515
Non Current Assets			
Capital Assets			
Land and construction in progress	65,451	612,879	678,330
Depreciable assets, net of depreciation	7,105,027	11,531,846	18,636,873
Total Non Current Assets	7,170,478	12,144,725	19,315,203
TOTAL ASSETS	7,599,438	12,382,280	19,981,718
LIABILITIES			
Current Liabilities			
Accounts, salaries and other payables	76,273	190,379	266,652
Bank overdraft	73,959	0	73,959
Interfund payables	27,069	66,337	93,406
Interest payable	83,222	9,726	92,948
Payable from restricted assets - customer deposits	189,212	0	189,212
Revenue bonds payable (net of deferred bond costs) - current	128,920	0	128,920
Loans payable - current	48,655	38,070	86,725
Capital leases payable - current	81,995	0	81,995
Total Current Liabilities	\$ 709,305	\$ 304,512	\$ 1,013,817

(Continued)

CITY OF TALLULAH
PROPRIETARY FUND TYPE - ENTERPRISE FUNDS
Statements of Net Assets
June 30, 2011

Statement G

	WATER FUND	SEWER FUND	TOTAL
Noncurrent Liabilities			
Revenue bonds payable (net of deferred bond costs)	\$ 4,712,320	\$ 0	\$ 4,712,320
Loans payable	2,470,751	2,996,036	5,466,787
Capital leases payable	1,978,095	0	1,978,095
Total Noncurrent Liabilities	9,161,166	2,996,036	12,157,202
TOTAL LIABILITIES	9,870,471	3,300,548	13,171,019
 NET ASSETS			
Invested in capital assets, net of related debt	(2,250,258)	9,110,619	6,860,361
Unrestricted	(20,775)	(28,887)	(49,662)
TOTAL NET ASSETS	\$ (2,271,033)	\$ 9,081,732	\$ 6,810,699

(Concluded)

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, 2011

Statement H

	WATER FUND	SEWER FUND	TOTAL
OPERATING REVENUES			
Charges for services	\$ 1,704,791	\$ 781,456	\$ 2,486,247
Other operating revenue	30,467	400	30,867
Total operating revenues	<u>1,735,258</u>	<u>781,856</u>	<u>2,517,114</u>
OPERATING EXPENSES			
Personal services	288,776	173,578	462,354
Supplies	179,575	51,819	231,394
Maintenance	108,585	66,384	174,969
Utilities	102,434	73,133	175,567
Miscellaneous	107,045	41,795	148,840
Uniforms	3,053	3,228	6,281
Insurance	19,157	88,035	107,192
Accounting fees	33,460	0	33,460
Depreciation	650,826	245,987	896,813
Total operating expenses	<u>1,492,911</u>	<u>743,959</u>	<u>2,236,870</u>
OPERATING INCOME (Loss)	<u>242,347</u>	<u>37,897</u>	<u>280,244</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	147	2	149
Governmental grants	0	81,262	81,262
Interest expense & Other charges	(443,939)	(132,812)	(576,751)
Amortization of bond issue costs	(16,080)	0	(16,080)
Total nonoperating revenues (expenses)	<u>(459,872)</u>	<u>(51,548)</u>	<u>(511,420)</u>
NET INCOME (Loss)	(217,525)	(13,651)	(231,176)
OTHER FINANCING SOURCES (USES)			
Transfers in	0	225,391	225,391
Transfers out	(301,040)	(71,897)	(372,737)
Total Other Financing Sources (Uses)	<u>(301,040)</u>	<u>153,694</u>	<u>(147,346)</u>
NET CHANGE IN FUND BALANCES	<u>(518,565)</u>	<u>140,043</u>	<u>(378,522)</u>
NET ASSETS - BEGINNING, AS ORIGINALLY STATED	(1,752,468)	8,754,299	7,001,831
PRIOR PERIOD ADJUSTMENT	0	187,390	187,390
NET ASSETS - BEGINNING, AS RESTATED	<u>(1,752,468)</u>	<u>8,941,689</u>	<u>7,189,221</u>
NET ASSETS - ENDING	<u>\$ (2,271,033)</u>	<u>\$ 9,081,732</u>	<u>\$ 6,810,699</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, 2011

Statement I

	WATER FUND	SEWER FUND	TOTAL
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,657,060	\$ 707,146	\$ 2,364,206
Payments to employees	(236,941)	(135,883)	(372,824)
Payments to others	(594,741)	(287,557)	(882,298)
Other receipts	<u>30,467</u>	<u>12,860</u>	<u>43,327</u>
Net cash provided (used) for operating activities	<u>855,845</u>	<u>296,566</u>	<u>1,152,411</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Earnings on investments	<u>147</u>	<u>2</u>	<u>149</u>
Net cash provided (used) for investing activities	<u>147</u>	<u>2</u>	<u>149</u>
CASH FLOW (USES) FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	0	0	0
Transfers out	<u>(301,040)</u>	<u>(71,697)</u>	<u>(372,737)</u>
Net cash provided (used) for noncapital financing activities	<u>(301,040)</u>	<u>(71,697)</u>	<u>(372,737)</u>
CASH FLOW (USES) FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital grant	0	81,262	81,262
Acquisition of capital assets	(9,880)	(155,475)	(165,355)
Principal payment bonds	(259,208)	(35,533)	(294,741)
Interest paid on bonds	<u>(445,873)</u>	<u>(133,596)</u>	<u>(579,469)</u>
Net cash provided (used) for capital and related financing activities	<u>(714,961)</u>	<u>(243,342)</u>	<u>(958,303)</u>
Net increase (decrease) in cash and cash equivalents	(160,009)	(18,471)	(178,480)
CASH AND CASH EQUIVALENTS - BEGINNING	<u>275,262</u>	<u>42,675</u>	<u>317,937</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 115,253</u>	<u>\$ 24,204</u>	<u>\$ 139,457</u>
Reconciliation to balance sheet			
Cash	\$ 0	\$ 24,204	\$ 24,204
Bank overdraft	(73,959)	0	(73,959)
Restricted assets - cash	<u>189,212</u>	<u>0</u>	<u>189,212</u>
	<u>\$ 115,253</u>	<u>\$ 24,204</u>	<u>\$ 139,457</u>

(Continued)

CITY OF TALLULAH

PROPRIETARY FUND TYPE- ENTERPRISE FUNDS
 Statements of Cash Flows
 For the Year Ended June 30, 2011

Statement 1

	WATER FUND	SEWER FUND	TOTAL
Non cash transactions			
Transfer of capital asset from governmental fund	\$ 0	\$ 225,391	\$ 225,391
Amortization of bond issuance cost	16,080	0	16,080
Total non cash transactions	<u>16,080</u>	<u>225,391</u>	<u>241,471</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	242,347	37,897	280,244
Adjustments to reconcile operating income to net cash provided (used) for operating activities:			
Depreciation	650,826	245,987	896,813
(Increase) decrease in accounts receivable	(47,731)	(61,850)	(109,581)
(Increase) decrease in interfund receivable	0	2,874	2,874
Increase (decrease) in accounts payable	20,181	74,679	94,860
Increase (decrease) in interfund payable	(12,644)	(3,021)	(15,665)
Increase (decrease) in deposits due others	2,866	0	2,866
Net cash provided (used) by operating activities	<u>\$ 855,845</u>	<u>\$ 296,566</u>	<u>\$ 1,152,411</u>

(Concluded)

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

City of Tallulah
Notes to the Basic Financial Statements
For Year Ended June 30, 2011

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City of Tallulah
Notes to the Basic Financial Statements
For Year Ended June 30, 2011

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

A. REPORTING ENTITY The City of Tallulah was founded in 1856 and is incorporated under the provisions of the "Lawrason Act" (Louisiana Revised Statutes (R.S.) 33:321-481) of the constitution of the state of Louisiana. The City is located in the parish of Madison and has a population of 7,333. 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, 2014.

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; however, the information of the component unit is necessary in order for the City to report in conformity with GAAP. A copy of the audit report for the Housing Authority may be obtained from the City Clerk of Tallulah at 204 North Cedar, Tallulah, Louisiana, 71282.

B. FUND ACCOUNTING The City uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts that comprises its assets, liabilities, 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

City of Tallulah
Notes to the Basic Financial Statements
For Year Ended June 30, 2011

is on the recovering the cost of providing services to the public or other agencies through service charges or user fees.

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

Governmental Funds

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

Street fund- accounts for the maintenance of the City streets. Major means of financing is provided by a specific City-wide ad valorem tax.

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

Proprietary Fund

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

City of Tallulah
Notes to the Basic Financial Statements
For Year Ended June 30, 2011

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

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

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.

City of Tallulah
Notes to the Basic Financial Statements
For Year Ended June 30, 2011

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

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

E. CASH AND CASH EQUIVALENTS Under state law, the City may deposit funds within a fiscal agent bank organized under the laws of the state of Louisiana, the laws of any other state in the union, or the laws of the United States of America. The City may invest in certificates and time deposits 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. PREPAID EXPENSES Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

H. CAPITAL ASSETS

Capital assets are recorded at either historical cost or estimated historical cost and depreciated over their estimated useful lives (excluding salvage value). Donated capital assets are recorded at their estimated fair value at the date of donation. The City's practice is to capitalize all fixed assets with a cost of \$500 or more. Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used for governmental fund-type based on the following estimated useful lives:

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

The capital assets used in the proprietary fund-type operations are included on the balance sheet of the fund. Depreciation of all exhaustible fixed assets used by the proprietary fund type operations are charged as an expense

City of Tallulah
Notes to the Basic Financial Statements
For Year Ended June 30, 2011

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.

The City implemented GASB 51, Accounting and Financial Reporting for Intangibles Assets; however, the City's implementation was prospectively. Any intangibles purchased by the City are reported within the furniture and equipment classification.

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

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

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

K. 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.

L. 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, 2011 for the primary government or during the year ended December 31, 2009 for the discretely presented component unit.

M. 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.

N. FUND EQUITY OF FUND FINANCIAL STATEMENTS:

The City adopted GASB 54 *Fund Balance Reporting and Governmental Fund Type Definitions* for the year ended June 30, 2011. GASB 54 requires the fund balance amounts to be reported within the fund balance categories as follows:

City of Tallulah
Notes to the Basic Financial Statements
For Year Ended June 30, 2011

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

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

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

Assigned: Fund balance that is constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by the Counsel.

Unassigned: Fund balance that is the residual classification for the general fund.

The City reduces committed amounts, followed by assigned amounts and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

O. 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.

P. 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.

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Excess of Expenditures Over Appropriations in Individual Funds The following individual fund had actual expenditures over budgeted expenditures for the year ended June 30, 2011:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	\$2,602,888	\$2,682,388	\$(79,500)
Street	120,000	125,274	(5,274)

City of Tallulah
Notes to the Basic Financial Statements
For Year Ended June 30, 2011

B. Deficit Fund Balances The following fund had a deficit fund balance at June 30, 2011:

<u>Fund</u>	<u>Deficit Amount</u>
Water Fund	\$2,271,033

NOTE 3 - DEPOSITS & INVESTMENTS

At June 30, 2011, the City had a cash and cash equivalents book balance of \$229,447.

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

Custodial credit risk: In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. At year end, the City's carrying amount of deposits was \$229,447 (Statement A –Cash and cash equivalents of \$240,146 unrestricted, \$193,412 restricted and \$(204,111) in bank overdrafts) and the bank balance was \$399,001. The entire bank balance, \$399,001 was covered by federal depository insurance or by collateral held by the City's agent in the City's name (GASB Category 1). The City's policy does not address custodial credit risk.

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

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 21, 2010 with a due date of December 31, 2010 and a levy date of January 1, 2011.

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

	<u>Authorized Millage</u>	<u>Levied Millage</u>
General Fund Operations	8.21	8.21
Police, Fire, Streets & Bridges	7.43	7.43
General Purposes	9.22	9.22
Streets, Roads, Drainage	8.69	8.69
1981 Sewer Bond	1.01	1.01

City of Tallulah
Notes to the Basic Financial Statements
For Year Ended June 30, 2011

NOTE 5 - RECEIVABLES The following is a summary of receivables at June 30, 2011:

<u>Class of Receivables</u>	<u>General</u>	<u>Street Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Taxes:					
Ad valorem	\$ 742	\$ -	\$ -	\$ -	\$ 742
Sales & use	176,872	-	-	-	176,872
Other taxes	94,640	-	-	-	94,640
State revenue	52,258	49,352	-	81,262	182,872
Federal revenue	32,974	-	-	-	32,974
Sewer user fees	-	-	-	112,386	112,386
Water user fees	-	-	243,844	-	243,844
Due from other governments	23,260	-	-	-	23,260
Other	2,085	-	-	-	2,085
Gross receivables	<u>382,831</u>	<u>49,352</u>	<u>243,844</u>	<u>193,648</u>	<u>869,675</u>
Less allowance for doubtful accounts	-	-	4,096	1,952	6,048
Net total receivables	<u>\$ 382,831</u>	<u>\$ 49,352</u>	<u>\$ 239,748</u>	<u>\$ 191,696</u>	<u>\$ 863,627</u>

NOTE 6 - INTERFUND TRANSACTIONS/BALANCES Individual balances due from/to other funds at June 30, 2011, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental	\$ 9,571
General Fund	Water Fund	7,990
General Fund	Sewer Fund	66,337
Street Program	General Fund	2,508
Street Program	Other Governmental	1,632
Other Governmental	General Fund	2,500
Sewer Fund	Street Fund	2,576
Sewer Fund	Water Fund	19,079
Total		<u>\$ 112,193</u>

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

Transfers during the year were as follows:

<u>Transfer In Fund</u>	<u>Transfer Out Fund</u>	<u>Amount</u>
General Fund	Water Fund	\$ 301,040
General Fund	Sewer Fund	71,697
General Fund	Street Program	18,078
General Fund	Section 8	19,303
General Fund	Other Governmental	8,370
Other Governmental	General Fund	9,260
Other Governmental	Street Program	6,514
Sewer Fund	Other Governmental	225,391
Total		<u>\$ 659,653</u>

City of Tallulah
Notes to the Basic Financial Statements
For Year Ended June 30, 2011

The City transfers money from the utility funds to the general fund to cover shortfalls in the general fund. LCDBG Capital Project fund transferred the current year construction expenditures for the completed construction project placed into operation in the Sewer Fund during fiscal year 2011. Section 8 and the Street fund transferred funds to the general fund to eliminate outstanding interfund loans.

