

**CITY OF  
TALLULAH, LOUISIANA**

**Annual Financial Statements**

**As of and for the Year Ended June 30, 2019**





City of Tallulah  
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(Concluded)

## **Independent Auditor's Report**

The Honorable Charles Finlayson, Mayor  
and Members of the City Council  
City of Tallulah, Louisiana

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tallulah, Louisiana (the City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Basis for Adverse Opinion on Aggregate Discretely Presented Component Unit**

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

### **Adverse Opinion on Aggregate Discretely Presented Component Unit**

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Aggregate Discretely Presented Component Unit" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component unit of the City of Tallulah, as of June 30, 2019, or the changes in financial position thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### **Unmodified Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

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

For the year ended June 30, 2019, the City's Water Fund's net revenues were not at least equal to 125% of the principal and interest falling due on all bonds or other obligations payable, which is a violation of the City's conditions and requirements as set forth in its debt agreements. In addition, the City's bond sinking and reserve funds were deficient at June 30, 2019. Subsequent to year-end, the City withdrew \$338,000 from its reserve funds in order to meet the required debt service payments due on September 1, 2019. Management's evaluation of the events and conditions and management's plans regarding those matters are described in Note 19. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 14, budgetary comparison schedules (Exhibits 2-1 and 2-2), the schedule of employer's proportionate share of the net pension liability (Exhibit 1-1), and the schedule of employer contributions to pension plan (Exhibit 1-2) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The accompanying financial information listed in the table of contents as other supplementary information (Exhibits 3 through 9) is presented for purposes of additional analysis and is not a required part of the City’s basic financial statements.

The combining non-major governmental fund financial statements (Exhibits 3 through 6), comparative information required by bond covenant with the U.S. Department of Agriculture (Exhibit 7), the schedules of compensation, benefits, and other payments to agency head (Exhibit 8), and the financial data schedules as required by the Department of Housing and Urban Development (Exhibit 9) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2019 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 solely 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 effectiveness of the City’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control over financial reporting and compliance.



A Professional Accounting Corporation

Covington, LA  
December 17, 2019

**City of Tallulah**

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**REQUIRED SUPPLEMENTARY INFORMATION:**

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

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**City of Tallulah**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2019**

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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, 2019.

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

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

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$5.9 million (net position) for the government as a whole. Of this amount, \$333 thousand represents unrestricted net position, which may be used to meet the City's ongoing obligations to its citizens and creditors.
- The City's total net position increased \$277 thousand. The main reason for this increase is due to the increase in revenues and the decrease in expenses in comparison with prior year. Governmental activities' net position increased \$262 thousand and the business-type activities' net position increased \$15 thousand.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$535 thousand, an increase of \$154 thousand in comparison with the prior year. Approximately 77% of this amount (\$414 thousand) is available for spending at the government's discretion (unassigned fund balance).
- At the end of the fiscal year, unassigned fund balance of the general fund was \$414 thousand, or approximately 14% of total general fund expenditures.
- The City's total long-term debt decreased \$318 thousand. The primary reason for the reduction was due to the \$622 thousand in principal payments offset by the issuance of \$300 thousand in notes payables for the purchase of a new fire truck and a \$4 thousand increase in compensated absences.

### **USING THIS ANNUAL REPORT**

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

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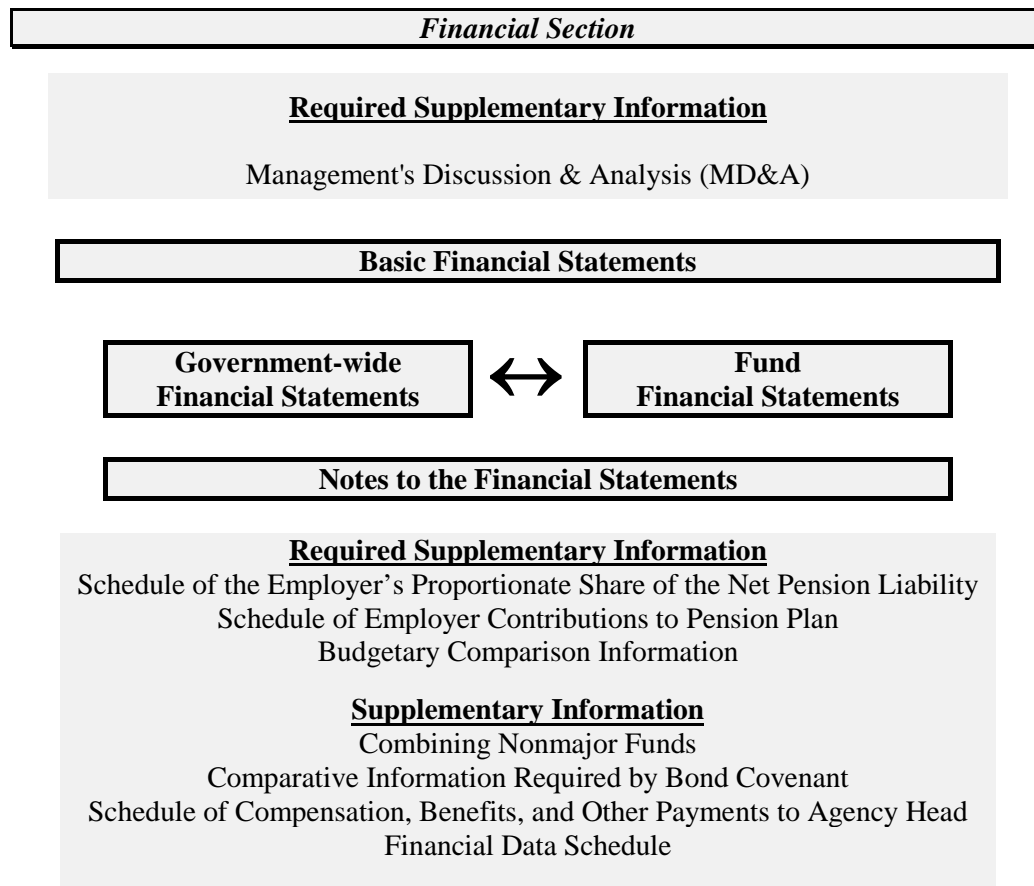
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**City of Tallulah**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2019**

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



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

### **Reporting the City as a Whole**

#### ***The Statement of Net Position and the Statement of Activities***

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

These two statements report the City's *net position* - the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources as reported in the Statement of Net Position - as one

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**City of Tallulah**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2019**

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

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

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

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

### **Reporting the City's Most Significant Funds**

#### ***Fund Financial Statements***

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

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

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

### **THE CITY AS A WHOLE**

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$5.9 million, at the close of the most recent fiscal year. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental and business-type activities.

**City of Tallulah**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2019**

**Table 1**  
**Net Position**  
**(In Thousands)**  
**June 30, 2019 and 2018**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Assets</b>						
Current and other assets	\$ 851	\$ 965	\$ 583	\$ 35	\$ 1,434	\$ 1,000
Restricted assets	13	3	738	1,022	751	1,025
Capital assets	1,996	1,732	14,174	14,983	16,170	16,715
Total assets	<u>2,860</u>	<u>2,700</u>	<u>15,495</u>	<u>16,040</u>	<u>18,355</u>	<u>18,740</u>
Total deferred outflows of resources	<u>308</u>	<u>166</u>	<u>-</u>	<u>-</u>	<u>308</u>	<u>166</u>
<b>Liabilities</b>						
Current and other liabilities	330	587	531	553	861	1,140
Long-term liabilities	997	562	10,869	11,406	11,866	11,968
Total liabilities	<u>1,327</u>	<u>1,149</u>	<u>11,400</u>	<u>11,959</u>	<u>12,727</u>	<u>13,108</u>
Total deferred inflows of resources	<u>82</u>	<u>220</u>	<u>-</u>	<u>-</u>	<u>82</u>	<u>220</u>
<b>Net Position</b>						
Net investment in capital assets	1,594	1,546	3,313	3,584	4,907	5,130
Restricted	117	82	498	851	615	933
Unrestricted	48	(131)	284	(354)	332	(485)
Total net position	<u>\$ 1,759</u>	<u>\$ 1,497</u>	<u>\$ 4,095</u>	<u>\$ 4,081</u>	<u>\$ 5,854</u>	<u>\$ 5,578</u>

By far, the largest portion of the City's net position (84%) reflects its investment in capital assets (e.g., land, construction in process, building and improvements, furniture and equipment, plant, transmission lines, water systems and pumping stations), less depreciation expense and any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (11%) represent resource that are subject to external restrictions on how they may be used. The remaining balance of \$332 thousand is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors.

The overall net position increased \$276 thousand from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

**City of Tallulah**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2019**

**Table 2**  
**Changes in Net Position**  
**(In Thousands)**  
**For the Years Ended June 30, 2019 and 2018**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Revenues:</b>						
Program revenues						
Charges for services	\$ 203	\$ 153	\$ 2,902	\$ 2,929	\$ 3,105	\$ 3,082
Operating grants and contributions	368	404	170	-	538	404
Capital grants and contributions	92	278	-	-	92	278
General revenues						
Property taxes	490	503	-	-	490	503
Sales tax	1,264	1,368	-	-	1,264	1,368
Other taxes, penalties and interest	404	310	-	-	404	310
License and permits	80	82	-	-	80	82
Grants and contributions not restricted to a program	196	99	-	-	196	99
Earnings on investments	-	-	7	4	7	4
Miscellaneous	35	112	128	6	163	118
<b>Total Revenues</b>	<b>3,132</b>	<b>3,309</b>	<b>3,207</b>	<b>2,939</b>	<b>6,339</b>	<b>6,248</b>
<b>Functions/Program Expenses:</b>						
Governmental activities						
General and administrative	771	905	-	-	771	905
Police department	682	680	-	-	682	680
Fire department	450	438	-	-	450	438
Street department	768	776	-	-	768	776
Health and welfare	194	240	-	-	194	240
Culture and recreation	87	110	-	-	87	110
Legislative	65	64	-	-	65	64
Transportation	54	31	-	-	54	31
Interest expense	6	20	-	-	6	20
Business-type activities						
Water enterprise	-	-	2,020	2,087	2,020	2,087
Sewer enterprise	-	-	966	1,132	966	1,132
<b>Total Functions/Program Expenses</b>	<b>3,077</b>	<b>3,264</b>	<b>2,986</b>	<b>3,219</b>	<b>6,063</b>	<b>6,483</b>
<b>Increase (decrease) in net position before transfers</b>	<b>55</b>	<b>45</b>	<b>221</b>	<b>(280)</b>	<b>276</b>	<b>(235)</b>
<b>Transfers</b>	<b>207</b>	<b>(1,148)</b>	<b>(207)</b>	<b>1,148</b>	<b>-</b>	<b>-</b>
<b>Increase (decrease) in net position</b>	<b>262</b>	<b>(1,103)</b>	<b>14</b>	<b>868</b>	<b>276</b>	<b>(235)</b>
<b>Net position - beginning</b>	<b>1,497</b>	<b>2,600</b>	<b>4,081</b>	<b>3,213</b>	<b>5,578</b>	<b>5,813</b>
<b>Net position - ending</b>	<b>\$ 1,759</b>	<b>\$ 1,497</b>	<b>\$ 4,095</b>	<b>\$ 4,081</b>	<b>\$ 5,854</b>	<b>\$ 5,578</b>