NOTE 7 - CAPITAL ASSETS The changes in capital assets are as follows:

A summary of the changes in governmental activities capital assets for the year ended June 30, 2011:

	Balance Beginning	Additions	Deletions	Balance Ending
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 78,500	\$ -	\$ -	\$ 78,500
Construction in progress	187,390	278,952	445,334	21,008
Depreciable assets				
Infrastructure	575,255	-	-	575,255
Buildings and improvements	2,688,703	101,122	-	2,789,825
Furniture and equipment	1,642,694	143,221	42,448	1,743,467
Total	5,172,542	523,295	487,782	5,208,055
Less: accumulated depreciation	3,325,046	163,132	42,448	3,445,730
Total capital assets, net	<u>\$ 1,847,496</u>	<u>\$ 360,163</u>	<u>\$ 445,334</u>	<u>\$ 1,762,325</u>

Depreciation expense was charged to governmental activities as follows:

General and administrative	\$ 6,525
Police department	30,995
Fire department	52,202
Street department	63,622
Culture and recreation	9,788
Total	<u>\$ 163,132</u>

City of Tallulah
Notes to the Basic Financial Statements
For Year Ended June 30, 2011

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
Capital assets, not being depreciated	678,330	-	-	678,330
Depreciable assets				
Building & Improvements	-	9,880	-	9,880
Equipment	944,160	-	-	944,160
Plant	9,900,494	-	-	9,900,494
Transmission lines	8,436,796	568,256	-	9,005,052
Water systems	8,313,951	-	-	8,313,951
Pumping stations	337,944	-	-	337,944
Capital assets, depreciable	27,933,345	578,136	-	28,511,481
Less accumulated depreciation	8,977,795	896,813	-	9,874,608
Depreciable capital assets, net	18,955,550	(318,677)	-	18,636,873
Total capital assets, net	<u>\$19,633,880</u>	<u>\$ (318,677)</u>	<u>\$ -</u>	<u>\$19,315,203</u>

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

Water	\$ 650,826
Sewer	245,987
Total	<u>\$ 896,813</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, Nationwide Retirement Solutions' 457 Government Plan and Trust 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 3½% 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.

City of Tallulah
Notes to the Basic Financial Statements
For Year Ended June 30, 2011

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

Plan members are required by state statute to contribute 8.0% of their annual covered salary and the City of Tallulah is required to contribute an actuarially determined rate. The current rate is 22.5% 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, 2011, 2010, and 2009, were \$12,014, \$8,124, and \$14,369, 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 3½% 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 25.0% 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, 2011, 2010, and 2009, were \$80,556, \$34,226, and \$26,428, respectively, equal to the required contributions for each year.

NATIONWIDE RETIREMENT SOLUTIONS' 457 GOVERNMENTAL PLAN & TRUST The City provides pension benefits through Nationwide Retirement Solutions for its full-time employees through a defined contribution plan. All employees are eligible to participate in the plan on the after completing their six months probation period of their employment.

Under a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. For employees in managerial administrative positions, the City's contribution for each employee can range up to the I.R.C 457(b) limit. For 2011, the I.R.C 457(b) limit was \$16,500 plus an additional catch up \$5,500 for participants aged 50 and over. For all other employees, the City matches 100% of the employee's voluntary contribution up to the I.R.C 457(b) limit. There is no vesting period for the City's contribution for each employee.

City of Tallulah
Notes to the Basic Financial Statements
For Year Ended June 30, 2011

For the year ended June 30, 2011, the City made employer contributions of \$64,247 and employee contributions of \$22,635.

NOTE 9 - ACCOUNTS, SALARIES AND OTHER PAYABLE

Class of Payables	General	Street Program	Water Fund	Sewer Fund	Total
Accounts Payable	\$ 143,392	\$ 70,553	\$ 68,242	\$ 187,727	\$ 469,914
Wages Payable	32,580	-	8,031	2,652	43,263
Net total payable	<u>\$ 175,972</u>	<u>\$ 70,553</u>	<u>\$ 76,273</u>	<u>\$ 190,379</u>	<u>\$ 513,177</u>

NOTE 10 - ON-BEHALF SUPPLEMENTAL PAY Certain employees meeting statutory qualifications in the fire and police departments receive supplemental pay directly from the State of Louisiana. This supplemental pay in the amount of \$93,697 is recognized as intergovernmental revenue and public safety expenditures. Of the \$93,697 recognized, the State paid \$69,697 to City police officers and \$24,000 to City firemen.

NOTE 11 - CHANGES IN LONG-TERM OBLIGATIONS

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

The City has issued revenue bonds and loans payable in which the City pledged income derived from the acquired or constructed assets to pay debt service. This long-term debt is reported in the business-type activities, in which payments are made by the Water and Sewer funds. See Note 13 for additional information on pledged revenues.

During the year ended June 30, 2011, the following changes occurred in governmental activities long-term liabilities:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
General obligation bonds	\$ 136,696	\$ -	\$ 8,580	\$ 128,116	\$ 9,018
Certificate of indebtedness	279,027	-	49,962	229,065	21,662
Capital lease payable	-	72,361	3,099	69,262	23,403
Other debt	67,584	-	17,705	49,879	18,945
Total	<u>\$ 483,307</u>	<u>\$ 72,361</u>	<u>\$ 79,346</u>	<u>\$ 476,322</u>	<u>\$ 73,028</u>

City of Tallulah
Notes to the Basic Financial Statements
For Year Ended June 30, 2011

During the year ended June 30, 2011, the following changes occurred in business-type activities long-term liabilities:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
Revenue bonds	\$ 5,330,000	\$ -	\$ 135,000	\$ 5,195,000	\$ 145,000
Deferred bond issue cost	(369,840)	-	(16,080)	(353,760)	(16,080)
Loans payable	5,635,923	-	82,411	5,553,512	86,725
Capital lease payable	2,137,420	-	77,330	2,060,090	81,995
Total	\$ 12,733,503	\$ -	\$ 278,661	\$ 12,454,842	\$ 297,640

The following is a summary of long-term obligation transactions for the year ended June 30, 2011:

	Issue Dates	Maturity Dates	Interest Rates	Original Amount	Governmental Activities	Business-type Activities
Governmental activities						
General Obligation Bonds:						
Series 1981	10/8/1981	10/1/2021	5.000%	\$ 260,000	\$ 128,116	
Certificate of Indebtness:						
Series 2009 - USDA Fire Truck	3/31/2010	3/31/2020	4.000%	250,000	229,065	
Capital Leases:						
Durapatcher with blower	5/15/2011	5/15/2014	3.450%	49,961	48,642	
Tiger boom mower	3/25/2011	3/15/2014	3.450%	22,400	20,620	
Other Debt:						
Loan for Merger of Retirement System	7/1/1986	10/1/2013	7.000%	278,439	49,879	
Business-type Activities						
Enterprise Funds						
Utilities System Revenue Bonds:						
Water Improvement Bonds, Refunding Series 2007	9/1/2007	9/1/2032	4.3-5.0%	5,630,000		\$ 5,195,000
Deferred Bond Issue Cost				(428,803)		(353,760)
Loans payable (USDA):						
Water Rehab Phase I	1/26/2001	1/26/2041	4.875%	1,733,000		1,566,898
Water Rehab Phase II	10/7/2004	10/7/2026	4.250%	383,500		292,566
Water Rehab Phase II	9/24/2001	8/3/2041	4.500%	728,000		659,942
Sewer Rehab Phase I	9/6/2006	7/6/2046	4.375%	2,660,000		2,554,023
Sewer Rehab Phase II	9/6/2006	9/6/2046	4.375%	500,000		480,083
Capital Leases:						
Water Meters-Electronically Read	5/29/2006	11/29/2026	5.900%	2,354,172		2,060,090
Totals					476,322	12,454,842
Current Portion of Debt					(73,028)	(313,720)
Current Portion of Deferred Bond Issuance Cost					-	16,080
Total Long Term Portion of Debt					\$ 403,294	\$ 12,157,202

City of Tallulah
Notes to the Basic Financial Statements
For Year Ended June 30, 2011

The classification "other debt" consists of \$49,879 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.

General obligation bonds totaling \$128,116 at June 30, 2011, 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 2010 tax roll was \$14,604,132. The City is within the statutory limitation of \$5,111,446. The 1981 Debt Service fund has \$48,490 available to service the bonded debt in the Governmental fund-type funds.

The annual requirements to amortize all outstanding debt at June 30, 2011 are as follows:

Year	General Long-Term Debt			Water Enterprise Fund		Sewer Enterprise Fund	
	Principal	Interest	Total	Principal	Interest	Principal	Interest
2012	\$ 49,625	\$ 18,120	\$ 67,745	\$ 177,575	\$ 364,476	\$ 38,070	\$ 131,058
2013	52,270	15,475	67,745	184,872	355,835	39,705	129,423
2014	44,034	12,958	56,992	192,281	346,637	41,414	127,714
2015	34,806	11,434	46,240	204,803	336,756	43,199	125,929
2016	36,303	9,937	46,240	212,444	326,408	45,064	124,064
2017-2021	175,067	25,310	200,377	1,221,453	1,460,305	256,340	589,300
2022-2026	14,955	460	15,415	1,544,063	1,119,918	317,158	528,482
2027-2031	-	-	-	1,844,375	688,892	392,817	452,823
2032-2036	-	-	-	1,185,462	242,590	486,939	358,701
2037-2041	-	-	-	586,871	71,327	604,029	241,611
2042-2046	-	-	-	6,447	139	750,644	94,996
2047	-	-	-	-	-	18,727	140
Total	<u>\$ 407,060</u>	<u>\$ 93,694</u>	<u>\$ 500,754</u>	<u>\$ 7,360,646</u>	<u>\$ 5,313,283</u>	<u>\$ 3,034,106</u>	<u>\$ 2,904,241</u>

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

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

City of Tallulah
Notes to the Basic Financial Statements
For Year Ended June 30, 2011

Water Improvement Bonds, Refunding Series 2007 Bond Covenants: The material provisions of the bond covenants for the Water Improvement Bonds, Refunding Series 2007 are as follows:

- The issuer will always provide revenues in each fiscal year sufficient to pay the reasonable and necessary expenses of operating and maintaining the System in each fiscal year and will provide net revenues at least equal to 125% of the principal and interest falling due in such year on all Bonds or other obligations payable from the net revenues and will provide revenues at least sufficient to pay all reserve or sinking funds or other payments required for such Fiscal Year.
- The maintenance of a separately identifiable fund or account designated as the "Water System Revenue Bond Debt Service Fund" sufficient in amount to pay promptly and fully the principal of and the interest on the Bonds, the Outstanding Parity Bonds and any Parity Obligations, as they become due and payable, by transferring from the Revenue Fund to the Debt Service Fund, monthly in advance on or before the 25th day of each month of each year, a sum equal to 1/6th of the interest falling due on the next interest payment date and 1/12 of the principal falling due on the next principal payment date.
- The establishment and maintenance of a separately identifiable fund or account designated as the "2007 Water System Refunding Revenue Bond Debt Service Reserve Fund" with a deposit from the bond proceeds equal to the required debt service reserve requirement. The 2007 Reserve Fund requirement is as of any date of calculation, a sum equal to 50% of the highest combined principal and interest requirements for any succeeding fiscal year.
- The City shall establish a project fund and deposit \$245,000 from the Bond proceeds and shall be used to pay capital costs related to the System. The City may withdraw monies upon presentation of a requisition and proper invoices detailing each expenditure.

For the fiscal year ended June 30, 2011, the Water Fund's net revenues were not at least equal to 125% of the principal and interest falling due on all Bonds or other obligations payable, as well as the City's required monthly payments to the debt service fund reserves were not made nor does the City have the required balance in reserves at June 30, 2011; however, the City did meet all debt obligations.