**City of Tallulah**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2019**

***Governmental Activities***

During the current fiscal year, net position of governmental activities increased \$262 thousand from the prior fiscal year for an ending balance of \$1.8 million. Governmental activities' revenues received for June 30, 2019 decreased \$177 thousand from the year ended June 30, 2018. This was due mainly to decreases in capital grants and contributions (\$186 thousand) and in sales tax revenues (\$104 thousand) offset by an increase in grants not restricted to a program (\$97 thousand). The decrease in capital grants and contributions is due to the Harlem Street Drainage Project, which began in 2018, was halted in 2019 for required engineering revisions because of a right of way issue. Construction is expected to resume in fiscal year 2020. In the current fiscal year, the City received \$82 thousand from FEMA for reimbursement of expenses incurred from the March 2016 flooding disaster.

Governmental activities expenses for 2019 were \$3.1 million which is a \$187 thousand decrease from the amount reported in prior year. General and administrative (\$134 thousand), Street department (\$8 thousand), Health and welfare (\$46 thousand), Culture and recreation (\$23 thousand), and Interest (\$14 thousand) expenses decreased, while the expenses of the Police department (\$2 thousand), Fire department (\$12 thousand), Legislative (\$1 thousand), and Transportation (\$23 thousand) increased. The business-type activities transferred governmental activities \$207 thousand in current fiscal year. The decrease in General and administrative expense is mainly due to the reduction in legal and election expenses.

As discussed above, the cost of all governmental activities this year was \$3.1 million. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$2.4 million because some of the cost was paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions.

Table 3 presents the cost of each of the City's governmental activities as well as each program's 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, 2019 and 2018**

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	2019	2018	2019	2018
<b>Governmental activities</b>				
General and administrative	\$ 771	\$ 905	\$ 723	\$ 857
Police department	682	680	441	586
Fire department	450	438	404	306
Street department	768	776	759	485
Health and welfare	194	240	(115)	(14)
Culture and recreation	87	110	77	95
Legislative	65	64	65	64
Transportation	54	31	54	31
Interest expense	6	20	6	20
<b>Total functions/program expenses</b>	<u>\$ 3,077</u>	<u>\$ 3,264</u>	<u>\$ 2,414</u>	<u>\$ 2,430</u>

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**City of Tallulah**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2019**

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***Business-type Activities***

The net position of the business-type activities increased \$14 thousand from the prior fiscal year for an ending balance of \$4.1 million.

Revenue of the City's business-type activities (see Table 2) for June 30, 2019 was \$3.2 million. This is an increase of \$268 thousand from 2018 to 2019. Charges for water and sewer services decreased \$27 thousand while operating grants and contributions and miscellaneous revenues increased \$170 thousand and \$122 thousand, respectively. In the current fiscal year, the City received federal and state operating grants for repairs to the water system.

Expenses for the year ended June 30, 2019 were \$3.0 million for the City's business-type activities, a decrease of \$233 thousand from the amount reported in 2018. This decrease is mainly due to a \$203 decrease in depreciation expense.

**THE CITY'S FUNDS**

***Governmental Funds***

As the City completed the year, its governmental funds reported a combined fund balance of \$535 thousand, which is an increase of \$154 thousand in fund balance from last year.

The General Fund's fund balance increased \$115 thousand from the \$303 thousand reported in the prior fiscal year to \$418 thousand. Revenues stayed constant while expenditures increased \$13 thousand from the previous fiscal year. In the current fiscal year, the City received \$84 thousand in FEMA funds to reimburse the City for expenditures incurred from the March 2016 flooding disaster. Capital Outlay expenses increased \$222 thousand in comparison with prior year. In the current year, the City issued \$300 thousand in notes payable to finance the purchase of a fire truck and fire equipment. The capital outlay increase was offset by decreases in general and administrative and police department expenses.

The Section 8 fund had a slight decrease in fund balance for an ending fund balance of \$66 thousand. HUD funding decreased \$36 thousand and miscellaneous revenues from port-in HAP payments decreased \$16 thousand. Expenditures decreased \$46 thousand mainly due to the decrease in housing assistance payments (rents).

The nonmajor governmental funds had an increase of \$39 thousand. This increase is mainly due to the reduction in the Street Fund's current year expenditures.

***Proprietary Funds***

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

Unrestricted net position of the Water Fund at the end of the year was \$128 thousand and for the Sewer Fund was \$157 thousand. Net position restricted for debt service was \$339 thousand for the Water Fund and \$159 thousand for the Sewer Fund. The change in net position for Water and Sewer Funds was \$15 thousand and \$(352), respectively.

The Water Fund's charges for services increased \$41 thousand while expenses decreased \$53 thousand. During March 2019, the City increased customer water rates to comply with bond covenants regarding net revenues. See Note 11 for additional information on bond covenants. The increased rates were in effect during the last two



**City of Tallulah**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2019**

months of the current fiscal year. The Water Funds' expenses decreased \$53 thousand mainly due the decrease in depreciation expense \$203 thousand offset by a \$151 thousand increase in maintenance expenses. In 2019, the City received federal and state grants totaling \$170 to assist the City in water system repair costs.

The Sewer Fund's charges for services decreased \$68 thousand and expenses decreased \$167 thousand in comparison with prior year. Decreases in expenses are mainly due to the decreases in personnel services expense (\$59 thousand) and decreases in sewer line repairs (\$90 thousand).

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Actual amounts available for appropriations were \$122 thousand more than budgeted. This favorable variance was primarily due to collecting more in sales and uses tax, other taxes, penalties, and interest, intergovernmental revenues and fines and forfeitures offset by collecting less in transfers than was expected.

Overall actual charges to appropriations were \$156 thousand less than budgeted. These favorable variances were due to reducing expenditures in the final quarter of the fiscal year.

The original budgeted revenues were decreased by \$254 thousand in the final budget whereas the original budgeted expenditures were increased by \$35 thousand in the final budget. The budget revisions included the inclusion of the change in beginning fund balance and decreases in all revenues except for intergovernmental revenues. Transfers in were increased by \$125 thousand.

**CAPITAL ASSETS**

At June 30, 2019 and 2018, the City had invested in the following capital assets (in thousands):

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 79	\$ 79	\$ 678	\$ 678	\$ 757	\$ 757
Construction in progress	598	490	-	-	598	490
Infrastructure	647	647	-	-	647	647
Buildings improvements	2,961	2,961	18	14	2,979	2,975
Furniture and equipment	1,752	1,389	903	900	2,655	2,289
Plant	-	-	9,906	9,901	9,906	9,901
Transmission lines	-	-	10,479	10,479	10,479	10,479
Water systems	-	-	8,401	8,401	8,401	8,401
Pumping stations	-	-	384	384	384	384
Total capital assets	<u>6,037</u>	<u>5,566</u>	<u>30,769</u>	<u>30,757</u>	<u>36,806</u>	<u>36,323</u>
Accumulated	<u>(4,041)</u>	<u>(3,834)</u>	<u>(16,595)</u>	<u>(15,774)</u>	<u>(20,636)</u>	<u>(19,608)</u>
Net capital assets	<u>\$ 1,996</u>	<u>\$ 1,732</u>	<u>\$ 14,174</u>	<u>\$ 14,983</u>	<u>\$ 16,170</u>	<u>\$ 16,715</u>

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

**DEBT ADMINISTRATION** At June 30, 2019, the City had bonds and certificates outstanding of \$38 thousand in which Governmental Funds make the required payments. During the current fiscal year, the City issued \$300 thousand in notes payable to purchase a new fire truck. Enterprise Funds had net outstanding bonds and loans of \$10.8 million at June 30, 2019. Proceeds were used for the rehabilitation of the City's Water System and Sewer System. Additional information regarding long-term debt can be found in Note 11 of the Notes to the Financial Statements.

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**City of Tallulah**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2019**

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS** Our elected and appointed officials and citizens consider many factors when setting the City's budget and tax rates. One of the most important factors affecting the budget is our ad valorem and sales tax collections. Approximately 60% of total revenues in the general fund are from ad valorem and sales tax collections. There was no change in the general fund's budget for the year ending June 30, 2020, as originally adopted, from the 2019 final budget. On November 16, 2019, City of Tallulah citizens approved the 0.5% sales and use tax proposition. The funds may be used for any lawful purpose including but not limited to funding for the construction, improvement, renovation, operation and maintenance of water and sewer utility facilities. The sales tax rate increase is estimated to increase sales tax revenues by approximately \$300 thousand annually.

On January 2, 2019, the City was placed under an Administrative Order (AO) by the Louisiana Department of Health. The AO states that the City was non-compliant with several state primary drinking water regulations. The AO lists 10 remedial actions that the City must undertake by specific deadlines to comply with all rules, regulations, and standards. As of the date of this report, the City has completed 4 remedial actions and has a deadline of January 10, 2020 to complete the remaining remedial actions. If the City fails to meet this deadline without an approved extension, the state health officer may assess a penalty up to a maximum of \$3,000 per day for each day the City's water system is not in compliance.

On July 11, 2019, City passed a resolution to borrow \$1 million from the State of Louisiana Drinking Water Revolving Loan Fund to finance a plan that will address the remaining remedial actions, which range from infrastructure repairs to a cross connection program. The \$1 million loan, once issued, will be repaid over 20 years with an estimated interest rate of 2.45%. The debt service payments of approximately \$65,000 per year will be funded from mandatory water rate increases.

The City is actively seeking grants to assist the City in funding repairs to its aging water and sewer systems.