Required Debt Reserves: The required debt reserves and amounts reserved as of June 30, 2011 for the City are as follows:

	<u>Debt Issued</u>	<u>Required Reserve</u>	<u>Amount Reserved</u>
Governmental Activities:			
Certificate of Indebtness - Series 2009 Fire Truck	\$ 250,000	\$ 3,855	\$ 4,200
Total Governmental Activities	250,000	3,855	4,200
Business Activities:			
Water Fund:			
Water Improvement Bonds, Refunding Series 2007	56,300,000	644,829	-
Water Rehab Phase I	1,733,000	86,314	-
Water Rehab Phase II	383,500	17,360	-
Water Rehab Phase II	728,000	31,825	-
Total Water Fund	59,144,500	780,328	-
Sewer Fund:			
Sewer Rehab Phase I	2,600,000	67,659	-
Sewer Rehab Phase II	500,000	12,711	-
Total Sewer Fund	3,100,000	80,370	-
Total	<u>\$ 62,494,500</u>	<u>\$ 864,553</u>	<u>\$ 4,200</u>

City of Tallulah
Notes to the Basic Financial Statements
For Year Ended June 30, 2011

NOTE 12 - CAPITAL LEASES The City entered into a lease agreement for financing the acquisition of a water meter system, a tiger boom mower and a durapatcher with blower. The assets acquired through capital leases are as follows:

<u>Asset:</u>	<u>Original Cost</u>	<u>Current Year Depreciation</u>	<u>Accumulated Depreciation</u>
Water meter system - Water Fund	\$ 2,354,172	\$ 117,299	\$ 469,195
Street Department Equipment:			
Tiger Boom Mower	49,961	1,457	1,457
Durapatcher with blower	22,400	653	653

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011, were as follows:

<u>Year Ending June 30,</u>	<u>Governmental</u>	<u>Water Fund</u>
2012	\$ 25,425	\$ 201,748
2013	24,424	201,748
2014	22,994	201,811
2015		202,000
2016		202,000
2017-2021		1,010,000
2022-2026		1,024,768
2027		130,535
Total minimum lease payments	72,843	3,174,610
Less: amount representing interest	3,581	1,114,520
Present value of minimum lease payments	<u>\$ 69,262</u>	<u>\$ 2,060,090</u>

NOTE 13 - PLEDGED REVENUES The City has pledged future water and sewer customer revenues, net of specified operating expenses to repay \$8,474,500 in water revenue bonds/loans payable and \$3,160,000 in sewer loans payable. Proceeds from revenue bonds/loans payable provided financing for the purpose of constructing and acquiring extensions, improvements to the waterworks and sewer systems of the City of Tallulah. The revenue bonds/loans payable are payable solely from water and sewer customer net revenues and are payable through 2041 for the Water Fund and 2046 for the Sewer Fund. Total principal and interest remaining to be paid on the water and sewer revenue bonds/loans payable is \$12,673,929 and \$5,938,347 respectively. Water principal and interest paid for the current year was \$554,151 and total net revenue (loss) per Statement B was \$(217,672). Sewer principal and interest paid for the current year was \$169,129 and total net revenue (loss) per Statement B was \$(13,653). See Note 11 for additional information on the Water and Sewer revenue bonds/loans payable.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Litigation: At June 30, 2011, 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.

Construction Projects: Construction projects in progress at June 30, 2011 consisted of a contract of \$72,600 for engineering fees for the Harlem Street Drainage Improvements Projects of which \$51,592 is remaining. This project

City of Tallulah
Notes to the Basic Financial Statements
For Year Ended June 30, 2011

is still in the design phase.

NOTE 15 - RISK MANAGEMENT The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and automobile liability for which the City carries commercial insurance. The City currently has a \$10,000 deductible for its fire and casualty loss insurance coverage and no deductible for the other policies.

NOTE 16 - PRIOR PERIOD ADJUSTMENT The Government-Wide Financial Statements include a prior period adjustment decreasing net assets of governmental activities by \$187,390 and increasing net assets of business-type activities by \$187,390. This adjustment was to move the 2010 fiscal year's expenditures for the governmental construction project that was completed and placed into operations in the Sewer fund during the 2011 fiscal year.

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

	<u>General Fund</u>	<u>Section 8</u>	<u>Street</u>	<u>Other Governmental</u>	<u>Total</u>
Restricted for:					
Debt service	\$ 4,200	\$ -	\$ -	\$ 70,608	\$ 74,808
Section 8 program	-	79,665	-	-	79,665
Street maintenance	-	-	31,009	-	31,009
Construction projects	-	-	-	34	34
Total	<u>\$ 4,200</u>	<u>\$ 79,665</u>	<u>\$ 31,009</u>	<u>\$ 70,642</u>	<u>\$ 185,516</u>

NOTE 18 - CHANGE IN PRESENTATION For the fiscal year end June 30, 2010, the General fund, LCDBG Capital Project fund and Section 8 fund were reported as major funds for the primary government; however, for fiscal year end June 30, 2011, the General fund, Section 8 and the Street fund are major funds.

City of Tallulah

REQUIRED SUPPLEMENTAL INFORMATION

City of Tallulah

Budgetary Comparison Schedules

Funds with Legally Adopted Annual Budget

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

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

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

CITY OF TALLULAH

GENERAL FUND
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2011

Exhibit 1-1

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
BUDGETARY FUND BALANCES, Beginning	\$ 212,248	\$ 212,248	\$ 212,248	0
Resources (inflows)				
Local sources:				
Taxes				
Ad valorem	389,700	389,700	334,022	(55,678)
Sales and use	1,111,200	1,111,200	952,601	(158,599)
Other taxes, penalties, and interest	271,000	271,000	320,556	49,556
Licenses and permits	157,300	157,300	93,285	(64,015)
Intergovernmental revenues	170,200	220,200	114,223	(105,977)
Rental income	0	0	8,560	8,560
Use of money and property	0	0	115	115
Fines and forfeitures	181,200	181,200	94,040	(87,160)
Miscellaneous revenues	186,600	186,600	277,613	91,013
Transfers from other funds	85,688	85,688	347,087	261,399
Amounts available for appropriations	<u>2,765,136</u>	<u>2,815,136</u>	<u>2,754,350</u>	<u>(60,786)</u>
Charges to appropriations (outflows)				
Current:				
General and administrative	607,405	607,405	642,238	(34,833)
Police Department	640,500	640,500	644,378	(3,878)
Fire Department	415,600	415,600	387,377	28,223
Street Department	559,450	559,450	595,689	(36,239)
Culture and recreation	148,684	148,684	135,792	12,892
Legislative	64,800	64,800	66,351	(1,551)
Transportation	26,400	26,400	45,658	(19,258)
Capital outlay	13,920	83,920	85,420	(21,500)
Debt service:				
Principal retirement	74,329	74,329	77,594	(3,265)
Interest expense	0	0	1,791	(1,791)
Transfers to other funds	1,800	1,800	100	1,700
Total charges to appropriations	<u>2,552,888</u>	<u>2,602,888</u>	<u>2,682,388</u>	<u>(79,500)</u>
BUDGETARY FUND BALANCES, ENDING	<u>\$ 212,248</u>	<u>\$ 212,248</u>	<u>\$ 71,962</u>	<u>(140,286)</u>

CITY OF TALLULAH

SECTION 8
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2011

Exhibit 1-2

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
BUDGETARY FUND BALANCES, Beginning Resources (inflows)	\$ 120,915	\$ 120,915	\$ 120,915	0
Local sources:				
Intergovernmental revenues	220,000	220,000	175,789	(44,211)
Use of money and property	0	0	173	173
Miscellaneous revenues	0	0	4,662	4,662
Amounts available for appropriations	<u>340,915</u>	<u>340,915</u>	<u>301,539</u>	<u>(39,376)</u>
Charges to appropriations (outflows)				
Current:				
Health and welfare	<u>220,000</u>	<u>220,000</u>	<u>202,521</u>	<u>17,479</u>
Total charges to appropriations	<u>220,000</u>	<u>220,000</u>	<u>202,521</u>	<u>17,479</u>
BUDGETARY FUND BALANCES, ENDING	<u>\$ 120,915</u>	<u>\$ 120,915</u>	<u>\$ 99,018</u>	<u>(21,897)</u>

CITY OF TALLULAH

STREET
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2011

Exhibit 1-3

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
BUDGETARY FUND BALANCES, Beginning Resources (inflows)	\$ 62,183	\$ 62,183	\$ 62,183	0
Local sources:				
Taxes:				
Ad valorem	120,000	120,000	113,447	(6,553)
Use of money and property	0	0	66	66
Amounts available for appropriations	<u>182,183</u>	<u>182,183</u>	<u>175,696</u>	<u>(6,487)</u>
Charges to appropriations (outflows)				
Current:				
Street Department	120,000	120,000	123,155	(3,155)
Capital outlay	0	0	1,463	(1,463)
Debt service:				
Principal retirement	0	0	656	(656)
Total charges to appropriations	<u>120,000</u>	<u>120,000</u>	<u>125,274</u>	<u>(5,274)</u>
BUDGETARY FUND BALANCES, ENDING	<u>\$ 62,183</u>	<u>\$ 62,183</u>	<u>\$ 50,422</u>	<u>(11,761)</u>

City of Tallulah

**Notes to the Budgetary Comparison Schedule
For the Year Ended June 30, 2011**

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, 2011 actual appropriations exceeded budgeted appropriations at the level of budgetary control as follows:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	\$2,602,888	\$2,682,388	\$(79,500)
Street	120,000	125,274	(5,274)

CITY OF TALLULAH

Notes to the Budgetary Comparison Schedule
For the Year Ended June 30, 2011

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

	GENERAL		
	FUND	SECTION 8	STREET
<u>Sources/inflows of resources:</u>			
Actual amounts (budgetary basis) "available for appropriation" from the Budgetary Comparison Schedule	\$ 2,754,350	\$ 301,538	\$ 175,896
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	(212,248)	(120,915)	(62,183)
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.	(347,087)	0	0
The recording of accounts receivable for sales tax and state grants	185,674	0	49,352
The recording of supplemental pay revenues paid by the State.	93,697	0	0
The adjustments necessary to present the financials under a GAAP basis.	<u>(69,094)</u>	<u>(4,142)</u>	<u>8,514</u>
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 2,405,292</u>	<u>\$ 176,482</u>	<u>\$ 169,379</u>
<u>Uses/outflows of resources:</u>			
Actual amounts (budgetary basis) "Total charges to appropriation" from the Budgetary Comparison Schedule	\$ 2,682,388	\$ 202,521	\$ 125,274
Transfers to other funds classified as expenditures for budgetary purposes and as an operating transfer for financial reporting.	(100)	0	0
The recording of capital outlay financed through capital lease.	0	0	49,352
The recording of accounts payable for capital outlay.	55,560	0	72,361
The recording of supplemental pay expenditures paid by the State.	93,697	0	0
The adjustments necessary to present the financials under a GAAP basis. and as an operating transfer for financial reporting.	<u>34,423</u>	<u>(4,092)</u>	<u>1,335</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 2,865,968</u>	<u>\$ 198,429</u>	<u>\$ 248,322</u>

City of Tallulah

SUPPLEMENTAL INFORMATION

CITY OF TALLULAH
NONMAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet - By Fund Type
June 30, 2011

Exhibit 2

	SPECIAL REVENUE TEC BUILDING	DEBT SERVICE	CAPITAL PROJECT	TOTAL
ASSETS				
Cash and cash equivalents	\$ 7,990	\$ 71,321	\$ 34	\$ 79,345
Interfund receivables	0	2,500	0	2,500
TOTAL ASSETS	7,990	73,821	34	81,845
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Interfund payables	7,990	3,213	0	11,203
TOTAL LIABILITIES	7,990	3,213	0	11,203
FUND BALANCES:				
Restricted	0	70,608	34	70,642
Total Fund Balances	0	70,608	34	70,642
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,990	\$ 73,821	\$ 34	\$ 81,845

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, 2011

Exhibit 3

	SPECIAL REVENUE TEC BUILDING	DEBT SERVICE	CAPITAL PROJECT	TOTAL
REVENUES				
Local sources:				
Taxes:				
Ad valorem	\$ 0	\$ 13,943	\$ 0	\$ 13,943
Intergovernmental revenues	0	0	260,399	260,399
Use of money and property	55	56	1	112
Total revenues	55	13,999	260,400	274,454
EXPENDITURES				
Current:				
General and administrative	2,323	0	14,000	16,323
Other	0	0	91	91
Capital outlay	0	0	21,008	21,008
Debt service:				
Principal retirement	0	8,580	0	8,580
Interest and bank charges	0	6,836	0	6,836
Total expenditures	2,323	15,416	35,099	52,838
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	(2,268)	(1,417)	225,301	221,616
OTHER FINANCING SOURCES (USES)				
Transfers in	0	15,674	100	15,774
Transfers out	(8,370)	0	(225,391)	(233,761)
TOTAL OTHER FINANCING SOURCES	(8,370)	15,674	(225,291)	(217,987)
NET CHANGE IN FUND BALANCES	(10,638)	14,257	10	3,629
FUND BALANCES - BEGINNING	10,638	56,351	24	67,013
FUND BALANCES - ENDING	\$ 0	\$ 70,608	\$ 34	\$ 70,642

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, 2011

Exhibit 4

	1981 GENERAL OBLIGATION BONDS	1998 GENERAL OBLIGATION BONDS	TOTAL
ASSETS			
Cash and cash equivalents	\$ 51,703	\$ 19,618	\$ 71,321
Interfund receivables	0	2,500	2,500
TOTAL ASSETS	51,703	22,118	73,821
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Interfund payables	3,213	0	3,213
FUND BALANCES:			
Restricted	48,490	22,118	70,608
TOTAL LIABILITIES AND FUND BALANCES	\$ 51,703	\$ 22,118	\$ 73,821

CITY OF TALLULAH

NONMAJOR DEBT SERVICE FUNDS
 Combining Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 For the Year Ended June 30, 2011

Exhibit 5

	1981 GENERAL OBLIGATION BONDS	1998 GENERAL OBLIGATION BONDS	TOTAL
REVENUES			
Local sources:			
Taxes			
Ad valorem	\$ 13,943	\$ 0	\$ 13,943
Use of money and property	37	19	56
Total revenues	<u>13,980</u>	<u>19</u>	<u>13,999</u>
EXPENDITURES			
Current:			
Debt service:			
Principal retirement	8,580	0	8,580
Interest and bank charges	6,836	0	6,836
Total expenditures	<u>15,416</u>	<u>0</u>	<u>15,416</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	<u>(1,436)</u>	<u>19</u>	<u>(1,417)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	15,674	0	15,674
TOTAL OTHER FINANCING SOURCES (USES)	<u>15,674</u>	<u>0</u>	<u>15,674</u>
NET CHANGE IN FUND BALANCES	14,238	19	14,257
FUND BALANCES - BEGINNING	<u>34,252</u>	<u>22,099</u>	<u>56,351</u>
FUND BALANCES - ENDING	<u>\$ 48,490</u>	<u>\$ 22,118</u>	<u>\$ 70,608</u>

City of Tallulah

Nonmajor Capital Project Funds

LCDBG CAPITAL PROJECT FUND - is used to account for the accumulation of resources for and related costs regarding the LCDBG Grant.

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

CITY OF TALLULAH
NONMAJOR CAPITAL PROJECTS FUNDS
 Combining Balance Sheet
 June 30, 2011

Exhibit 6

	<u>LCDBG</u>	<u>HARLEM STREET DRAINAGE</u>	<u>TOTAL</u>
ASSETS			
Cash and cash equivalents	\$ 0	\$ 34	\$ 34
TOTAL ASSETS	<u>0</u>	<u>34</u>	<u>34</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts, salaries and other payables	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL LIABILITIES	0	0	0
FUND BALANCES:			
Restricted	<u>0</u>	<u>34</u>	<u>34</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 0</u>	<u>\$ 34</u>	<u>\$ 34</u>

CITY OF TALLULAH

NONMAJOR CAPITAL PROJECTS FUNDS
 Combining Schedule of Revenues, Expenditures,
 and Changes in Fund Balances
 For the Year Ended June 30, 2011

Exhibit 7

	LCDBG	HARLEM STREET DAMAGE	TOTAL
REVENUES			
Intergovernmental revenues	\$ 239,391	\$ 21,008	\$ 260,399
Use of money and property	0	1	1
Total revenues	239,391	21,009	260,400
EXPENDITURES			
Current:			
General and administrative	14,000	0	14,000
Other	24	67	91
Capital outlay	0	21,008	21,008
Total expenditures	14,024	21,075	35,099
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	225,367	(66)	225,301
OTHER FINANCING SOURCES (USES)			
Transfers in	0	100	100
Transfers out	(225,391)	0	(225,391)
TOTAL OTHER FINANCING SOURCES (USES)	(225,391)	100	225,291
NET CHANGE IN FUND BALANCES	(24)	34	10
FUND BALANCES - BEGINNING	24	0	24
FUND BALANCES - ENDING	\$ 0	\$ 34	\$ 34

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, 2011 and 2010

Exhibit 8

	2011 WATER FUND	2010 WATER FUND	2011 SEWER FUND	2010 SEWER FUND
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 0	\$ 88,916	\$ 24,204	\$ 42,675
Receivables, net	239,748	192,017	191,696	129,846
Interfund receivables	0	0	21,655	24,529
Restricted Assets:				
Cash and cash equivalents	189,212	186,346	0	0
Total Current Assets	428,960	467,279	237,555	197,050
Long-term Assets				
Property, plant and equipment (net of accumulated depreciation)	7,170,478	7,811,425	12,144,725	11,822,455
TOTAL ASSETS	7,599,438	8,278,704	12,382,280	12,019,505
LIABILITIES				
Current Liabilities				
Accounts, salaries and other payable	76,273	56,092	190,379	115,700
Bank overdraft	73,959	0	0	0
Interfund payables	27,069	39,713	66,337	69,358
Interest payable	83,222	85,157	9,726	10,509
Payable from restricted assets - customer dep.	189,212	186,346	0	0
Rev bonds pay. (net of def bond costs) -current	128,920	118,920	0	0
Loans payable - current	48,655	46,459	38,070	36,504
Capital leases payable - current	81,995	77,330	0	0
Total Current Liabilities	\$ 709,305	\$ 610,017	\$ 304,512	\$ 232,071

(Continued)

CITY OF TALLULAH

PROPRIETARY FUND TYPE - ENTERPRISE FUNDS
 Comparative Statement of Net Assets
 June 30, 2011 and 2010

Exhibit 8

	2011 WATER FUND	2010 WATER FUND	2011 SEWER FUND	2010 SEWER FUND
Noncurrent Liabilities				
Rev bonds pay. (net of deferred bond costs)	\$ 4,712,320	\$ 4,841,240	\$ 0	\$ 0
Loans payable	2,470,751	2,519,825	2,996,036	3,033,135
Capital leases payable	1,978,095	2,060,090	0	0
Total Noncurrent Liabilities	<u>9,161,166</u>	<u>9,421,155</u>	<u>2,996,036</u>	<u>3,033,135</u>
TOTAL LIABILITIES	<u>9,870,471</u>	<u>10,031,172</u>	<u>3,300,548</u>	<u>3,265,206</u>
NET ASSETS				
Invested in capital assets, net of related debt	(2,250,258)	(1,852,439)	9,110,619	8,752,816
Unrestricted	(20,775)	99,971	(28,887)	1,483
TOTAL NET ASSETS	<u>\$ (2,271,033)</u>	<u>\$ (1,752,468)</u>	<u>\$ 9,081,732</u>	<u>\$ 8,754,299</u>

(Concluded)

City of Tallulah

Exhibit 9

Schedule of Compensation Paid to Council Members
For the Year Ended June 30, 2011

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 \$1,000 per month.

Tommy Watson, Mayor Pro-Tem	\$12,000
Marjorie Day	12,000
Charles Finlayson	12,000
Gloria Hayden	12,000
Lisa Houston	<u>12,000</u>
TOTAL	<u>\$60,000</u>

City of Tallulah
 Financial Data Schedule
 As of and For the Year Ended June 30, 2011

Submission Type: Audited/Non-A-133 LA242

	14.871 Housing Choice Vouchers	Total
111 Cash - Unrestricted	<u>\$79,655</u>	<u>\$79,655</u>
190 Total Assets	<u><u>\$79,655</u></u>	<u><u>\$79,655</u></u>
300 Total Liabilities	<u>\$0</u>	<u>\$0</u>
508.1 Invested In Capital Assets, Net of Related Debt		
509.2 Fund Balance Reserved		
511.2 Unreserved, Designated Fund Balance		
511.1 Restricted Net Assets	\$0	\$0
512.1 Unrestricted Net Assets	\$79,665	\$79,665
512.2 Unreserved, Undesignated Fund Balance		
513 Total Equity/Net Assets	<u>\$79,665</u>	<u>\$79,665</u>
600 Total Liabilities and Equity/Net Assets	<u><u>\$79,665</u></u>	<u><u>\$79,665</u></u>

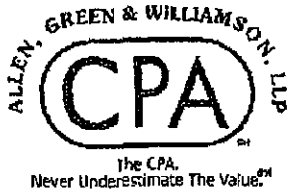
City of Tallulah
 Financial Data Schedule
 As of and For the Year Ended June 30, 2011

Submission Type: Audited/Non-A-133 LA242

	14.871 Housing Choice Vouchers	Total
70600 HUD PHA Operating Grants	\$176,309	\$176,309
71100 Investment Income - Unrestricted	\$173	\$173
70000 Total Revenue	\$178,889	\$178,889
91600 Office Expenses	\$4,051	\$4,051
91800 Travel	\$1,244	\$1,244
91900 Other	\$18,400	\$18,400
91000 Total Operating - Administrative	\$23,695	\$23,695
96900 Total Operating Expenses	\$23,695	\$23,695
97000 Excess of Operating Revenue over Operating	\$152,787	\$152,787
97300 Housing Assistance Payments	\$174,734	\$174,734
90000 Total Expenses	\$198,429	\$198,429
10020 Operating transfer Out	-\$19,303	-\$19,303
10100 Total Other financing Sources (Uses)	-\$19,303	-\$19,303
10000 Excess (Deficiency) of Total Revenue Over	-\$41,250	-\$41,250
11030 Beginning Equity	\$120,915	\$120,915
11170 Administrative Fee Equity	\$79,665	\$79,665
11180 Housing Assistance Payments Equity	\$0	\$0
11190 Unit Months Available	660	660
11210 Number of Unit Months Leased	509	509

City of Tallulah

**OTHER REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**



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

Mayor and Council Members
City of Tallulah
Tallulah, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the primary government of the City of Tallulah as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements of the City's primary government and have issued our report thereon dated November 29, 2011. We issued an adverse opinion due to the omission of the discretely presented component units and an unqualified opinion on the governmental activities, business-type activities, each major fund and the aggregate remaining fund information on the primary government. 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

Management of the City of Tallulah is responsible for establishing and maintaining effective internal control over financial report. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies, internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 11-F1 and 11-F2 to be material weaknesses.

A *significant deficiency* is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 11-F3, 11-F4, 11-F5, 11-F6, 11-F7, 11-F8 and 11-F9 to be significant deficiencies.

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 are described in the accompanying Schedule of Findings and Questioned Costs as items 11-F7, 11-F8 and 11-F9.

We noted certain matters that we reported to management of the City in a separate letter dated November 29, 2011.

The City's response to the findings identified in our audit are described in the accompanying Corrective Action Plan for Auditor's Current Year Findings. 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
November 29, 2011

City of Tallulah
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

Part I – Summary of 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 nine significant deficiencies required to be disclosed by Government Auditing Standards, issued by the Comptroller General of the United States of America.

Two 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.

City of Tallulah
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

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: **11-F1** **Inadequate Accounting Controls**

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

Criteria or specific requirement: Proper internal controls require that bank reconciliations are performed timely to ensure that unexplained differences in the bank and general ledger balances are discovered and resolved in a reasonable timeframe. Bank reconciliations should be reviewed for accuracy and dated to ensure they are completed timely. Any outstanding items should be periodically reviewed to ensure that they are valid transactions. Periodic reviews should be performed over the journal entries made and general ledger accounts to ensure that all transactions relating to the fiscal year are properly recorded and classified in the accounting records. Policies should be designed and implemented to ensure management has carried out day-to-day operations of the entity within the guidelines set forth by the governing officials. Financial information should be presented to the governing authority frequently to ensure the operations of the entity are within the budget approved by the board.

Condition found: Although the City has diligently worked to get the accounting records up to date, during the test of bank reconciliations, it was noted that the bank reconciliations were not prepared in a timely manner and are not reviewed and signed off by management. It was also noted that old reconciling items on the bank reconciliations are not investigated to ensure that there are appropriate adjustments to the cash book balance.

While reviewing the income general ledger accounts, it was noted that several income transactions were not classified correctly. Audit adjustments were presented to management to reclassify revenues to their proper accounting classification. In addition, miscellaneous collections of ad valorem revenues and ad valorem refunds are not consistently posted to the proper fund as required by the ordinance.

While testing receivable and payable account balances, it was noted that the accruals at fiscal year-end did not agree to the supporting documentation. Material audit adjustments were presented to management to correct year-end accruals for accounts receivables.

Through discussion with management, it was noted the City does not have a formal procurement, credit card, capitalization and information systems policy or a backup contingency and recovery plan.

Through review of board minutes and discussion with management, it was noted that the board is not presented with timely and complete monthly financial statements.

Possible asserted effect (cause and effect):

Cause: The auditor was unable to determine the cause.

Effect: Internal control over the accounting functions are weakened.

Recommendations to prevent future occurrences: The City should continue to contract with an accounting firm to ensure procedures are established to ensure bank reconciliations are performed timely, normally by the next month of the bank statement and the completion date is documented. Monitoring procedures should be performed on the bank reconciliations for reconciling items, to ensure the outstanding items are appropriate and properly recorded. Procedures should be implemented to ensure year-end accruals are properly recorded based on the supporting documentation obtained. Policies should be established and approved by the governing authority to ensure that day-

City of Tallulah
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

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:

to- day objectives are being followed.

Reference # and title: **11-F2** **Insufficient Controls Over Disbursements**

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

Criteria or specific requirement: Effective internal controls over disbursements ensure that expenditures are approved by the appropriate individual, recorded properly in the accounting records, paid timely, all supporting documentation for the expenditures is obtained and maintained and ensure expenditures are necessary and reasonable for the operation of the entity. Additionally, invoices should be reviewed to ensure that the entity is taking all applicable credits and is not paying sales tax on expenditures.

Condition found: In a test of sixty-five vendor disbursements, the following were noted:

- Ten exceptions noted where the checks were not signed by the appropriate individuals, nine were Section 8 checks, in which should follow the City's check signing policy.
- Four exceptions noted where a purchase order was missing and one exception where the purchase order was issued after purchase.
- Seven exceptions noted in which the invoice was not properly approved.
- Nine exceptions noted where the charge did not appear to be necessary and reasonable due to the City paying either sales tax or late fees on the transactions.
- One exception noted where the charge was not properly recorded per the supporting documentation.
- One exception noted where the City could not locate the check to be tested.
- Two exceptions noted where the invoice was not paid timely.
- Nine exceptions were noted for the Section 8 program in which the expenditure did not have proper documentation:
 - One exception was noted for not having an annual recertification for the time period tested.
 - Two exceptions in which the wrong utility assistance payment schedule was used in calculating UAP.
 - Four exceptions were noted where third party income verifications were not performed to support income calculation used in determining housing and/or utilities assistance payments.
 - Five exceptions were noted in which the income was calculated incorrectly resulting in four overpayments and 1 underpayment of housing and utilities assistance.
 - Two exceptions were noted in which rent reasonableness was not performed to determine if the housing assistance paid was reasonable.
 - Four exceptions were noted in which the tenant was issued a voucher with more bedrooms than members in the household. The higher bedroom payment standard was used resulting in overpayments of HAP.
 - Four exceptions were noted in which there was no landlord contract to support the tenant's rent.

In a test of ten travel reimbursement expenditures, it was noted that seven of the expenditures did not have itemized receipts to support the reimbursement and four of the expenditures did not appear to be necessary and reasonable.