In August 2019, the City borrowed \$174 thousand for the acquisition of six 2019 Dodge Charger police patrol cars. The loan will be paid over the next 5 fiscal years with an interest rate of 4.36%.

In September 2019, the City withdrew \$338 thousand from the Series 2012 and Series 2016 debt service reserve funds to meet the bonds' September 1<sup>st</sup> debt service payment. Per the agreement with Regions, the City's fiscal and paying agent, the City is to replenish the reserve funds by monthly depositing \$20 thousand into the City's Regions reserve accounts until the required reserve balance is reached. In addition, each month until the bonds are paid in full, the City is to deposit \$66 thousand into the City's Regions debt service accounts. The deposits held in the Regions debt service accounts are to be used to pay the principal and interest payments as they come due with the last payment being paid from the reserve funds.

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

**City of Tallulah**

**BASIC FINANCIAL STATEMENTS:**

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

**City of Tallulah**

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CITY OF TALLULAH

STATEMENT OF NET POSITION  
June 30, 2019

	Statement A		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL PRIMARY GOVERNMENT
<b>ASSETS</b>			
Cash and cash equivalents	\$ 498,654	\$ 89,831	\$ 588,485
Receivables, net	302,817	543,288	846,105
Internal balances	50,000	(50,000)	-
Restricted assets:			
Cash and cash equivalents	13,031	738,128	751,159
Capital assets:			
Land and construction in progress	676,345	678,330	1,354,675
Depreciable assets, net of depreciation	1,319,384	13,495,922	14,815,308
<b>TOTAL ASSETS</b>	<b>2,860,231</b>	<b>15,495,499</b>	<b>18,355,730</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	308,183	-	308,183
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>308,183</b>	<b>-</b>	<b>308,183</b>
<b>LIABILITIES</b>			
Accounts, salaries and other payables	329,854	249,048	578,902
Interest payable	-	106,146	106,146
Payable from restricted assets - customer deposits	-	175,787	175,787
Long-term liabilities:			
Long-term debt due within one year	124,075	547,531	671,606
Long-term debt due in more than one year	306,494	10,321,576	10,628,070
Net pension liability	566,819	-	566,819
<b>TOTAL LIABILITIES</b>	<b>1,327,242</b>	<b>11,400,088</b>	<b>12,727,330</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	82,348	-	82,348
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>82,348</b>	<b>-</b>	<b>82,348</b>
<b>NET POSITION</b>			
Net investment in capital assets	1,593,473	3,312,973	4,906,446
Restricted for:			
Debt service	10,376	497,878	508,254
Section 8 program	65,797	-	65,797
Street maintenance	40,704	-	40,704
Construction projects	242	-	242
Unrestricted	48,232	284,560	332,792
<b>TOTAL NET POSITION</b>	<b>\$ 1,758,824</b>	<b>\$ 4,095,411</b>	<b>\$ 5,854,235</b>

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

**CITY OF TALLULAH**

**STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2019**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
<i>Governmental activities:</i>				
General and administrative	\$ 771,290	\$ 48,000	\$ -	\$ -
Police department	681,884	138,719	101,731	-
Fire department	449,899	6,000	39,714	-
Street department	768,206	-	9,285	-
Health and welfare	194,180	-	217,603	91,556
Culture and recreation	87,038	9,875	-	-
Legislative	64,703	-	-	-
Transportation	54,149	-	-	-
Interest expense	5,710	-	-	-
<b>Total Governmental Activities</b>	<b>3,077,059</b>	<b>202,594</b>	<b>368,333</b>	<b>91,556</b>
<i>Business-type activities:</i>				
Water activities	2,020,230	1,949,810	169,691	-
Sewer activities	966,120	952,444	-	-
<b>Total Business-Type Activities</b>	<b>2,986,350</b>	<b>2,902,254</b>	<b>169,691</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 6,063,409</b>	<b>\$ 3,104,848</b>	<b>\$ 538,024</b>	<b>\$ 91,556</b>

General revenues:

Taxes:

Property taxes

Sales and use tax revenue

Other taxes, penalties and interest

Licenses and permits

Grants and contributions not restricted to a specific program

Earnings on investments

Miscellaneous

Transfers

Total general revenues and transfers

Changes in net position

Net position - beginning

Net position - ending

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

**Statement B**

**PRIMARY GOVERNMENT**

<b>NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>TOTAL</b>
\$ (723,290)	\$ -	\$ (723,290)
(441,434)	-	(441,434)
(404,185)	-	(404,185)
(758,921)	-	(758,921)
114,979	-	114,979
(77,163)	-	(77,163)
(64,703)	-	(64,703)
(54,149)	-	(54,149)
(5,710)	-	(5,710)
<u>(2,414,576)</u>	<u>-</u>	<u>(2,414,576)</u>
-	99,271	99,271
-	(13,676)	(13,676)
-	85,595	85,595
<u>(2,414,576)</u>	<u>85,595</u>	<u>(2,328,981)</u>
489,645	-	489,645
1,264,006	-	1,264,006
404,172	-	404,172
79,853	-	79,853
196,532	-	196,532
97	7,709	7,806
35,445	128,175	163,620
206,853	(206,853)	-
<u>2,676,603</u>	<u>(70,969)</u>	<u>2,605,634</u>
262,027	14,626	276,653
<u>1,496,797</u>	<u>4,080,785</u>	<u>5,577,582</u>
<u>\$ 1,758,824</u>	<u>\$ 4,095,411</u>	<u>\$ 5,854,235</u>

**City of Tallulah**

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**City of Tallulah**

**BASIC FINANCIAL STATEMENTS:**

**FUND FINANCIAL STATEMENTS (FFS)**

**CITY OF TALLULAH**

**GOVERNMENTAL FUNDS  
Balance Sheet  
June 30, 2019**

**Statement C**

	<u>GENERAL</u>	<u>SECTION 8</u>	<u>NONMAJOR GOVERNMENTAL</u>	<u>TOTAL</u>
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 411,909	\$ 59,934	\$ 26,811	\$ 498,654
Receivables	252,178	1,271	49,368	302,817
Interfund receivables	63,201	-	39,939	103,140
Restricted Assets:				
Cash and cash equivalents	3,304	9,727	-	13,031
<b>TOTAL ASSETS</b>	<u>730,592</u>	<u>70,932</u>	<u>116,118</u>	<u>917,642</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts, salaries and other payables	273,124	5,135	51,595	329,854
Interfund payables	39,939	-	13,201	53,140
<b>TOTAL LIABILITIES</b>	<u>313,063</u>	<u>5,135</u>	<u>64,796</u>	<u>382,994</u>
<b>FUND BALANCES:</b>				
Restricted	3,304	65,797	51,322	120,423
Unassigned	414,225	-	-	414,225
<b>TOTAL FUND BALANCES</b>	<u>417,529</u>	<u>65,797</u>	<u>51,322</u>	<u>534,648</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 730,592</u>	<u>\$ 70,932</u>	<u>\$ 116,118</u>	<u>\$ 917,642</u>

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

**CITY OF TALLULAH**

**Reconciliation of the Governmental Funds  
Balance Sheet to the Statement of Net Position  
June 30, 2019**

**Statement D**

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

Total fund balances - governmental funds	\$	534,648
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The cost of capital assets (land, buildings, furniture and equipment and infrastructure) purchased or constructed is reported as an expenditure in governmental funds. The Statement of Net Position includes those capital assets among the assets of the City as a whole. The cost of those capital assets is allocated over their estimated useful lives (as depreciation expense) to the various programs reported as governmental activities in the Statement of Activities. Because depreciation expense does not affect financial resources, it is not reported in governmental funds.

Costs of capital assets	\$ 6,036,516		
Accumulated depreciation	<u>(4,040,787)</u>		1,995,729

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

Deferred outflows related to pensions	308,183		
Deferred inflows related to pensions	<u>(82,348)</u>		225,835

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

Balances at June 30, 2019 are:

General obligation bonds	(8,964)		
Certificates of indebtedness	(29,463)		
Loans payable	(300,000)		
Capital leases	(63,829)		
Compensated absences payable	(28,313)		
Net pension liability	<u>(566,819)</u>		<u>(997,388)</u>

Net position - governmental activities	\$	<u><u>1,758,824</u></u>
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The accompanying notes are an integral part of these financial statements.

**CITY OF TALLULAH**

**GOVERNMENTAL FUNDS  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
For the Year Ended June 30, 2019**

Statement E

	<u>GENERAL</u>	<u>SECTION 8</u>	<u>NONMAJOR GOVERNMENTAL</u>	<u>TOTAL</u>
<b>REVENUES</b>				
Taxes:				
Ad valorem	\$ 354,720	\$ -	\$ 134,925	\$ 489,645
Sales and use	1,264,006	-	-	1,264,006
Other taxes, penalties, and interest	404,172	-	-	404,172
Licenses and permits	79,853	-	-	79,853
Intergovernmental revenues	275,681	199,489	91,556	566,726
Rental income	9,875	-	-	9,875
Use of money and property	35	39	23	97
Fines and forfeitures	135,168	-	-	135,168
Miscellaneous revenues	120,412	18,716	-	139,128
<b>TOTAL REVENUES</b>	<u>2,643,922</u>	<u>218,244</u>	<u>226,504</u>	<u>3,088,670</u>
<b>EXPENDITURES</b>				
Current:				
General and administrative	747,795	-	180	747,975
Police Department	704,963	-	-	704,963
Fire Department	370,963	-	-	370,963
Street Department	623,840	-	65,498	689,338
Health and welfare	-	218,352	-	218,352
Culture and recreation	78,303	-	-	78,303
Legislative	64,703	-	-	64,703
Transportation	54,149	-	-	54,149
Capital outlay	315,125	-	108,251	423,376
Debt service:				
Principal retirement	69,873	-	14,254	84,127
Interest and bank charges	4,405	-	1,305	5,710
<b>TOTAL EXPENDITURES</b>	<u>3,034,119</u>	<u>218,352</u>	<u>189,488</u>	<u>3,441,959</u>
<b>EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES</b>	<u>(390,197)</u>	<u>(108)</u>	<u>37,016</u>	<u>(353,289)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	205,158	-	17,045	222,203
Transfers out	(350)	-	(15,000)	(15,350)
Loan proceeds	300,000	-	-	300,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>504,808</u>	<u>-</u>	<u>2,045</u>	<u>506,853</u>
Net Change in Fund Balances	114,611	(108)	39,061	153,564
<b>FUND BALANCES - BEGINNING</b>	<u>302,918</u>	<u>65,905</u>	<u>12,261</u>	<u>381,084</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 417,529</u>	<u>\$ 65,797</u>	<u>\$ 51,322</u>	<u>\$ 534,648</u>