In a test of five credit/store charge cards statements, it was noted that three statements were paid from the statement and did not have original receipts as supporting documentation. Two statements each had a transaction that was not

City of Tallulah
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

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:

supported by an original invoice or purchase order. One transaction was for travel in which the business purpose could be determined. Four of the statements included payments for sales tax and also included finance and late fees.

In testing of attendance and leave records for one pay period, the following exceptions were noted:

- Two exceptions were noted in which the employees did not have timesheets.
- The Mayor's contract does not specify that he is to earn leave time; however his check stub, due to an error showed accumulated leave time.
- It could not be determined in looking at the payroll record if the City is maintaining accurate leave time earned, used and accumulated balance, yet the balance accumulated is being paid out in full at year end.

Possible asserted effect (cause and effect):

Cause: The auditor was unable to determine the cause.

Effect: Internal controls over disbursements are weakened.

Recommendations to prevent future occurrences: Procedures should be implemented to ensure all disbursements are approved by the appropriate personnel, are necessary and reasonable for the operation of the City, and are within the guidelines of the budget set forth by the City Council. Policies should be established to ensure that all supporting documentation for expenditures is received and retained by the accounting department. Additionally, out of parish travel should be approved by the Council.

Reference # and title: **11-F3** **Cash Management**

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

Criteria or specific requirement: Effective controls over cash management ensure deposits can be traced from the point of the receipt to the posting in the general ledger. Monies received should be deposited in a timely manner. For testing purposes, timeliness is considered three business days from the receipt of funds. Receipts should be issued for all monies received. In addition, the receipts should be properly classified in the accounting records of the City.

Condition found: In a test of twenty-five receipts issued at City Hall, it was noted that eleven of the receipts were deposited more than three business days after being received and one receipt was not recorded in the correct revenue account.

In a test of forty receipts issued at the Police Department, it was noted that thirty-nine receipts were deposited more than three business days after the date received, which in a number of the cases, the deposit was made in excess of a month. Additionally, it was noted that during the majority of the year, the Police Department would not fully deposit amounts collected but would put some of the money into the petty cash fund. However, this was corrected at the end of the year after prior year's audit was released.

City of Tallulah
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

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

Possible asserted effect (cause and effect):

Cause: The City does not have monitoring procedures to ensure deposits are being made timely and correctly posted.

Effect: The City's internal controls over cash management are weakened and could possibly result in funds not being utilized effectively.

Recommendations to prevent future occurrences: A single central location for collection of all governmental activity receipts and procedures to ensure that all cash receipts are deposited in a timely manner should be implemented. A receipt should be issued for all funds collected; receipts issued should be accounted for within each deposit and monitoring should occur to ensure the coding and accounting classification of the receipts is correct based on the supporting documentation.

Reference # and title: **11-F4** **Capital Asset**

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

Criteria or specific requirement: Proper internal controls over capital assets ensure that proper accounting of capital assets is maintained. Expenditures should be correctly classified in the accounting records and proper schedules should be maintained showing outstanding work on projects that have not been completed at fiscal year end. Capital assets should be added to the listing based on historical costs. Monitoring should be performed frequently to ensure the capital asset listing is current.

Condition found: While reviewing maintenance, repairs and supplies general ledger accounts for correct classification of the expenditure, it was noted that two construction projects were not properly classified as a capital outlay expense. It was also noted that the City does not have a schedule indicating accumulative costs for construction in progress.

In a test of capital asset additions, it was noted that one asset was on the capital asset listing with incorrect costs based on supporting documentation. Two capital assets acquired through a capital lease and one asset on the accounts payable listing were not included on the additions listing. In addition, prior year's construction in progress project completed in the current year was not included in the additions listing.

In a test of capital asset deletions, it was noted that two of the four assets deleted were not on the capital asset listing. The City does not have any monitoring procedures in place to ensure that the asset inventory listing is complete and accurate.

Possible asserted effect (cause and effect):

Cause: The auditor was unable to determine the cause.

Effect: Controls over the City's accounting for capital assets are weakened.

City of Tallulah
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

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

Recommendations to prevent future occurrences: Procedures should be implemented to ensure a schedule is prepared, which shows a cumulative accounting of construction costs currently ongoing by the City. Expenditures should be correctly accounted for in the accounting records to ensure that all capital assets purchased throughout the year are being added to the capital asset listing. Monitoring procedures should be performed to ensure the listing is complete and up-to-date at fiscal year-end.

Reference # and title: **11-F5** **Insufficient Controls Over Police Tickets**

Entity-wide or program/department specific: This finding relates to the Police Department.

Criteria or specific requirement: Proper internal controls over the collection of police tickets ensure that tickets issued to defendants are maintained, properly recorded and received in a timely manner. The tickets should be traced from the point of receiving the blank ticket books to the collection of the ticket issued. If policies are in place to allow a defendant to make periodic payments, a listing should be maintained showing balances owed at a particular point in time.

Condition found: While testing forty tickets issued during the year, it was noted that two tickets could not be located for testing. There was 11 exception in which the ticket payment could not be accurately traced to the deposit. It was also noted that the Police Department allows defendants to make partial payments on their tickets; however it was not until after June 30, 2011 that the Police Department began maintaining a listing of defendants who still owe on outstanding balances.

Possible asserted effect (cause and effect):

Cause: The auditor is unable to determine the cause.

Effect: The Police Department does not appear to be collecting all funds owed to them through tickets issued and does not have procedures in place for maintaining documentation on all tickets. This results in weakened internal controls of police tickets.

Recommendations to prevent future occurrences: Procedures should be established to ensure that all tickets issued by officers are retained by the Police Department. Tickets that are voided should be properly accounted for and tickets that are dismissed should have proper documentation and approval. A listing of balances owed from each defendant should be maintained and monitored frequently to ensure the City is collecting all fine monies that are owed to the Police Department.

Reference # and title: **11-F6** **Insufficient Controls Over Water and Sewer Customers**

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

Criteria or specific requirement: Proper internal controls over customer accounts at the water and sewer department ensure that customers who have outstanding balances are properly recognized and procedures are taken to collect the monies owed to the City for services rendered or disconnection procedures are implemented. When deposits are collected from customers, they should be deposited in a timely manner. If the customer still owes a balance, the deposit should be offset against any remaining monies owed and either a last bill sent to the customer or

City of Tallulah
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

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 deposit returned within 30 days from the last bill date.

Condition found: While testing fifteen customer billings during the year, four exceptions were noted in which the deposits were not deposited timely.

In a test of forty customer disconnects, it was noted that six of the disconnects were not performed timely when reviewing the customers outstanding balances owed to the City. In addition, it was noted that two accounts had balances that had not been written off as uncollectable.

Possible asserted effect (cause and effect):

Cause: The auditor is unable to determine the cause.

Effect: The internal controls over the water and sewer department are weakened.

Recommendations to prevent future occurrences: Procedures should be established to ensure that customers with outstanding balances are either placed on appropriate payment plans or their services are disconnected until payments are made. Deposits collected from customers should be deposited timely within three business days.

Reference # and title: **11-F7** **Debt Covenant Restrictions**

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

Criteria or specific requirement: To obtain financing for the water and sewer departments, the City agreed to adhere to certain conditions and requirements as set forth in the debt agreements. In reviewing the debt agreements, it was noted that the City should have funds reserved for a sinking fund, a debt service reserve fund and contingency/project reserve fund for each of the debt agreements and provide the City's annual financial information to the Municipal Securities Rulemaking Board by December 31 each year while the Water Revenue Bonds Refunding Series 2007 are outstanding. Also, the City must set fees such that water and sewer fees less operating expenditures are more than 120% for revenue loans payable and 125% for the revenue bonds of the next year's debt service payment.

Condition found: The City does not have the appropriate funds reserved as required by the debt agreements before the City transferred funds from the Water and Sewer Funds to the General Fund. Water and Sewer fees are not established such that operating income is more that the required minimum of 120% to 125% of next year's debt service requirement.

Possible asserted effect (cause and effect):

Cause: The auditor was unable to determine the cause.

Effect: The City appears to be in violation of the debt covenants as set forth in the debt agreements.

Recommendations to prevent future occurrences: Procedures should be established and monitoring should be performed to ensure that City is complying with the debt covenants as required by the debt agreements.

City of Tallulah
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

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: 11-F8 Public Records Violation

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

Criteria or specific requirement: Louisiana Revised Statute 43:144 states in part "...an official of any municipal corporation, police jury, or school board by law responsible for the preparing and recording of the official proceedings, within twenty days from the date of any meeting at which the official proceedings were had, shall furnish the official journal with a copy of the minutes, ordinances, resolutions, budgets, and proceedings for publication for public notice."

Condition found: While reviewing regular board-meeting minutes to determine if the City published the board meeting minutes within twenty days in the official journal, it was noted that eight of the ten board meeting minutes selected were published in the official journal more than twenty days after the regular meeting occurred.

Possible asserted effect (cause and effect):

Cause: The auditor was unable to determine the cause.

Effect: This City did not adhere to the requirements in regards to publishing their minutes of regular board meetings within twenty days as set forth by the Louisiana Revised Statute.

Recommendations to prevent future occurrences: Management should implement procedures to ensure that all regular board-meeting minutes are published in the official journal within twenty days from the date of the board meeting.

Reference # and title: 11-F9 Budget Violation

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

Criteria or specific requirement: Louisiana Revised Statute 39:1307B states in part "...the political subdivision shall publish a notice stating that the proposed budget is available for public inspection. The notice shall also state that a public hearing on the proposed budget shall be held with the date, time, and place of the hearing specified in the notice. The notice shall be published at least ten days prior to the date of the first public hearing."

Condition found: While testing the City's budget for certain Louisiana Revised Statute requirements, it was noted that the notice of availability and notice of public hearing was published only seven days before the public hearing occurred.

Possible asserted effect (cause and effect):

Cause: The auditor was unable to determine the cause.

Effect: The City did not adhere to the requirement that public notice on proposed budgets must occur no later than ten days prior to the public hearing as set forth in the Louisiana Revised Statute.

City of Tallulah
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

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

Recommendations to prevent future occurrences: Management should establish procedures to ensure that prior to a public hearing, notice is given on the availability and occurrence of the public hearing within ten days to ensure the public has a chance to review and voice their opinion on the budgets of the City.

City of Tallulah

Other Information

City of Tallulah
Summary Schedule of Prior Year Audit Findings
June 30, 2011

Reference # and title: **10-F1** **Inadequate Accounting Controls**

Date of origin: This finding originated fiscal year ended June 30, 2008.

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

Condition: Proper internal controls require that bank reconciliations are performed timely to ensure that unexplained differences in the bank and general ledger balances are discovered and resolved in a reasonable timeframe. Bank reconciliations should be reviewed for accuracy and dated to ensure they are completed timely. Any outstanding items should be periodically reviewed to ensure that they are valid transactions. Periodic reviews should be performed over the journal entries made and general ledger accounts to ensure that all transactions relating to the fiscal year are properly recorded and classified in the accounting records. Policies should be designed and implemented to ensure management has carried out day-to-day operations of the entity within the guidelines set forth by the governing officials. Financial information should be presented to the governing authority frequently to ensure the operations of the entity are within the budget approved by the board.

During the test of bank reconciliations, it was noted that the reconciliations were not prepared in a timely manner and are not always initialed and dated upon completion. While reviewing bank reconciliations at fiscal year ending June 30, 2011, it was noted that several outstanding deposits and checks on the bank reconciliations were duplicate entries or did not appear to be valid transactions in the City's accounting system. These transactions were not detected by the City causing audit adjustments to be made to remove duplicate postings of deposits in transit and outstanding checks. In addition, it was noted that a material transfer was made after year end, but one side of accounting for the transfer was recorded during the fiscal year. Furthermore, the investments of the City were not reconciled at fiscal year end to ensure they agreed to the supporting documentation.

While reviewing the income general ledger accounts, it was noted that several income transactions were not classified correctly. Material audit adjustments were presented to management to reclassify revenues to their proper accounting classification. In addition, revenues from ad valorem taxes were incorrectly classified as general fund revenues rather than the proper fund as required by the ordinance.

While testing receivable and payable account balances, it was noted that the accruals at fiscal year-end did not agree to the supporting documentation. Material audit adjustments were presented to management to correct year-end accruals for accounts receivables and payables.

Through discussion with management, it was noted the City does not have a formal procurement, credit card, capitalization and information systems policy or a backup contingency and recovery plan.

Through review of board minutes and discussion with management, it was noted that financial information is being presented to the board, however this could not be tested since management does not keep records of the information provided. It was determined that any financial information presented to the board would not include up-to-date revenue receipts therefore; would not provide an accurate accounting of the City's financial condition. Additionally, when reviewing manual journal entries, it was noted that the City does not maintain supporting documentation for all manual journal entries.

Corrective action planned: See current year finding 11-F1.

City of Tallulah
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Reference # and title: **10-F2** **Insufficient Controls Over Disbursements**

Date of origin: This finding originated fiscal year ended June 30, 2008.

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

Condition: Effective internal controls over disbursements ensure that expenditures are approved by the appropriate individual, recorded properly in the accounting records, paid timely, all supporting documentation for the expenditures is obtained and maintained and ensure expenditures are necessary and reasonable for the operation of the entity. Additionally, invoices should be reviewed to ensure that the entity is taking all applicable credits and is not paying sales tax on expenditures.

In a test of sixty-five vendor disbursements, the following were noted:

- Fifteen exceptions noted where the checks were not signed by the appropriate individuals, in which Section 8 checks should follow the City's check signing policy.
- Two exceptions noted where the checks were missing the required second signature by authorized personnel.
- Three exceptions noted where a purchase order was missing.
- Eight exceptions noted in which the invoice was not properly approved.
- One exception noted where the charge did not appear to be necessary and reasonable.
- Six exceptions noted where the charge was not properly recorded per the supporting documentation.
- Five exceptions noted where the vendor charge did not have proper supporting documentation.
- Eight exceptions were noted for the Section 8 program in which the expenditures did not have proper documentation:
 - One exception in which the utility assistance payment did not agree to the 50058 calculation for the allowed utility assistance.
 - Five exceptions were noted where third party income verifications were not performed to support income calculation used in determining housing and/or utilities assistance payments.
 - One exception was noted in which the income was calculated incorrectly resulting in an overpayment of housing and utilities assistance.
 - One exception was noted in which rent reasonableness was not performed to determine if the housing assistance paid was reasonable.
- One exception noted where the City did not take all applicable credits on invoices.
- Six exceptions noted where the invoice was not paid timely.

In a test of twelve travel reimbursement expenditures, it was noted that three of the expenditures did not have receipts to support the reimbursement and nine of the expenditures did not appear to be necessary and reasonable.

In a test of five credit/store charge cards, it was noted that five statements had individual receipts with sales tax charges. In addition, there was one statement, which had charges that did not appear to be necessary and reasonable. In reviewing vendor files it was noted that the construction company used by the City does not always list detail information on the invoices submitted, nor did they date invoices for completed jobs after March 2010 in which they received payment for.

Corrective action planned: See current year finding 11-F2.

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Reference # and title: **10-F3** **Cash Management**

Date of origin: This finding originated fiscal year ended June 30, 2008.

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

Condition: Effective controls over cash management ensure deposits can be traced from the point of the receipt to the posting in the general ledger. Monies received should be deposited in a timely manner. For testing purposes, timeliness is considered three business days from the receipt of funds. Receipts should be issued for all monies received. In addition, the receipts should be properly classified in the accounting records of the City.

In a test of twenty-five receipts issued at City Hall, it was noted that eight of the receipts were deposited more than three business days after being received. In addition, two of the receipts were incorrectly classified in the City's accounting records. Furthermore, the City could not locate supporting documentation for three receipts.

In a test of forty receipts issued at the Police Department, it was noted that all forty receipts were deposited more than three business days after the date received, which in a number of the cases; the deposit was made in excess of a month. Three of the receipts were not located in the accounting records of the City, due to being deposited after fiscal year end, and the year-end accruals for the City's accounting records had not been completed. It was also noted that no receipts are issued to the Police Department by City Hall for collections submitted to the City.

Corrective action planned: See current year finding 11-F3.

Reference # and title: **10-F4** **Capital Asset**

Date of origin: This finding originated fiscal year ended June 30, 2010.

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

Condition: Proper internal controls over capital assets ensure that proper accounting of capital assets is maintained. Expenditures should be correctly classified in the accounting records and proper schedules should be maintained showing outstanding work on projects that have not been completed at fiscal year end. Capital assets should be added to the listing based on historical costs. Monitoring should be performed frequently to ensure the capital asset listing is current.

While reviewing maintenance, repairs and supplies general ledger accounts for correct classification of the expenditure, it was noted that twelve of the seventeen checks tested were not classified properly as a capital outlay expense. Nine of these checks were for construction in progress, which the City does not have a schedule indicating accumulative costs of the project. In addition, these expenditures were not added to the capital asset listing.

In a test of capital asset additions, it was noted that two of the six additions selected were on the capital asset listing with incorrect costs based on supporting documentation. One of the six additions did not reflect the correct fund that paid for the addition.

Corrective action planned: See current year finding 11-F4.

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Reference # and title: **10-F5** **Insufficient Controls Over Police Tickets**

Date of origin: This finding originated fiscal year ended June 30, 2010.

Entity-wide or program/department specific: This finding relates to the Police Department.

Condition: Proper internal controls over the collection of police tickets ensure that tickets issued to defendants are maintained, properly recorded and received in a timely manner. The tickets should be traced from the point of receiving the blank ticket books to the collection of the ticket issued. If policies are in place to allow a defendant to make periodic payments, a listing should be maintained showing balances owed at a particular point in time.

While testing forty-five tickets issued during the year, it was noted that ten tickets could not be located for testing. It was also noted that the Police Department allows defendants to make partial payments on their tickets, however no supporting documentation is maintained of defendants who still owe on outstanding balances.

Corrective action planned: See current year finding 11-F5.

Reference # and title: **10-F6** **Insufficient Controls Over Disconnects for Water and Sewer Customers**

Date of origin: This finding originated fiscal year ended June 30, 2007.

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

Condition: Proper internal controls over customer accounts at the water and sewer department ensure that customers who have outstanding balances are properly recognized and procedures are taken to collect the monies owed to the City for services rendered or disconnection procedures are implemented. When deposits are collected from customers to turn services on, they should be returned to the customer in a timely manner once disconnection procedures are completed. If the customer still owes a balance, the deposit should be offset against any remaining monies owed and either a last bill sent to the customer or the deposit returned within 30 days from the last bill date.

While testing forty-five customer billings during the year, seven exceptions were noted in which the disconnections were not performed timely when reviewing the aging of customers outstanding balances owed to the City.

In a test of forty customer disconnects, it was noted that ten of the disconnects were not performed timely when reviewing the customers outstanding balances owed to the City. In addition, two exceptions were noted in which the customer's refund was not offset against the customer's outstanding balance in a timely manner.

Corrective action planned: See current year finding 11-F6.

Reference # and title: **10-F7** **Debt Covenant Restrictions**

Date of origin: This finding originated fiscal year ended June 30, 2010.

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

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Condition: To obtain financing for the water and sewer departments, the City agreed to adhere to certain conditions and requirements as set forth in the debt agreements. In reviewing the debt agreements, it was noted that the City should have funds reserved for a sinking fund, a debt service reserve fund and contingency/project reserve fund for each of the debt agreements and provide the City's annual financial information to the Municipal Securities Rulemaking Board by December 31 each year while the Water Revenue Bonds Refunding Series 2007 are outstanding. Also, the City must set fees such that water and sewer fees less operating expenditures are more than 120% for revenue loans payable and 125% for the revenue bonds of the next year's debt service payment.

The City does not have the appropriate funds reserved as required by the debt agreements before the City transferred funds from the Water and Sewer Funds to the General Fund. Water and Sewer fees are not established such that operating income is more than the required minimum of 120% to 125% of next year's debt service requirement.

It was also noted that the City has not filed its annual report with the Municipal Securities Rulemaking Board (MSRB) as required.

Corrective action planned: See current year finding 11-F7.

Reference # and title: **10-F8** **Public Records Violation**

Date of origin: This finding originated fiscal year ended June 30, 2010.

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

Condition: Louisiana Revised Statute 43:144 states in part "...an official of any municipal corporation, police jury, or school board by law responsible for the preparing and recording of the official proceedings, within twenty days from the date of any meeting at which the official proceedings were had, shall furnish the official journal with a copy of the minutes, ordinances, resolutions, budgets, and proceedings for publication for public notice."

While reviewing regular board-meeting minutes to determine if the City published the board meeting minutes within twenty days in the official journal, it was noted that three of the four board meeting minutes selected were published in the official journal more than twenty days after the regular meeting occurred.

Corrective action planned: See current year finding 11-F8.

Reference # and title: **10-F9** **Budget Violation**

Date of origin: This finding originated fiscal year ended June 30, 2007.

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

Condition: Louisiana Revised Statute 39:1307B states in part "...the political subdivision shall publish a notice stating that the proposed budget is available for public inspection. The notice shall also state that a public hearing on the proposed budget shall be held with the date, time, and place of the hearing specified in the notice. The notice shall be published at least ten days prior to the date of the first public hearing."

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Additionally, Louisiana Revised Statute 39:1311A(2) reads in part "...The chief executive or administrative officer for a political subdivision subject to public participation shall advise the governing authority or independently elected official *in writing* when total actual expenditures and other uses plus projected expenditures and other uses for the remainder of the year, within a fund, are exceeding the total budgeted expenditures and other uses by five percent or more."

While testing the City's budget for certain Louisiana Revised Statute requirements, it was noted that the notice of availability and notice of public hearing was published on the same day that the public hearing occurred.

It was also noted, while reviewing the budget to actual financial information for the City, that the City's actual expenditures exceeded the budgeted expenditures by more than five percent.

Corrective action planned: See current year finding 11-F9.

Reference # and title: **10-F10** **Audit Report Submitted to the Legislative Auditor**

Date of origin: This finding originated fiscal year ended June 30, 2007.

Entity-wide or program/department specific: This finding 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." The City's audit report should be submitted to the Louisiana Legislative Auditor by December 31st each year.

The City's audit report for the fiscal year ending June 30, 2011 was not completed within the six month deadline as per Louisiana Revised Statute 24:513A (5) (a) (i).

Corrective action taken: The City made a decision to use services of a local accounting firm for computer input of detailed information as well as some cash reconciliations. This additional measure allowed the City Clerk necessary help as well as ensure timely completion of year end functions so that audits can be done timely in the future. This finding is considered to be cleared.

Reference # and title: **10-F11** **Audit Report Submitted to the USDA Untimely**

Date of origin: This finding originated fiscal year ended June 30, 2004.

Entity-wide or program/department specific: This finding is specific to the Water and Sewer Funds for Community Facilities Loans and Grants, CFDA #10.766 for Federal Award Year 2010 received from Federal Agency: U.S. Department of Agriculture.

Condition: The United States Department of Agriculture requires that the City submit its audit report within 150 days of their fiscal year ending June 30th each year to the USDA.

The City's audit report for the fiscal year ending June 30, 2011 was not completed and submitted to the USDA within 150 days after fiscal year end, as required.

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Corrective action taken: The City implemented a plan of action with the use of an outside accounting firm to aid in completing all accounting on a timely basis which allowed for timely year end close-outs and annual audits. This finding is considered to be cleared.

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Reference # and title: **11-F1** **Inadequate Accounting Controls**

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

Condition: Proper internal controls require that bank reconciliations are performed timely to ensure that unexplained differences in the bank and general ledger balances are discovered and resolved in a reasonable timeframe. Bank reconciliations should be reviewed for accuracy and dated to ensure they are completed timely. Any outstanding items should be periodically reviewed to ensure that they are valid transactions. Periodic reviews should be performed over the journal entries made and general ledger accounts to ensure that all transactions relating to the fiscal year are properly recorded and classified in the accounting records. Policies should be designed and implemented to ensure management has carried out day-to-day operations of the entity within the guidelines set forth by the governing officials. Financial information should be presented to the governing authority frequently to ensure the operations of the entity are within the budget approved by the board.

Although the City has diligently worked to get the accounting records up to date, during the test of bank reconciliations, it was noted that the bank reconciliations were not prepared in a timely manner and are not reviewed and signed off by management. It was also noted that old reconciling items on the bank reconciliations are not investigated to ensure that there are appropriate adjustments to the cash book balance.

While reviewing the income general ledger accounts, it was noted that several income transactions were not classified correctly. Audit adjustments were presented to management to reclassify revenues to their proper accounting classification. In addition, miscellaneous collections of ad valorem revenues and ad valorem refunds are not consistently posted to the proper fund as required by the ordinance.

While testing receivable and payable account balances, it was noted that the accruals at fiscal year-end did not agree to the supporting documentation. Material audit adjustments were presented to management to correct year-end accruals for accounts receivables.

Through discussion with management, it was noted the City does not have a formal procurement, credit card, capitalization and information systems policy or a backup contingency and recovery plan.

Through review of board minutes and discussion with management, it was noted that the board is not presented with timely and complete monthly financial statements.

Corrective action planned: As of August 2011, the City hired an independent accounting firm to reconcile the bank statements monthly. Management, along with the assistance of the independent accounting firm, will monitor old reconciling items to ensure that they are appropriately adjusted in a timely manner. Although there was no formal "signing off" of the bank reconciliations by management, the bank reconciliations were reviewed by management, as the accounting firm worked closely on a day to day basis with the City Clerk. The bank reconciliations are reconciled currently and have been reviewed and "signed off" on by management.

In addition, the independent accounting firm has begun assisting with various account reconciliations on a quarterly basis. It was noted that the vast majority of the material audit adjustments made to the receivable and payable account balances were due to human error, as the accruals were made on a monthly basis. However, it appeared that a few monthly accrual entries failed to be made causing them to be out of balance at year end. Major efforts are currently being made by both management and the independent accounting firm to assure that these errors are not made in the future.

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With the before mentioned procedures in place, the City Council is now being presented with timely and accurate monthly financial statements.

The City has already adopted an overall policy and procedures manual as recommended by the State of LA. It is now in the process of establishing written, detailed and customized policies and procedures for credit cards, capitalization and information systems policies, and backup contingency and recovery plans.

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: December 31, 2011.

Reference # and title: **11-F2** **Insufficient Controls Over Disbursements**

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

Condition: Effective internal controls over disbursements ensure that expenditures are approved by the appropriate individual, recorded properly in the accounting records, paid timely, all supporting documentation for the expenditures is obtained and maintained and ensure expenditures are necessary and reasonable for the operation of the entity. Additionally, invoices should be reviewed to ensure that the entity is taking all applicable credits and is not paying sales tax on expenditures.