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

**CITY OF TALLULAH**

**GOVERNMENTAL FUNDS**

**Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balances to the Statement of Activities  
For the Year Ended June 30, 2019**

	<b>Statement F</b>
Amounts reported for governmental activities in the Statement of Activities are different because:	
Total net change in fund balances - governmental funds	\$ 153,564
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	\$ 425,376
Depreciation expense	<u>(214,248)</u>
	211,128
The net effect of donated capital assets is an increase in net position.	52,500
The Statement of Activities reflects the effect of the disposition of capital assets during the year. The cost less the depreciation (net value) of the items disposed of during the year are not reflected in the fund balance.	(168)
The recognition of pension expense in the Statement of Activities is based on projected benefit payments discounted to actuarial present value and attributed to periods of employee service. Pension expenditures in the governmental funds are the amounts actually paid.	64,045
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	84,127
In the Statement of Activities, certain operating expenses - compensated absences (vacation leave) - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	(3,169)
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 Position, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities.	<u>(300,000)</u>
Change in net position of governmental activities	<u><u>\$ 262,027</u></u>

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

**CITY OF TALLULAH**

**PROPRIETARY FUND TYPE - ENTERPRISE FUNDS**  
**Statement of Net Position**  
**June 30, 2019**

**Statement G**

	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTAL</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	\$ -	\$ 89,831	\$ 89,831
Receivables, net	414,206	129,082	543,288
<b>Restricted Assets:</b>			
Cash and cash equivalents	<u>579,377</u>	<u>158,751</u>	<u>738,128</u>
<b>TOTAL CURRENT ASSETS</b>	<u>993,583</u>	<u>377,664</u>	<u>1,371,247</u>
<b>NONCURRENT ASSETS:</b>			
<b>Capital Assets:</b>			
Land and construction in progress	65,451	612,879	678,330
Depreciable assets, net of depreciation	<u>2,409,811</u>	<u>11,086,111</u>	<u>13,495,922</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>2,475,262</u>	<u>11,698,990</u>	<u>14,174,252</u>
<b>TOTAL ASSETS</b>	<u>3,468,845</u>	<u>12,076,654</u>	<u>15,545,499</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES :</b>			
Accounts, salaries and other payables	190,777	58,271	249,048
Interfund payables	50,000	-	50,000
Interest payable	106,146	-	106,146
Payable from restricted assets - customer deposits	175,787	-	175,787
Compensated absences	3,726	4,102	7,828
Capital leases - current	12,057	-	12,057
Revenue bonds payable - current	475,000	-	475,000
Loans payable - current	<u>-</u>	<u>52,646</u>	<u>52,646</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>1,013,493</u>	<u>115,019</u>	<u>1,128,512</u>
<b>NONCURRENT LIABILITIES:</b>			
Capital leases	3,291	-	3,291
Revenue bonds payable, net	7,684,548	-	7,684,548
Loans payable	<u>-</u>	<u>2,633,737</u>	<u>2,633,737</u>
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>7,687,839</u>	<u>2,633,737</u>	<u>10,321,576</u>
<b>TOTAL LIABILITIES</b>	<u>8,701,332</u>	<u>2,748,756</u>	<u>11,450,088</u>
<b>NET POSITION</b>			
Net investment in capital assets	(5,699,634)	9,012,607	3,312,973
Restricted for debt service	339,127	158,751	497,878
Unrestricted	<u>128,020</u>	<u>156,540</u>	<u>284,560</u>
<b>TOTAL NET POSITION</b>	<u>\$ (5,232,487)</u>	<u>\$ 9,327,898</u>	<u>\$ 4,095,411</u>

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

**CITY OF TALLULAH**

**PROPRIETARY FUND TYPE - ENTERPRISE FUNDS**  
**Statement of Revenues, Expenses,**  
**and Changes in Fund Net Position**  
**For the Year Ended June 30, 2019**

Statement H

	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTAL</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 1,949,810	\$ 952,444	\$ 2,902,254
Other operating revenue	-	6,000	6,000
<b>TOTAL OPERATING REVENUES</b>	<u>1,949,810</u>	<u>958,444</u>	<u>2,908,254</u>
<b>OPERATING EXPENSES</b>			
Personnel services	396,111	185,763	581,874
Supplies	268,728	12,600	281,328
Maintenance	258,348	163,052	421,400
Utilities	102,270	60,956	163,226
Miscellaneous	41,012	10,767	51,779
Uniforms	6,913	4,120	11,033
Insurance	14,936	2,800	17,736
Professional services	112,068	90,138	202,206
Depreciation	504,526	317,187	821,713
<b>TOTAL OPERATING EXPENSES</b>	<u>1,704,912</u>	<u>847,383</u>	<u>2,552,295</u>
Operating income (loss)	<u>244,898</u>	<u>111,061</u>	<u>355,959</u>
<b>NON OPERATING REVENUES/EXPENSES</b>			
Intergovernmental revenues	169,691	-	169,691
Interest income	7,638	71	7,709
Interest expense & other charges	(315,318)	(118,737)	(434,055)
Other revenues	57,553	64,622	122,175
<b>TOTAL NON OPERATING REVENUES/EXPENSES</b>	<u>(80,436)</u>	<u>(54,044)</u>	<u>(134,480)</u>
Income (Loss) before transfers	<u>164,462</u>	<u>57,017</u>	<u>221,479</u>
<b>TRANSFERS</b>			
Transfers in	15,000	-	15,000
Transfers out	(164,484)	(57,369)	(221,853)
<b>TOTAL TRANSFERS</b>	<u>(149,484)</u>	<u>(57,369)</u>	<u>(206,853)</u>
Change in Net Position	14,978	(352)	14,626
<b>NET POSITION - BEGINNING</b>	<u>(5,247,465)</u>	<u>9,328,250</u>	<u>4,080,785</u>
<b>NET POSITION - ENDING</b>	<u>\$ (5,232,487)</u>	<u>\$ 9,327,898</u>	<u>\$ 4,095,411</u>

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

**CITY OF TALLULAH**

**PROPRIETARY FUND TYPE - ENTERPRISE FUNDS  
Statement of Cash Flows  
For the Year Ended June 30, 2019**

Statement I

	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTAL</u>
CASH FLOW (USES) FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,909,724	\$ 953,825	\$ 2,863,549
Payments to employees	(317,496)	(143,401)	(460,897)
Payments to others	(776,644)	(509,164)	(1,285,808)
Other receipts	-	6,000	6,000
Net cash provided by (used for) operating activities	<u>815,584</u>	<u>307,260</u>	<u>1,122,844</u>
CASH FLOW (USES) FROM INVESTING ACTIVITIES			
Earnings on investments	<u>7,638</u>	<u>71</u>	<u>7,709</u>
Net cash provided by (used for) investing activities	<u>7,638</u>	<u>71</u>	<u>7,709</u>
CASH FLOW (USES) FROM NONCAPITAL FINANCING ACTIVITIES			
Grants and contributions	22,486	-	22,486
Transfers out	<u>(320,857)</u>	<u>(40,748)</u>	<u>(361,605)</u>
Net cash provided by (used for) noncapital financing activities	<u>(298,371)</u>	<u>(40,748)</u>	<u>(339,119)</u>
CASH FLOW (USES) FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(9,065)	(3,563)	(12,628)
Principal payment bonds & loans payable	(470,000)	(50,391)	(520,391)
Principal payment capital leases	(11,385)	-	(11,385)
Interest & penalties paid on debt	<u>(326,306)</u>	<u>(118,737)</u>	<u>(445,043)</u>
Net cash provided by (used for) capital and related financing activities	<u>(816,756)</u>	<u>(172,691)</u>	<u>(989,447)</u>
Net increase (decrease) in cash and cash equivalents	(291,905)	93,892	(198,013)
CASH AND CASH EQUIVALENTS - BEGINNING	<u>871,282</u>	<u>154,690</u>	<u>1,025,972</u>
CASH AND CASH EQUIVALENTS - ENDING	<u><u>579,377</u></u>	<u><u>248,582</u></u>	<u><u>827,959</u></u>
RECONCILIATION TO BALANCE SHEET			
Cash	-	89,831	89,831
Restricted assets - cash	<u>579,377</u>	<u>158,751</u>	<u>738,128</u>
	<u>\$ 579,377</u>	<u>\$ 248,582</u>	<u>\$ 827,959</u>

(CONTINUED)

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



**CITY OF TALLULAH**

**PROPRIETARY FUND TYPE - ENTERPRISE FUNDS  
Statement of Cash Flows  
For the Year Ended June 30, 2019**

	<b>Statement I</b>		
	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTAL</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 244,898	\$ 111,061	\$ 355,959
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	504,526	317,187	821,713
(Increase) decrease in operating accounts receivable	(40,086)	1,381	(38,705)
Increase (decrease) in accounts payable	112,607	(123,532)	(10,925)
Increase (decrease) in compensated absences	98	1,163	1,261
Increase (decrease) in deposits due others	(6,459)	-	(6,459)
Net cash provided by (used for) operating activities	<u>\$ 815,584</u>	<u>\$ 307,260</u>	<u>\$ 1,122,844</u>

(CONCLUDED)

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

**City of Tallulah**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2019**

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**City of Tallulah**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2019**

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

**A. REPORTING ENTITY** The City of Tallulah was founded in 1856 and is incorporated under the provisions of the "Lawrason Act" (Louisiana Revised Statutes (R.S.) 33:321-481 of the constitution of the state of Louisiana.) The City is located in the parish of Madison and has a population of 7,335. The City is governed by the mayor and five-member Council. The mayor and Council members serve four-year terms which expire June 30, 2022.

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

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

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

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

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

**City of Tallulah**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2019**

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

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

***Governmental Funds***

The City reports the following major governmental funds:

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

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

***Proprietary Fund***

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

**C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

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

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

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

**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.

**City of Tallulah**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2019**

**Fund Financial Statements (FFS)**

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

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

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

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

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

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

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

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

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

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

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

**City of Tallulah**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2019**

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

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

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

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

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

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

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

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

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

**City of Tallulah**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2019**

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

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

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

The City recognition and measurement criterion for compensated absences follows:

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

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

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

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

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

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

**M. RESTRICTED ASSETS** Certain grants received by the City contained restrictions on spending for specific purposes. The General, Water and Sewer funds have accounts related to debt covenants that are restricted. In the Water fund, the customer deposits are also restricted. Although the City has recorded \$175,787 in payable from restricted assets - customer deposits, the actual restricted cash and cash equivalents for customer deposits equates to \$134,104.

**City of Tallulah**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2019**

**N. RISK MANAGEMENT** The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. To handle such risk of loss, the City maintains commercial insurance policies covering its automobiles, professional liability, general liability, and surety bond coverage. There were no significant reductions in insurance coverage during the year ended June 30, 2019 for the primary government.

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

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed. \$614,997 of the restricted net position reported in the statement of activities are restricted by law through constitutional provisions or by enabling legislation.

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

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

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

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

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

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

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

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



**City of Tallulah**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2019**

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

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

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Deficit Fund Balances** The following fund had a deficit fund balance at June 30, 2019:

<u>Fund</u>	<u>Deficit Amount</u>
Water	\$ 5,232,487

**NOTE 3 - DEPOSITS AND INVESTMENTS**

Cash and cash equivalents consist of the following at June 30, 2019:

Petty Cash	\$ 1,125
Demand deposits	919,853
Money market mutual funds	418,666
	<u>\$ 1,339,644</u>

***Deposits***

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

Custodial credit risk: In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2019, the City's had a bank balance of \$970,642, in which \$712,571 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name. Even though the pledged securities are considered uncollateralized under the provisions of GASB, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell pledged securities within 10 days of being notified by the City that the fiscal agent has failed to pay deposited funds upon demand. The City's policy does not address custodial credit risk.

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

**City of Tallulah**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2019**

**Investments**

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

The City's has the following recurring fair value measurement as of June 30, 2019:

Money market mutual funds of \$418,666 are valued using quoted prices for similar investments in active markets (Level 2).

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

**NOTE 4 - LEVIED TAXES** The City levies property taxes on real and business property located within the City's boundaries. Property taxes are levied by the City on property values assessed by the Madison Parish Tax Assessor and approved by the state of Louisiana Tax Commission. The Madison Parish Tax Assessor prepares tax statements for the City. Ad valorem taxes were levied in October 2018 with a due date and collection date of December 31, 2018 and a lien date of January 1, 2019.

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

	<u>Maximum Millage</u>	<u>Levied Millage</u>	<u>Expiration Date</u>
General Fund Operations	7.51	7.51	Statutory
Police, Fire, Streets & Bridges	6.98	6.98	2020
General Purposes	8.54	8.54	2020
Streets, Roads, Drainage	8.05	8.05	2022
1981 Sewer Bond	N/A	1.00	2020

**NOTE 5 - RECEIVABLES** The following is a summary of receivables at June 30, 2019:

<u>Class of Receivables</u>	<u>General</u>	<u>Section 8</u>	<u>Nonmajor Governmental</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Taxes:						
Sales & use	\$ 112,039	\$ -	\$ -	\$ -	\$ -	\$ 112,039
Other taxes	960	-	96	-	-	1,056
State revenue	21,247	-	-	-	-	21,247
Federal revenue	73,927	-	49,272	147,205	-	270,404
Due from other governments	5,987	-	-	-	-	5,987
Other	38,018	1,271	-	-	-	39,289
Water user fees	-	-	-	273,336	-	273,336
Sewer user fees	-	-	-	-	132,159	132,159
Gross receivables	<u>252,178</u>	<u>1,271</u>	<u>49,368</u>	<u>420,541</u>	<u>132,159</u>	<u>855,517</u>
Less allowance for doubtful accounts	-	-	-	(6,335)	(3,077)	(9,412)
Net total receivables	<u>\$ 252,178</u>	<u>\$ 1,271</u>	<u>\$ 49,368</u>	<u>\$ 414,206</u>	<u>\$ 129,082</u>	<u>\$ 846,105</u>

**City of Tallulah**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2019**

**NOTE 6 - INTERFUND TRANSACTIONS/BALANCES** Individual balances due from/to other funds at June 30, 2019, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water Fund	\$ 50,000
General Fund	Nonmajor Governmental	13,201
Nonmajor Governmental	General Fund	39,939
Total		<u>\$ 103,140</u>

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

Transfers during the year were as follows:

<u>Transfer In Fund</u>	<u>Transfer Out Fund</u>	<u>Amount</u>
General Fund	Water Fund	\$ 147,789
General Fund	Sewer Fund	57,369
Nonmajor Governmental	Water Fund	17,045
Nonmajor Governmental	General Fund	350
Water Fund	Nonmajor Governmental	15,000
Total		<u>\$ 237,553</u>

The City transferred money from the Water Fund and Sewer Fund to the General Fund to cover shortfalls; from the Water Fund to the nonmajor governmental fund (LCDBG Capital Project Fund) to cover administrative costs not covered by the grant; and from the Nonmajor Governmental Fund (Street Fund) to the Water Fund for repayment of an interfund loan.

**NOTE 7 - CAPITAL ASSETS** The changes in capital assets for the year ended June 30, 2019 are as follows:

	<u>Balance</u> <u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Ending</u>
<b><u>Governmental activities:</u></b>				
Capital assets, not being depreciated:				
Land	\$ 78,500	\$ -	\$ -	\$ 78,500
Construction in progress	489,594	108,251	-	597,845
Total capital assets, not being depreciated	568,094	108,251	-	676,345
Depreciable assets:				
Infrastructure	647,495	-	-	647,495
Buildings and improvements	2,960,988	-	-	2,960,988
Furniture and equipment	1,389,413	369,625	7,350	1,751,688
Total capital assets, being depreciated	4,997,896	369,625	7,350	5,360,171
Less: accumulated depreciation	(3,833,721)	(214,248)	(7,182)	(4,040,787)
Depreciable capital assets, net	1,164,175	155,377	168	1,319,384
Total capital assets, net	<u>\$ 1,732,269</u>	<u>\$ 263,628</u>	<u>\$ 168</u>	<u>\$ 1,995,729</u>

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Depreciation expense was charged to governmental activities as follows:

General and administrative	\$ 25,313
Police department	28,778
Fire department	76,708
Street department	74,714
Culture and recreation	8,735
Total	<u>\$ 214,248</u>

	Balance Beginning	Additions	Deletions	Ending Balance
<b><u>Business-type activities:</u></b>				
Capital assets, not being depreciated:				
Land	\$ 678,330	\$ -	\$ -	\$ 678,330
Total capital assets, not being depreciated	678,330	-	-	678,330
Depreciable assets:				
Building & Improvements	14,241	3,898	-	18,139
Equipment	899,786	3,563	-	903,349
Plant	9,900,494	5,167	-	9,905,661
Transmission lines	10,478,750	-	-	10,478,750
Water systems	8,401,391	-	-	8,401,391
Pumping stations	383,994	-	-	383,994
Total depreciable assets	30,078,656	12,628	-	30,091,284
Less accumulated depreciation	<u>(15,773,649)</u>	<u>(821,713)</u>	-	<u>(16,595,362)</u>
Depreciable capital assets, net	14,305,007	(809,085)	-	13,495,922
Total capital assets, net	<u>\$ 14,983,337</u>	<u>\$ (809,085)</u>	\$ -	<u>\$ 14,174,252</u>

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

Water	\$ 504,526
Sewer	317,187
Total	<u>\$ 821,713</u>

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

**DEFINED BENEFIT PLAN**

**Plan Description:**

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

Membership in MPERS is mandatory for any full-time police officer employed by a municipality of the State of Louisiana and engaged in law enforcement, empowered to make arrests, providing he or she does not have to pay social security and providing he or she meets the statutory criteria. The projections of benefit payments in the

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calculation of the total pension liability includes all benefits to be provided to current active and inactive employees through MPERS in accordance with benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date. Benefit provisions are authorized within Act 189 of 1973 and amended by LRS 11:2211-11:2233.

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

*Cost of Living Adjustments*

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

*Deferred Retirement Option Plan*

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

*Initial Benefit Option Plan*

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

**Employer Contributions**

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

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For the year ended June 30, 2019, the actuarially determined contribution rate was 42.55% of member's compensation. However, the actual rate for employee and employer contributions for fiscal year ending June 30, 2019 was 42.25%. The employer and employee contribution rates for all members hired prior to January 1, 2013 and Hazardous Duty members hired after January 1, 2013 were 32.25% and 10%, respectively. The employer and employee contribution rates for all Non-Hazardous duty members hired after January 1, 2013 were 32.25% and 8%, respectively. The employer and employee contribution rates for all members whose earnable compensation is less than or equal to the poverty guidelines issued by the United States Department of Health and Human Services were 34.75% and 7.5%, respectively. City of Tallulah's contributions to the MPERS for the year ended June 30, 2019 was \$44,121.

*Non-employer Contributions*

MPERS receives insurance premium tax monies as additional employer contributions. The tax is considered support from a non-contributing entity and appropriated by the legislature each year based on an actuarial study. Non-employer contributions are recognized as revenue during the fiscal year. During fiscal year 2019, the City recognized \$13,231 in non-employer contributions as intergovernmental revenue.

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

At June 30, 2019, the City reported a liability of \$566,819 for its proportionate share of the MPERS's Net Pension Liability (NPL). The NPL was measured as of June 30, 2018, and the total pension liabilities used to calculate the NPL was determined by actuarial valuations as of that date. The City's proportions of the NPL were based on an allocation method based on employer's contribution to MPERS during the year ended June 30, 2018 as compared to the total of all employers' contributions to MPERS during the year ended 2018. As of June 30, 2018, the most recent measurement date, the City's proportions and the changes in proportion from the prior measurement date was 0.067047%, or an increase of 0.026872%.