In a test of sixty-five vendor disbursements, the following were noted:

- Ten exceptions noted where the checks were not signed by the appropriate individuals; nine were Section 8 checks, in which should follow the City's check signing policy.
- Four exceptions noted where a purchase order was missing and one exception where the purchase order was issued after purchase.
- Seven exceptions noted in which the invoice was not properly approved.
- Nine exceptions noted where the charge did not appear to be necessary and reasonable due to the City paying either sales tax or late fees on the transactions.
- One exception noted where the charge was not properly recorded per the supporting documentation.
- One exception noted where the City could not locate the check to be tested.
- Two exceptions noted where the invoice was not paid timely.
- Nine exceptions were noted for the Section 8 program in which the expenditure did not have proper documentation:
 - One exception was noted for not having an annual recertification for the time period tested.
 - Two exceptions in which the wrong utility assistance payment schedule was used in calculating UAP.
 - Four exceptions were noted where third party income verifications were not performed to support income calculation used in determining housing and/or utilities assistance payments.
 - Five exceptions were noted in which the income was calculated incorrectly resulting in four overpayments and 1 underpayment of housing and utilities assistance.

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- Two exceptions were noted in which rent reasonableness was not performed to determine if the housing assistance paid was reasonable.
- Four exceptions were noted in which the tenant was issued a voucher with more bedrooms than members in the household. The higher bedroom payment standard was used resulting in overpayments of HAP.
- Four exceptions were noted in which there was no landlord contract to support the tenant's rent.

In a test of ten travel reimbursement expenditures, it was noted that seven of the expenditures did not have itemized receipts to support the reimbursement and four of the expenditures did not appear to be necessary and reasonable.

In a test of five credit/store charge cards statements, it was noted that three statements were paid from the statement and did not have original receipts as supporting documentation. Two statements each had a transaction that was not supported by an original invoice or purchase order. One transaction was for travel in which the business purpose could be determined. Four of the statements included payments for sales tax and also included finance and late fees.

In testing of attendance and leave records for one pay period, the following exceptions were noted:

- Two exceptions were noted in which the employees did not have timesheets.
- The Mayor's contract does not specify that he is to earn leave time; however his check stub, due to an error showed accumulated leave time.
- It could not be determined in looking at the payroll record if the City is maintaining accurate leave time earned, used and accumulated balance, yet the balance accumulated is being paid out in full at year end.

Corrective action planned: Although several different errors were made in this area, concentration of the errors was in the Section 8 fund. Changes have been made in the Section 8 administrator position and improvements are already being noted. Also, it was noted that several of the exceptions in this area were due to late charges being paid or invoices not being paid timely. As you are certainly aware, the City has had major funding constraints in the past two years. Currently, budget cuts are being made, as well as other positive changes in the administration of the City of Tallulah. Lastly, better overall documentation and receipts to support all credit card charges are being maintained. Beginning immediately, business purpose will be documented for all credit card charges.

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: December 31, 2011.

Reference # and title: **11-F3** **Cash Management**

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

Condition: Effective controls over cash management ensure deposits can be traced from the point of the receipt to the posting in the general ledger. Monies received should be deposited in a timely manner. For testing purposes, timeliness is considered three business days from the receipt of funds. Receipts should be issued for all monies

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received. In addition, the receipts should be properly classified in the accounting records of the City.

In a test of twenty-five receipts issued at City Hall, it was noted that eleven of the receipts were deposited more than three business days after being received and one receipt was not recorded in the correct revenue account.

In a test of forty receipts issued at the Police Department, it was noted that thirty-nine receipts were deposited more than three business days after the date received, which in a number of the cases, the deposit was made in excess of a month. Additionally, it was noted that during the majority of the year, the Police Department would not fully deposit amounts collected but would put some of the money into the petty cash fund. However, this was corrected at the end of the year, after prior year's audit was released.

Corrective action planned: Deposits not being made on a timely basis at City Hall and the Police Department are completely due to the funding constraints that the City is enduring currently in that there are very limited personnel available to handle the day to day business of the City. However, daily deposits will be made a priority at this time. One option that the City is investigating is working with the local bank to obtain a scanner in order to make deposits electronically. As noted by the auditor, the maintaining of a portion of the funds collected in a petty cash fund at the Police Department has previously been corrected.

Person responsible for the above corrective actions:

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

Anticipated completion date: Immediately.

Reference # and title: **11-F4** **Capital Asset**

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

Condition: Proper internal controls over capital assets ensure that proper accounting of capital assets is maintained. Expenditures should be correctly classified in the accounting records and proper schedules should be maintained showing outstanding work on projects that have not been completed at fiscal year end. Capital assets should be added to the listing based on historical costs. Monitoring should be performed frequently to ensure the capital asset listing is current.

While reviewing maintenance, repairs and supplies general ledger accounts for correct classification of the expenditure, it was noted that two construction projects were not properly classified as a capital outlay expense. It was also noted that the City does not have a schedule indicating accumulative costs for construction in progress.

In a test of capital asset additions, it was noted that one asset was on the capital asset listing with incorrect costs based on supporting documentation. Two capital assets acquired through a capital lease and one asset on the accounts payable listing were not included on the additions listing. In addition, prior year's construction in progress project completed in the current year was not included in the additions listing.

In a test of capital asset deletions, it was noted that two of the four assets deleted were not on the capital asset listing.

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The City does not have any monitoring procedures in place to ensure that the asset inventory listing is complete and accurate.

Corrective action planned: As of August, 2011, the City hired an independent accounting firm to assist with various account reconciliations on a quarterly basis. Major efforts are currently being made by both management and the independent accounting firm to assure that these errors are not made in the future. In addition, the City will work to establish monitoring procedures to ensure that the asset inventory listing is complete and accurate.

Person responsible for the above corrective actions:

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

Anticipated completion date: Immediately.

Reference # and title: **11-F5** **Insufficient Controls Over Police Tickets**

Entity-wide or program/department specific: This finding relates to the Police Department.

Condition: Proper internal controls over the collection of police tickets ensure that tickets issued to defendants are maintained, properly recorded and received in a timely manner. The tickets should be traced from the point of receiving the blank ticket books to the collection of the ticket issued. If policies are in place to allow a defendant to make periodic payments, a listing should be maintained showing balances owed at a particular point in time.

While testing forty tickets issued during the year, it was noted that two tickets could not be located for testing. There was 11 exception in which the ticket payment could not be accurately traced to the deposit. It was also noted that the Police Department allows defendants to make partial payments on their tickets; however it was not until after June 30, 2011 that the Police Department began maintaining a listing of defendants who still owe on outstanding balances.

Corrective action planned: The City will work to establish controls over collection of police tickets to ensure tickets are maintained, properly recorded, and received in a timely manner.

Person responsible for the above corrective actions:

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

Anticipated completion date: December 31, 2011.

Reference # and title: **11-F6** **Insufficient Controls Over Water and Sewer Customers**

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

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Condition: Proper internal controls over customer accounts at the water and sewer department ensure that customers who have outstanding balances are properly recognized and procedures are taken to collect the monies owed to the City for services rendered or disconnection procedures are implemented. When deposits are collected from customers, they should be deposited in a timely manner. If the customer still owes a balance, the deposit should be offset against any remaining monies owed and either a last bill sent to the customer or the deposit returned within 30 days from the last bill date.

While testing fifteen customer billings during the year, four exceptions were noted in which the deposits were not deposited timely.

In a test of forty customer disconnects, it was noted that six of the disconnects were not performed timely when reviewing the customers outstanding balances owed to the City. In addition, it was noted that two accounts had balances that had not been written off as uncollectable.

Corrective action planned: The City will work to ensure that deposits are made on a daily basis, disconnections are performed in a timely manner, and uncollectable balances are written off.

Person responsible for the above corrective actions:

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

Anticipated completion date: Immediately.

Reference # and title: **11-F7** **Debt Covenant Restrictions**

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

Condition: To obtain financing for the water and sewer departments, the City agreed to adhere to certain conditions and requirements as set forth in the debt agreements. In reviewing the debt agreements, it was noted that the City should have funds reserved for a sinking fund, a debt service reserve fund and contingency/project reserve fund for each of the debt agreements and provide the City's annual financial information to the Municipal Securities Rulemaking Board by December 31 each year while the Water Revenue Bonds Refunding Series 2007 are outstanding. Also, the City must set fees such that water and sewer fees less operating expenditures are more than 120% for revenue loans payable and 125% for the revenue bonds of the next year's debt service payment.

The City does not have the appropriate funds reserved as required by the debt agreements before the City transferred funds from the Water and Sewer Funds to the General Fund. Water and Sewer fees are not established such that operating income is more that the required minimum of 120% to 125% of next year's debt service requirement.

Corrective action planned: The City has raised water rates effective March 2011, so the full effect of the increase could not be realized in this fiscal year. However, it is anticipated that this will begin the process of complying with the conditions and requirements of the debt agreements.

City of Tallulah
Corrective Action Plan for Auditor's Current Year Findings
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Person responsible for the above corrective actions:

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

Anticipated completion date: December 31, 2011.

Reference # and title: **11-F8** **Public Records Violation**

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

Condition: Louisiana Revised Statute 43:144 states in part "...an official of any municipal corporation, police jury, or school board by law responsible for the preparing and recording of the official proceedings, within twenty days from the date of any meeting at which the official proceedings were had, shall furnish the official journal with a copy of the minutes, ordinances, resolutions, budgets, and proceedings for publication for public notice."

While reviewing regular board-meeting minutes to determine if the City published the board meeting minutes within twenty days in the official journal, it was noted that eight of the ten board meeting minutes selected were published in the official journal more than twenty days after the regular meeting occurred.

Corrective action planned: Although the minutes were not consistently provided to the official journal for publishing within the required 20 days, it should be noted that ALL minutes were published in the official journal. The City will comply with Louisiana Revised Statute 43:144 in the future.

Person responsible for the above corrective actions:

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204 North Cedar
Tallulah, LA 71282

Anticipated completion date: Immediately.

Reference # and title: **11-F9** **Budget Violation**

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

Condition: Louisiana Revised Statute 39:1307B states in part "...the political subdivision shall publish a notice stating that the proposed budget is available for public inspection. The notice shall also state that a public hearing on the proposed budget shall be held with the date, time, and place of the hearing specified in the notice. The notice shall be published at least ten days prior to the date of the first public hearing."

While testing the City's budget for certain Louisiana Revised Statute requirements, it was noted that the notice of availability and notice of public hearing was published only seven days before the public hearing occurred.

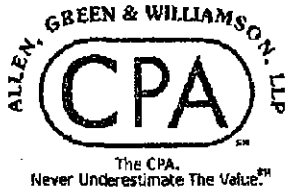
City of Tallulah
Corrective Action Plan for Auditor's Current Year Findings
June 30, 2011

Corrective action planned: The City will comply with Louisiana Revised Statute 39:1307B in the future.

Person responsible for the above corrective actions:

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

Anticipated completion date: Immediately.



ALLEN, GREEN & WILLIAMSON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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(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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the primary government of the City of Tallulah, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements, we considered the City's internal control to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit, we noted a certain matter involving internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated November 29, 2011 on the basic financial statements of the City. We will review the status of these comments during our next audit engagement. Our comments and recommendations, which have been discussed with appropriate members of management, are intended to improve internal control or result in other operating efficiencies. We will be pleased to discuss this comment in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendations. Our comment is summarized as follows:

11-M1 Stabilization of Fund Balance

Comment: During review of the financial statements, it was determined that the City is not operating within the limits of the approved budget. The City is not reviewing their expenditures against their budgets to ensure adequate funding to cover the expenditures. For the 2011 fiscal year ended, the general fund had a bank overdraft and the water fund had an unrestricted cash bank overdraft and a deficit fund balance. Additionally, most funds had a negative change in fund balance. The finances of the City are steadily declining.

Recommendation: The City should have controls to ensure budgets are prepared on a very conservative approach. Expenditures should be tightened to accommodate for the decline in funding available. Monitoring procedures should be established throughout the fiscal year to ensure expenditures are within the conservative budget.

Management's response: As you are certainly aware, the City has had major funding constraints in the past two years. Currently, budget cuts are being made, as well as other positive changes in the administration of the City of Tallulah. In addition, a formal/written plan is being established to serve as a guide to eliminate deficit spending. The City is in the process of amending its June 30, 2012, budget to be more conservative. The City will work to monitor expenditures on a monthly basis to ensure expenditures are within the budget. These activities shall be in force as of January, 2012.

Also included are management's responses to our current-year management letter items. We have performed no audit work to verify the content of the responses. Our audit procedures are designed primarily to enable us to form opinions on the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the primary government of the City of Tallulah, as of and for the year ended June 30, 2011, which collectively comprise the City's financial statements, and therefore, may not reveal all weaknesses in policies and procedures that may exist.

Included immediately following this letter is a 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 assess the reasonableness of the Status of Prior Management Letter Item prepared by management, and we would report, as a current-year management item when Allen, Green & Williamson, LLP concludes that the Status of Prior Management Letter Item *materially misrepresents* the Status of any prior management letter item.

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
November 29, 2011

City of Tallulah
Status of Prior Year Management Letter Items
June 30, 2011

10-M1

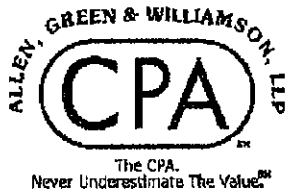
Stabilization of Fund Balance

Comment: During review of the financial statements, it was determined that the City is not operating within the limits of the approved budget. The City is not reviewing their expenditures against their budgets to ensure adequate funding to cover the expenditures. For the 2010 fiscal year ended, the general fund had a bank overdraft and the water fund had a deficit fund balance. Additionally, most funds had a negative change in fund balance. The finances of the City are steadily declining.

Management's action planned: See current year management letter 11-M1.