For the year ended June 30, 2019, the City recognized a total pension benefit of \$6,693 for MPERS. The City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,555	\$ 28,966
Changes of assumptions	37,041	-
Net difference between projected and actual earnings on pension plan investments	27,172	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	197,294	53,382
Employer contributions subsequent to the measurement date	44,121	-
Total	<u>\$ 308,183</u>	<u>\$ 82,348</u>

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Deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the MPERS NPL in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
MPERS	\$ 53,154	\$ 90,599	\$ 36,974	\$ 987

Actuarial Assumptions. The NPL was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net pension. The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurements:

Valuation Date	June 30, 2018
Actuarial Cost Method	Entry age normal cost
Expected Remaining Service Lives	4 years
Investment Rate of Return	7.20%, net of investment expense
Inflation Rate	2.60% per annum
Salary Increases, including inflation and merit	Varying from 9.75% to 4.25% after 23 years
Mortality	RP-2000 Combined Health with Blue Collar Adjustment Sex Distinct Tables projected to 2029 by Scale AA (set back 1 year for females) for healthy annuitants and beneficiaries.  RP-2000 Disables Lives Table set back 5 years for males and set back 3 years for females for disabled annuitants.  RP-2000 Employee Table set back 4 years for males and 3 years for females for active members.
Cost of Living Adjustments	Not substantively automatic

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

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

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

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Equity	52%	3.58%
Fixed income	22%	0.46%
Alternatives	20%	1.07%
Other	6%	0.17%
Totals	100%	5.28%
Inflation		2.75%
Expected nominal return		8.03%

*Discount Rate.* The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of MPERS’s actuary. Based on those assumptions, the MPERS’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Changes in assumptions.* The following changes in assumptions were made in the June 30, 2018 valuation from the assumptions used in the June 30, 2017 valuation:

- the discount rate was decreased from 7.325% to 7.20%
- the inflation rate decreased from 2.70% to 2.60%
- the expected nominal return was reduced from 8.19% to 8.03%

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

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

	1.0% Decrease 6.20%	Current Discount Rate 7.20%	1.0% Increase 8.20%
Net Pension Liability	\$796,538	\$566,819	\$374,094

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

*Payables to the Pension Plan.* At June 30, 2019, the City had \$10,361 in payables to MPERS for the 2019 employee and employer legally required contributions.



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**NOTE 9 - ACCOUNTS, SALARIES, AND OTHER PAYABLES** The accounts, salaries and other payables at fiscal year ended June 30, 2019 are as follows:

<u>Class of Payables</u>	<u>General</u>	<u>Section 8</u>	<u>Nonmajor Governmental</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Accounts Payable	\$ 262,658	\$ 5,135	\$ 41,632	\$173,355	\$ 57,439	\$ 540,219
Retainage Payable	-	-	9,963	14,600	-	24,563
Wages Payable	10,466	-	-	2,822	832	14,120
Net total payable	<u>\$ 273,124</u>	<u>\$ 5,135</u>	<u>\$ 51,595</u>	<u>\$190,777</u>	<u>\$ 58,271</u>	<u>\$ 578,902</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 \$60,000 is recognized as intergovernmental revenue and public safety expenditures. Of the \$60,000 recognized, the State paid \$36,000 to City police officers and \$24,000 to City firemen.

**NOTE 11 - LONG-TERM DEBT** Governmental activities long-term debt 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 and loans payable were issued for the purpose of the acquisition of major capital asset additions for the fire department and are paid from excess revenues of the General Fund. Capital leases were paid from the General Fund.

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

During the year ended June 30, 2019, the following changes occurred in governmental activities long-term debt:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due within one year</u>
Direct borrowings & placements:					
General obligation bonds	\$ 23,218	\$ -	\$ 14,254	\$ 8,964	\$ 8,964
Certificate of indebtedness	57,969	-	28,506	29,463	29,463
Loans payable	-	300,000	-	300,000	18,754
Capital leases	105,196	-	41,367	63,829	38,581
Compensated absences	25,144	32,267	29,098	28,313	28,313
Total	<u>\$ 211,527</u>	<u>\$ 332,267</u>	<u>\$ 113,225</u>	<u>\$ 430,569</u>	<u>\$ 124,075</u>

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During the year ended June 30, 2019, the following changes occurred in business-type activities long-term debt:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
Revenue bonds	\$ 8,540,000	\$ -	\$ 470,000	\$ 8,070,000	\$ 475,000
Bond premiums	96,100	-	6,552	89,548	-
Direct borrowings & placements:					
Loans payable	2,736,774	-	50,391	2,686,383	52,646
Capital leases	26,733	-	11,385	15,348	12,057
Compensated absences	6,567	9,239	7,978	7,828	7,828
Total	<u>\$ 11,406,174</u>	<u>\$ 9,239</u>	<u>\$ 546,306</u>	<u>\$ 10,869,107</u>	<u>\$ 547,531</u>

The following is a summary of long-term obligation transactions for the year ended June 30, 2019:

	Issue Dates	Maturity Dates	Interest Rates	Original Amount	Governmental Activities	Business-type Activities
<b>Governmental activities</b>						
General Obligation Bonds:						
Series 1981	10/8/1981	10/1/2021	5.000%	\$ 260,000	\$ 8,964	
Certificate of Indebtedness:						
Series 2009 - USDA Fire Truck	3/31/2010	3/31/2020	4.000%	250,000	29,463	
Loans Payable	1/29/2019	2/1/2031	4.540%	300,000	300,000	
<b>Business-type activities</b>						
Enterprise Funds						
Utilities System Revenue Bonds:						
Water Revenue Refunding Bonds Series 2012	6/22/2012	9/1/2031	2.6-5.0%	5,275,000		\$ 3,955,000
Water Revenue Refunding Bonds Series 2016	2/24/2016	9/1/2032	2.0-4.0%	4,665,000		4,115,000
Loans payable (USDA):						
Sewer Rehab Phase I	9/6/2006	9/6/2046	4.375%	2,660,000		2,261,311
Sewer Rehab Phase II	9/6/2006	9/6/2046	4.375%	500,000		425,072
Totals					<u>338,427</u>	<u>10,756,383</u>
Current Portion of Debt					<u>(57,181)</u>	<u>(527,646)</u>
Total Long Term Portion of Debt					<u>\$ 281,246</u>	<u>\$ 10,228,737</u>

General obligation bonds totaling \$8,964 at June 30, 2019, 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 2018 tax roll was \$15,231,820. The City is bonded debt is within the statutory limitation. The 1981 Debt Service Fund has \$10,376 available to service the bonded debt in the governmental fund-type funds.

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The annual requirements to amortize all outstanding debt at June 30, 2019 are as follows:

Year	<u>Governmental Activities Debt</u>		<u>Water Enterprise Debt</u>		<u>Sewer Enterprise Debt</u>	
	<u>Direct Borrowings</u>				<u>Direct Borrowings</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 57,181	\$ 15,917	\$ 475,000	\$ 311,691	\$ 52,646	\$ 116,482
2021	20,278	12,767	490,000	297,960	54,997	114,131
2022	21,198	11,846	500,000	282,585	57,451	111,677
2023	22,161	10,884	525,000	265,390	60,016	109,112
2024	23,167	9,878	540,000	245,934	62,694	106,434
2025-2029	132,595	32,627	3,025,000	879,587	358,034	487,606
2030-2034	61,847	4,242	2,515,000	191,865	445,403	400,237
2035-2039	-	-	-	-	554,093	291,547
2040-2044	-	-	-	-	689,306	156,334
2045-2047	-	-	-	-	351,743	17,719
Total	<u>\$ 338,427</u>	<u>\$ 98,161</u>	<u>\$ 8,070,000</u>	<u>\$ 2,475,012</u>	<u>\$ 2,686,383</u>	<u>\$ 1,911,279</u>

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

The Letter of Conditions for the USDA certificates of indebtedness are the same as the Letter of Conditions for the loans payable except the City is only required to reserve up to an amount equal to the highest annual debt service payable for the certificate of indebtedness – fire protection in any future year.

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

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

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

For the fiscal year ended June 30, 2019, the Water Fund's net revenues were not at least equal to 125% of the principal and interest falling due on all bonds or other obligations payable; however, for the fiscal year ending June 30, 2019, the City did meet its debt obligations.

**Required Debt Reserves:** The required debt reserves and amounts reserved as of June 30, 2019 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	\$ 29,082	\$ 3,304
Total Governmental Activities	250,000	29,082	3,304
Business Activities:			
Water Fund:			
Water Improvement Bonds, Refunding Series 2012	5,275,000	458,457	-
Water Improvement Bonds, Refunding Series 2016	4,665,000	440,393	445,273
Total Water Fund	9,940,000	898,850	445,273
Sewer Fund:			
Sewer Rehab Phase I	2,660,000	181,611	-
Sewer Rehab Phase II	500,000	34,119	158,751
Total Sewer Fund	3,160,000	215,730	158,751
Total Business Activities	13,100,000	1,114,580	604,024
Grand Total	<u>\$13,350,000</u>	<u>\$ 1,143,662</u>	<u>\$ 607,328</u>

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

<u>Asset:</u>	<u>Original Cost</u>	<u>Current Year Depreciation</u>	<u>Accumulated Depreciation</u>
Street Department Equipment:			
Asphalt Compactor and Trailer	\$ 44,487	\$ 4,449	\$ 17,795
2016 Case 580N Backhoe	63,472	6,347	25,389
2015 Case 580N Backhoe	59,754	5,975	17,926
Water Department Equipment:			
2012 Kobelco Compact Excavator	48,500	4,850	14,550

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The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2019, are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2020	\$ 41,085	\$ 12,600
2021	25,898	3,322
Total minimum lease payments	66,983	15,922
Less: amount representing interest	(3,154)	(574)
Present value of minimum lease payments	<u>\$ 63,829</u>	<u>\$ 15,348</u>

**NOTE 13 - PLEDGED REVENUES** The City has pledged future water and sewer customer revenues, net of specified operating expenses to repay \$8,070,000 in water revenue bonds payable and \$2,686,383 in sewer loans payable. Proceeds from revenue bonds/loans payable provided financing for the purpose of constructing and acquiring extensions, improvements to the waterworks and sewer systems of the City of Tallulah. The revenue bonds/loans payable are payable solely from water and sewer customer net revenues and are payable through fiscal year ended 2033 for the Water Fund and fiscal year ended 2047 for the Sewer Fund. Total principal and interest remaining to be paid on the water and sewer revenue bonds/loans payable is \$10,545,012 and \$4,597,662, respectively. Water principal and interest paid for the current year was \$795,092 and total net revenue (loss) per Statement H was \$164,462. Sewer principal and interest paid for the current year was \$169,128 and total net revenue (loss) per Statement H was \$57,017. See Note 11 for additional information on the Water and Sewer revenue bonds/loans payable.

**NOTE 14 - COMMITMENTS AND CONTINGENCIES**

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

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

The City is also the defendant in various lawsuits. It is the opinion of management and legal counsel for the City that potential claims against the City not covered by insurance would not materially affect the financial statements.

Administrative Order: On January 2, 2019, the City was placed under an Administrative Order (AO) by the Louisiana Department of Health. The Administrative Order states that the City was non-compliant with several state primary drinking water regulations. The AO lists 10 remedial actions that the City must undertake by specific deadlines to comply with all rules, regulations, and standards. As of the date of this report, the City has completed 4 remedial actions and has a deadline of January 10, 2020 to complete the remaining remedial actions. If the City fails to meet this deadline without an approved extension, the state health officer may assess a penalty up to a maximum of \$3,000 per day for each day the City’s water system is not in compliance.

**City of Tallulah**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2019**

On July 11, 2019, City passed a resolution to borrow \$1 million from the State of Louisiana Drinking Water Revolving Loan Fund to finance a plan that will address the remaining remedial actions, which range from infrastructure repairs to a cross connection program. The \$1 million loan, once issued, will be repaid over 20 years with an estimated interest rate of 2.45%. The debt service payments of approximately \$65,000 per year will be funded from mandatory water rate increases.

Construction Projects: The City is involved in several projects at fiscal year ended June 30, 2019 which include the Ethel Street Drainage and Harlem Street Drainage projects and the water system’s aerators and pump replacement project. At June 30, 2019, the City had approximately \$1 million remaining on the Harlem Street Drainage Improvement contract and \$310 thousand on the water system project contract.

**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. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 16 - FUND BALANCE CLASSIFICATION DETAILS** The following are details of the fund balance classification:

	<u>General Fund</u>	<u>Section 8</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Restricted for:				
Debt service	\$ 3,304	\$ -	\$ 10,376	\$ 13,680
Section 8 program	-	65,797	-	65,797
Street maintenance	-	-	40,704	40,704
Construction projects	-	-	242	242
Unassigned	414,225	-	-	414,225
Total	<u>\$ 417,529</u>	<u>\$ 65,797</u>	<u>\$ 51,322</u>	<u>\$ 534,648</u>

**NOTE 17 - NEW GASB STANDARD** For fiscal year ended June 30, 2019, the City adopted *Statement No. 88 – Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placement*, issued by the Government Accounting Standards Board. This Statement defines debt for purposes of disclosure in notes to the financial statements; clarifies which liabilities governments should include when disclosing information related to debt; and requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The Statement also requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant termination events with finance-related consequences and significant subjective acceleration clauses.

The adoption of this standard had no impact on the City’s governmental fund or government-wide financial statements.

**NOTE 18 - SUBSEQUENT EVENTS** In August 2019, the City issued \$174 thousand in notes payable for the acquisition of six 2019 Dodge Charger police patrol cars. The notes payable will be paid over the next 5 fiscal years with an interest rate of 4.36%.

**City of Tallulah**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2019**

In September 2019, the City withdrew \$338 thousand from the Series 2012 and Series 2016 debt service reserve funds to meet the bonds' September 1<sup>st</sup> debt service payment. Per the agreement with Regions, the City's fiscal and paying agent, the City is to replenish the reserve funds by monthly depositing \$20 thousand into the City's Regions reserve accounts until the required reserve balance is reached. In addition, each month until the bonds are paid in full, the City is to deposit \$66 thousand into the City's Regions debt service accounts. The deposits held in the Regions debt service accounts are to be used to pay the principal and interest payments as they come due with the last payment being paid from the reserve funds.

On November 16, 2019, City of Tallulah citizens approved the 0.5% sales and use tax proposition. The funds may be used for any lawful purpose including but not limited to funding for the construction, improvement, renovation, operation and maintenance of water and sewer utility facilities. The sales tax rate increase is estimated to increase sales tax revenues by approximately \$300 thousand annually.

**NOTE 19 - GOING CONCERN INDICATORS AND MANAGEMENT'S PLAN** For the year ended June 30, 2019, the City's Water Fund's net revenues were not at least equal to 125% of the principal and interest falling due on all bonds or other obligations payable which is a violation of the City's conditions and requirements as set forth in its debt agreements. In addition, the City's bond sinking and reserve funds were deficient at June 30, 2019. On September 1, 2019, the City withdrew \$338 thousand from its debt service reserve funds to meet the required the debt service payments due on September 1, 2019. At the end of the fiscal year 2019, the City has several outstanding remedial actions mandated by a Louisiana Department of Health Administrative Order (AO) to be completed before January 10, 2020. If the City fails to meet this deadline, the State health officer may assess a penalty up to a maximum of \$3,000 per day for each day the City's water system is not in compliance. The cost to complete these remedial actions and for the City to be compliant with State's safe drinking water rules, regulations and standards is estimated to be over \$1 million.

In March 2019, the City raised water rates to raise net revenues to be in compliance with the bond agreements. The increased rates were only in effect for the last two months of the current fiscal year. In addition, the City has been actively seeking grant awards and other assistance with costs for repairs and maintenance for its water and sewer systems. The City has been approved for a \$1 million loan from the Louisiana Drinking Water Revolving Loan Fund to finance the City's plan to address the remaining remedial actions in the AO. On November 16, 2019, City of Tallulah citizens approved a 0.5% sales tax rate increase. The sales tax increase is estimated to increase sales tax revenues by approximately \$300 thousand annually. And as outlined in prior year's plan, the City has reduced expenses.

**City of Tallulah**

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**City of Tallulah**

**REQUIRED SUPPLEMENTARY INFORMATION**

**City of Tallulah**  
**Pension Supplementary Information**  
**As of and for the Year Ended June 30, 2019**

**Exhibit 1-1**

**Schedule of the Employer's Proportionate Share of the Net Pension Liability**  
**Last Five Years**

Fiscal Year*	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
Municipal Police Employees' Retirement System					
2015	0.115035%	\$ 719,668	\$ 205,010	351%	75.10%
2016	0.057648%	451,612	160,089	282%	70.73%
2017	0.029801%	279,319	90,854	307%	66.04%
2018	0.040175%	350,745	109,566	320%	70.08%
2019	0.067047%	566,819	203,590	278%	71.89%

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

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

**Exhibit 1-2**

**Schedule of Employer Contributions to Pension Plan**  
**Last Five Years**

Fiscal Year*	Statutorily Required Contribution	Contributions in relation to the statutorily required contribution	Contribution Deficiency (Excess)	Covered payroll	Contributions as a percentage of covered payroll
Municipal Police Employees' Retirement System					
2015	\$ 50,428	\$ 50,428	-	\$ 160,089	31.50%
2016	26,802	26,802	-	90,854	29.50%
2017	34,991	34,991	-	109,566	31.94%
2018	62,604	62,604	-	203,590	30.75%
2019	44,121	44,121	-	136,810	32.25%

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

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

See independent auditor's report.

**City of Tallulah**  
**Pension Supplementary Information**  
**As of and for the Year Ended June 30, 2019**

**Notes to Required Supplementary Information for Pensions**

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

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

For amounts reported in 2016, salary increases, including inflation and merit, ranged from 10% for 1 year of service to 4.0% for 30 and over years of service. For amounts reported in 2017 and later, salary increases, including inflation and merit, ranged from 9.75% for 1 year of service to 4.25% for over 23 years of service.

For amounts reported in 2017, the inflation rate was decreased from the 3.00% used in 2015 to 2.75%.

For amounts reported in 2018, the discount rate was decreased from 7.5% to 7.325%, the inflation rate decreased from 2.875% to 2.7%, and the expected nominal return was reduced from 8.25% to 8.19%.

For amounts reported in 2019, the discount rate was decreased from 7.325% to 7.20%, the inflation rate decreased from 2.70% to 2.60%, and the expected nominal return was reduced from 8.19% to 8.03%.

**City of Tallulah**

**Budgetary Comparison Schedules**

**Major Funds with Legally Adopted Annual Budget**

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

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

**CITY OF TALLULAH**

**GENERAL FUND  
Budgetary Comparison Schedule  
For the Year Ended June 30, 2019**

Exhibit 2-1

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>BUDGETARY BASIS</u>	<u>WITH FINAL FINAL</u>
BUDGETARY FUND BALANCES, BEGINNING	\$ 428,365	\$ 302,918	\$ 302,918	\$ -
Resources (inflows)				
Local sources:				
Taxes:				
Ad valorem	370,000	345,000	354,720	9,720
Sales and use	1,260,835	1,170,835	1,264,006	93,171
Other taxes, penalties, and interest	390,100	396,720	404,172	7,452
Licenses and permits	128,640	88,800	79,853	(8,947)
Intergovernmental revenues	214,420	134,710	275,681	140,971
Rental income	13,000	10,000	9,875	(125)
Use of money and property	300	300	35	(265)
Fines and forfeitures	93,175	84,675	135,168	50,493
Miscellaneous revenues	134,900	120,610	120,412	(198)
Transfers from other funds	250,000	375,000	205,158	(169,842)
	<u>3,283,735</u>	<u>3,029,568</u>	<u>3,151,998</u>	<u>122,430</u>
Amounts available for appropriations				
Charges to appropriations (outflows)				
Current:				
General and administrative	745,440	773,440	747,795	25,645
Police Department	772,915	772,915	704,963	67,952
Fire Department	442,385	442,385	380,992	61,393
Street Department	653,955	660,955	670,407	(9,452)
Culture and recreation	91,660	91,660	78,303	13,357
Legislative	64,800	64,800	64,703	97
Transportation	48,000	48,000	54,149	(6,149)
Debt service:				
Principal retirement	30,825	30,825	30,825	-
Interest and bank charges	600	600	1,982	(1,382)
Transfers to other funds	4,800	4,800	350	4,450
	<u>2,855,380</u>	<u>2,890,380</u>	<u>2,734,469</u>	<u>155,911</u>
Total charges to appropriations				
BUDGETARY FUND BALANCES, ENDING	<u>\$ 428,355</u>	<u>\$ 139,188</u>	<u>\$ 417,529</u>	<u>\$ 278,341</u>

See independent auditor's report.

**CITY OF TALLULAH**

**SECTION 8  
Budgetary Comparison Schedule  
For the Year Ended June 30, 2019**

Exhibit 2-2

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>BUDGETARY</u> <u>BASIS</u>	<u>WITH FINAL</u> <u>FINAL</u>
BUDGETARY FUND BALANCES, BEGINNING	\$ 75,718	\$ 65,905	\$ 65,905	\$ -
Resources (inflows)				
Intergovernmental revenues	250,000	225,000	199,489	(25,511)
Use of money and property	-	-	39	39
Miscellaneous revenues	30,000	25,000	18,716	(6,284)
	<u>355,718</u>	<u>315,905</u>	<u>284,149</u>	<u>(31,756)</u>
Amounts available for appropriations				
Charges to appropriations (outflows)				
Current:				
Health and welfare	<u>275,000</u>	<u>250,000</u>	<u>218,352</u>	<u>31,648</u>
Total charges to appropriations	<u>275,000</u>	<u>250,000</u>	<u>218,352</u>	<u>31,648</u>
BUDGETARY FUND BALANCES, ENDING	<u>\$ 80,718</u>	<u>\$ 65,905</u>	<u>\$ 65,797</u>	<u>\$ (108)</u>

See independent auditor's report.