City of Tallulah

AGREED UPON PROCEDURES



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

The Honorable Mayor Eddie Beckwith
City of Tallulah
204 N. Cedar Street
Tallulah, Louisiana 71282

We have performed the procedures included in the *Louisiana Government Audit Guide* and enumerated below as they are a required part of the audit engagement. We are required to perform each procedure and report the results, including any exceptions. Management is required to provide a corrective action plan that addresses all exceptions noted. For any procedures that do not apply, we have marked "not applicable."

Management of the City of Tallulah is responsible for its financial records, establishing internal controls over financial reporting, and compliance with applicable laws and regulations. These procedures were agreed to by management of the City and the Legislative Auditor, State of Louisiana, solely to assist the users in assessing certain controls and in evaluating management's assertions about the City compliance with certain laws and regulations during the year ended June 30, 2011 included in the *Louisiana Attestation Questionnaire*.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Financial Management

1. Determine if management (chief executive and board members) was presented with timely and accurate monthly financial statements, including budget-to-actual comparisons on funds (General Fund, Special Revenue Fund, Utility Fund, etc.) of the entity, during the year under examination.

Comment: The Board was not presented with timely and accurate monthly financial statements.

Management response: As of August 2011, the City hired an independent accounting firm to reconcile the bank statements monthly and assist with various account reconciliations on a quarterly basis. Major efforts are currently being made by both management and the independent accounting firm to ensure that the financial statements are accurate and complete. With the before mentioned procedures in place, the City Council is now being presented with timely and complete monthly financial statements.

2. If management was deficit spending during the period under examination, determine if there is a formal/written plan to eliminate the deficit spending and whether management is monitoring the plan.

Comment: There is no formal/written plan to eliminate the deficit spending.

Management response: As you are certainly aware, the City has had major funding constraints in the past two years. Currently, budget cuts are being made, as well as other positive changes in the administration of the City of Tallulah. In addition, a formal/written plan is being established to serve as a guide to eliminate deficit spending. Management will monitor the plan on an ongoing basis.

3. Determine if there are written policies and procedures for the following financial/business functions of the entity:
 - a. Budgeting, including preparing, adopting, monitoring, and amending the budget
 - b. Purchasing, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) checks and balances to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c. Disbursements, including processing, reviewing, and approving
 - d. Receipts, including receiving, recording, and preparing deposits

Comment: There are no written policies and procedures for the above financial/business functions of the City.

Management response: The City has already adopted an overall policy and procedures manual as recommended by the State of LA. It is now in the process of establishing written, detailed and customized policies and procedures for all financial/business functions of the City.

Credit Cards

1. Obtain from management a listing of all active credit cards (and bank debit cards if applicable) for the period under examination, including the card numbers and the names of the persons who maintained possession of the cards.

The City has three types of credit cards: (1) general -VISA, (2) store - Sam's Club; and (3) gasoline -- Fleetcor Technology.

Comment: No exceptions noted.

2. Obtain and review the entity's written policies and procedures for credit cards (and debit cards if applicable) and determine if the following is addressed:

- How cards are to be controlled
- Allowable business uses
- Documentation requirements
- Required approvers
- Monitoring card usage

Comment: The City does not have any written policies and procedures for credit cards.

Management response: The City is now in the process of establishing written, detailed and customized policies and procedures for all financial/business functions of the City, to include credit cards. As noted previously, better overall documentation and receipts to support all credit card charges are now being maintained. Beginning immediately, business purpose will be documented for all credit card charges.

3. Obtain the monthly statements for all credit cards (general, stores, and gasoline) used during the period under examination and select for detailed review, the two largest (dollar amount) statements for each card. (Note: For a debit card, select the two monthly bank statements with the largest dollar amount of debit charges):

- A. Obtain the entity's supporting documentation for the purchases/charges shown on the selected monthly statements:

- Determine if each purchase is supported by:
 - An original itemized receipt (i.e., identifies precisely what was purchased)
 - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating)
 - Other documentation as may be required by policy (e.g., purchase order, authorization, etc.)
- Determine if each purchase is:
 - In accordance with thresholds or guidelines established in the policies and procedures
 - For an appropriate and necessary business purpose relative to the entity
- Determine if any purchases were made for personal purposes. If there are purchases made for personal purposes, determine the date(s) of reimbursement.

- Determine if any purchases effectively circumvented the entity's normal procurement/purchasing process and/or the Louisiana Public Bid Law (i.e., large or recurring purchases requiring the solicitation of bids or quotes).
- B. Determine if there was any duplication of expenses by comparing all travel and related purchases to the appropriate person's expense reimbursement report(s).
- C. Determine if each monthly credit card statement (including supporting documentation) was reviewed and approved, in writing, by someone other than the person making the purchases. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality.)
- D. Determine if finance charges and/or late fees were assessed on the monthly statements.

Comment: In the testing of six statements, the following exceptions were noted:

- Four exceptions were noted where the purchases were not supported by original itemized receipts.
- One exception was noted where a purchase was not appropriate and necessary business purpose relative to the City
- Two exceptions were noted for the payment of a late fee.

Management response: The City is now in the process of establishing written, detailed and customized policies and procedures for all financial/business functions of the City, to include credit cards. As noted previously, better overall documentation and receipts to support all credit card charges are now being maintained. Beginning immediately, business purpose will be documented for all credit card charges. Lastly, the payment of late fees is a result of the funding constraints the City has been undergoing. It is intended that the budget cuts currently being implemented will alleviate this problem.

Travel and Expense Reimbursement

1. Obtain and review the entity's written policies and procedures for travel and expense reimbursement and determine if the following is addressed:
 - a. Allowable expenses
 - b. Dollar thresholds by category of expense
 - c. Documentation requirements
 - d. Required approvers

Comment: No exceptions noted.

2. Obtain a listing of all travel and related expense reimbursements during the period under examination and select for review, the one person who was reimbursed the most money:
 - A. Obtain all of the expense reimbursement reports of the selected person, including the supporting documentation, and select the three largest (dollar) expense reports to review in detail (Note: If there are only three or less expense reports, review all (100%) of them.):
 - Determine if each expenditure is:
 - Reimbursed in accordance with written policy (e.g., rates established for meals, mileage, lodging, etc.)
 - In accordance with thresholds or guidelines established in the policies and procedures
 - For an appropriate and necessary business purpose relative to the travel
 - Determine if each expenditure is supported by:
 - An original itemized receipt (i.e., identifies precisely what was purchased) [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) generally does not require a receipt.]
 - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating)
 - Other documentation as may be required by policy (e.g., authorization for travel, conference brochure, certificate of attendance, etc.)
 - Determine if any of the expenditures were for personal purposes (e.g., extended hotel stays before or after training class, meals for spouses, entertainment, etc.).
 - Determine if each expense report (including documentation) was reviewed and approved, in writing, by someone other than the person receiving reimbursement.
 - B. Determine if there was any duplication of expenses by comparing the expense reports to charges/purchases made on credit card(s).

Comment: Three travel reimbursement checks were selected to test. Each check's support consisted of multiple requests for trip reimbursements expanding over a period of time. The results of testing each check are as follows:

- Check dated 11/05/10 consisted of 28 travel vouchers in which none were appropriately approved as required by the City's travel policy. All of the travel vouchers were for reimbursement of mileage for travel outside the City therefore itemized receipts was not required. For seven of the travel vouchers, the business purpose as it relates to the City could not be determined.
- Check dated 3/4/11 consisted of 17 travel vouchers in which none were appropriately approved as required by the City's travel policy. All of the travel vouchers were for reimbursement of mileage for travel outside the City therefore itemized receipts was not required. For four of the travel vouchers, the business purpose as it relates to the City could not be determined.
- Check dated 5/27/11 consisted of 10 travel vouchers. One travel voucher was reimbursed for hotel expenses above the allowable amount in the City's travel policy for hotels. One travel voucher reimbursed mileage greater than the allowed mileage for the destination. One travel voucher did not have any supporting documentation for the conference attended.

For the reimbursements tested, no duplication of expenses were noted.

Management response: Beginning immediately, business purpose will be documented for all credit card charges. The City will continue to closely monitor travel and expense reimbursements on a monthly basis.

Contracts

1. Obtain and review the entity's written policies and procedures for contracts/contracting, including leasing, and determine if the following is addressed:
 - Types of services requiring written contracts
 - Standard terms and conditions
 - Legal review
 - Approval process
 - Monitoring process

Comment: The City does not have any written policies and procedures for contracts/contracting.

Management response: The City is now in the process of establishing written, detailed and customized policies and procedures for all financial/business functions of the City, to include contracts/contracting.

2. Determine if the entity has centralized control and oversight of contracts to ensure that services/deliverables received and payments made comply with the terms and conditions of the contracts.

Comment: The City does not have any centralized control and oversight over contracts.

Management response: The City has attempted and will continue to work towards establishing centralized control and oversight over contracts.

3. Obtain and review the accounting records (e.g., general ledgers, accounts payable vendor history reports, invoices, etc.) for the period under examination to identify individuals/businesses being paid for contracted services (e.g., professional, technical,

etc.). Select the five “vendors” that were paid the most money during the period and for each:

- Determine if there is a formal/written contract that supports the services arrangement and the total amount paid.
- Determine the business legitimacy of the vendor if not known by the auditor (e.g., look-up the vendor on the LA Secretary of State’s website).

Comment: No exceptions noted.

4. Obtain a listing of all active contracts and the expenditures made during the period under examination. Select for detailed review, the largest (dollar amount) contract in each of the following categories that was entered into during the period.

- (1) Services
- (2) Materials and supplies
- (3) Public works

A. Obtain the selected contracts and the related paid invoices and:

- Determine if the contract is a related party transaction.
- Determine if the transaction is subject to the Louisiana Public Bid Law:
 - If yes, determine if the entity complied with all requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder, etc.)
 - If no, determine if the entity provided an open and competitive atmosphere (a good business practice) for the transaction/work.
- Determine if the contract was awarded under the *request for proposals* (RFP) method. If done so, obtain all proposals and the evaluation/scoring documents to determine if the contract was awarded to the most responsible offeror whose proposal was the most advantageous taking into consideration price and other evaluation factors set forth in the *request for proposals*.
- Determine if the procurement was made “off” state contract (as opposed to following the competitive bidding requirements of the Louisiana Public Bid Law). If done so, determine if the board formally adopted the use of the Louisiana Procurement Code (R.S. 39:1551-1755), the set of laws that govern most state agencies’ purchases of certain services, materials and supplies, and major repairs.
- Determine if the procurement related to homeland security and was made from federal General Services Administration (GSA) supply schedules. If done so, determine if the entity (1) utilized a Louisiana licensed distributor; (2) used the competitive ordering procedures of the federal GSA; and (3) received prior approval from the director of the State Office of Homeland Security and Emergency Preparedness, or his designee.
- Determine if the entity “piggybacked” onto another agency’s contract. If done so, determine if there is documentation on file that clearly demonstrates the

contract was a previously bid, viable contract and the price paid by the entity was the same as that contract's bid price.

- Determine if the contract was amended. If done so, determine whether the original contract contemplated or provided for such an amendment. Furthermore, determine if the amendment is outside the scope of the original contract, and if so, whether it should have been separately bid and contracted.
- Determine if the invoices received and payments made during the period complied with the terms and conditions of the contract.
- Determine if there is written evidence that the entity's legal advisor reviewed the contract and advised entering into the contract.
- Determine if there is documentation of board approval, if required.

Comment: No exceptions noted.

Payroll and Personnel

1. Obtain and review the entity's written policies and procedures for payroll and personnel and determine if they address the processing of payroll, including reviewing and approving of time and attendance records, including leave and overtime worked.

Comment: The City does not have any written policies and procedures for the payroll process.

Management response: The City is now in the process of establishing written, detailed and customized policies and procedures for all financial/business functions of the City, to include policies and procedures for payroll and personnel.

2. Obtain a listing of employment contracts/agreements in force during the period under examination. Select the largest (dollar amount) employment contract and determine if all payments issued during the period under examination were done in strict accordance with the terms and conditions of the contract.

Comment: No exceptions noted.

3. Select the attendance and leave records for one pay period and:

- Determine if all employees are documenting their daily attendance and leave (e.g., vacation, sick, etc.). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
- Determine if supervisors are approving, in writing, the attendance and leave of all employees.
- Determine if the entity is maintaining accurate written leave records (e.g., hours earned, hours used, and balance available) on all eligible employees.

Comment: In testing the procedures listed above, the May 25th payroll was selected in which seventy five employees were paid and the following exceptions were noted:

- Two exceptions were noted in which the employees did not have timesheets.
- The Mayor's contract does not specify that he is to earn leave time; however his check stub, due to an error, showed accumulated leave time.
- It could not be determined in looking at the payroll record if the City is maintaining accurate leave time earned, used and accumulated balance, yet the balance accumulated is being paid out in full at year end.

Management response: The City will work to ensure that employee time sheets are properly maintained for safekeeping. Although the Mayor's contract does not specify that he is to earn leave time, this has been an established procedure for many years now. In addition, the City sought, and received, its audit firm's advice on the validity of this procedure. Hence, the leave time records are, in fact, accurate as maintained through its payroll software system.

4. Select the five highest paid employees and determine if changes made to their hourly pay rates/salaries during the period under examination were approved in writing and in accordance with policy.

Comment: No exceptions noted.

5. Select the five largest termination payments (e.g., vacation, sick, compensatory time, etc.) made during the period under examination. Determine if the payments were supported by documentation, made in strict accordance with policy and/or contract, and properly approved.

Comment: No termination payments were noted.

6. Determine if any employees were also being paid as contract labor during the period of the examination.

Comment: No exceptions noted.

We were not engaged to perform, and did not perform, an audit, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of the City and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Allen, Green & Williamson, LLP
Allen, Green, & Williamson, LLP

Monroe, Louisiana
November 29, 2011