## City of Tallulah

### Notes to the Budgetary Comparison Schedule For the Year Ended June 30, 2019

**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.

**City of Tallulah**

**Notes to the Budgetary Comparison Schedule  
For the Year Ended June 30, 2019**

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

	<b>GENERAL</b>	<b>SECTION 8</b>
<b><u>Sources/inflows of resources:</u></b>		
Actual amounts (budgetary basis) "available for appropriation" from the Budgetary Comparison Schedule	\$ 3,151,998	\$ 284,149
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	(302,918)	(65,905)
Transfers in are shown as resources (inflows) for budgetary purposes but as other financing sources for the Statement of Revenues, Expenditures and Changes in Fund Balances	(205,158)	-
Total revenues as reported on the Statement of Revenues, Expenditures, and changes in Fund Balances - Governmental Funds	2,643,922	218,244
<b><u>Uses/outflows of resources:</u></b>		
Actual amounts (budgetary basis) "Total charges to appropriations" from the Budgetary Comparison Schedule	2,734,469	218,352
The cost of the assets purchased through loan proceeds are not included for budgetary purposes but as capital outlay for the Statement of Revenues, Expenditures and Changes in Fund Balances	300,000	-
Transfers to other funds classified and expenditures for budgetary purposes and as an operating transfer for financial reporting	(350)	-
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 3,034,119	\$ 218,352

See independent auditor's report.



**City of Tallulah**

**SUPPLEMENTARY INFORMATION**

**CITY OF TALLULAH**

**NONMAJOR GOVERNMENTAL FUNDS  
Combining Balance Sheet - By Fund Type  
June 30, 2019**

Exhibit 3

	<b>SPECIAL REVENUE STREET</b>	<b>DEBT SERVICE 1981 GOB</b>	<b>CAPITAL PROJECTS</b>	<b>TOTAL</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,003	\$ 15,373	\$ 8,435	\$ 26,811
Receivables	85	11	49,272	49,368
Interfund receivables	39,939	-	-	39,939
<b>TOTAL ASSETS</b>	<b>43,027</b>	<b>15,384</b>	<b>57,707</b>	<b>116,118</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts, salaries and other payables	2,323	-	49,272	51,595
Interfund payables	-	5,008	8,193	13,201
<b>TOTAL LIABILITIES</b>	<b>2,323</b>	<b>5,008</b>	<b>57,465</b>	<b>64,796</b>
<b>FUND BALANCES:</b>				
Restricted	40,704	10,376	242	51,322
<b>TOTAL FUND BALANCES</b>	<b>40,704</b>	<b>10,376</b>	<b>242</b>	<b>51,322</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 43,027</b>	<b>\$ 15,384</b>	<b>\$ 57,707</b>	<b>\$ 116,118</b>

See independent auditor's report.

**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, 2019**

Exhibit 4

	<b>SPECIAL REVENUE STREET</b>	<b>DEBT SERVICE 1981 GOB</b>	<b>CAPITAL PROJECTS</b>	<b>TOTAL</b>
<b>REVENUES</b>				
Taxes:				
Ad valorem	\$ 120,016	\$ 14,909	\$ -	\$ 134,925
Intergovernmental revenues	-	-	91,556	91,556
Use of money and property	11	12	-	23
<b>TOTAL REVENUES</b>	<b>120,027</b>	<b>14,921</b>	<b>91,556</b>	<b>226,504</b>
<b>EXPENDITURES</b>				
Current:				
General and administrative	-	-	180	180
Street Department	65,498	-	-	65,498
Capital outlay	-	-	108,251	108,251
Debt service:				
Principal retirement	-	14,254	-	14,254
Interest and bank charges	-	1,305	-	1,305
<b>TOTAL EXPENDITURES</b>	<b>65,498</b>	<b>15,559</b>	<b>108,431</b>	<b>189,488</b>
<b>EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES</b>	<b>54,529</b>	<b>(638)</b>	<b>(16,875)</b>	<b>37,016</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	17,045	17,045
Transfers out	(15,000)	-	-	(15,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(15,000)</b>	<b>-</b>	<b>17,045</b>	<b>2,045</b>
<b>Net Change in Fund Balances</b>	<b>39,529</b>	<b>(638)</b>	<b>170</b>	<b>39,061</b>
<b>FUND BALANCES - BEGINNING</b>	<b>1,175</b>	<b>11,014</b>	<b>72</b>	<b>12,261</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 40,704</b>	<b>\$ 10,376</b>	<b>\$ 242</b>	<b>\$ 51,322</b>

See independent auditor's report.

**City of Tallulah**

**Nonmajor Capital Projects Funds**

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

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

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

**USDA CONSTRUCTION** – is used to account for the accumulation of resources for and related costs for USDA grant projects.

**CITY OF TALLULAH**

**NONMAJOR CAPITAL PROJECT FUNDS  
Combining Balance Sheet  
June 30, 2019**

Exhibit 5

	<b>ETHEL STREET DRAINAGE</b>	<b>HARLEM STREET DRAINAGE</b>	<b>LCDBG PROJECTS</b>	<b>USDA CONSTRUCTION</b>	<b>TOTAL</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 178	\$ 122	\$ 64	\$ 8,071	\$ 8,435
Receivables	-	49,272	-	-	49,272
<b>TOTAL ASSETS</b>	<b>178</b>	<b>49,394</b>	<b>64</b>	<b>8,071</b>	<b>57,707</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Accounts, salaries and other payables	-	49,272	-	-	49,272
Interfund payables	-	122	-	8,071	8,193
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>49,394</b>	<b>-</b>	<b>8,071</b>	<b>57,465</b>
<b>FUND BALANCES:</b>					
Restricted	178	-	64	-	242
<b>TOTAL FUND BALANCES</b>	<b>178</b>	<b>-</b>	<b>64</b>	<b>-</b>	<b>242</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 178</b>	<b>\$ 49,394</b>	<b>\$ 64</b>	<b>\$ 8,071</b>	<b>\$ 57,707</b>

See independent auditor's report.

**CITY OF TALLULAH**

**NONMAJOR CAPITAL PROJECT FUNDS  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
For the Year Ended June 30, 2019**

Exhibit 6

	<u>ETHEL STREET DRAINAGE</u>	<u>HARLEM STREET DRAINAGE</u>	<u>LCDBG PROJECTS</u>	<u>USDA CONSTRUCTION</u>	<u>TOTAL</u>
<b>REVENUES</b>					
Intergovernmental revenues	\$ -	\$ 76,354	\$ 15,202	\$ -	\$ 91,556
<b>TOTAL REVENUES</b>	<u>-</u>	<u>76,354</u>	<u>15,202</u>	<u>-</u>	<u>91,556</u>
<b>EXPENDITURES</b>					
Current:					
General and administrative	180	-	-	-	180
Capital outlay	<u>-</u>	<u>76,354</u>	<u>31,897</u>	<u>-</u>	<u>108,251</u>
<b>TOTAL EXPENDITURES</b>	<u>180</u>	<u>76,354</u>	<u>31,897</u>	<u>-</u>	<u>108,431</u>
<b>EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES</b>	<u>(180)</u>	<u>-</u>	<u>(16,695)</u>	<u>-</u>	<u>(16,875)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	<u>350</u>	<u>-</u>	<u>16,695</u>	<u>-</u>	<u>17,045</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>350</u>	<u>-</u>	<u>16,695</u>	<u>-</u>	<u>17,045</u>
<b>Net Change in Fund Balances</b>	170	-	-	-	170
<b>FUND BALANCES - BEGINNING</b>	<u>8</u>	<u>-</u>	<u>64</u>	<u>-</u>	<u>72</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 178</u>	<u>\$ -</u>	<u>\$ 64</u>	<u>\$ -</u>	<u>\$ 242</u>

See independent auditor's report.

**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 Position**

**June 30, 2019 and 2018**

Exhibit 7

	<b>2019 WATER FUND</b>	<b>2018 WATER FUND</b>	<b>2019 SEWER FUND</b>	<b>2018 SEWER FUND</b>
<b>ASSETS</b>				
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents	\$ -	\$ -	\$ 89,831	\$ 3,791
Receivables, net	414,206	226,915	129,082	130,463
Interfund receivables	-	5,172	-	26,165
<b>Restricted Assets:</b>				
Cash and cash equivalents	<u>579,377</u>	<u>871,282</u>	<u>158,751</u>	<u>150,899</u>
<b>TOTAL CURRENT ASSETS</b>	<u>993,583</u>	<u>1,103,369</u>	<u>377,664</u>	<u>311,318</u>
<b>NONCURRENT ASSETS:</b>				
<b>Capital Assets:</b>				
Land and construction in progress	65,451	65,451	612,879	612,879
Depreciable assets, net of depreciation	<u>2,409,811</u>	<u>2,905,272</u>	<u>11,086,111</u>	<u>11,399,735</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>2,475,262</u>	<u>2,970,723</u>	<u>11,698,990</u>	<u>12,012,614</u>
<b>TOTAL ASSETS</b>	<u>3,468,845</u>	<u>4,074,092</u>	<u>12,076,654</u>	<u>12,323,932</u>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES:</b>				
Accounts, salaries and other payables	190,777	78,170	58,271	181,803
Interfund payables	50,000	284,098	-	74,166
Interest payable	106,146	110,582	-	-
Payable from restricted assets - customer deposits	175,787	182,246	-	-
Compensated absences	3,726	3,628	4,102	2,939
Capital leases - current	12,057	11,327	-	-
Revenue bonds payable - current	475,000	470,000	-	-
Loans payable - current	-	-	<u>52,646</u>	<u>50,397</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>1,013,493</u>	<u>1,140,051</u>	<u>115,019</u>	<u>309,305</u>
<b>NONCURRENT LIABILITIES:</b>				
Capital leases	3,291	15,406	-	-
Revenue bonds payable, net	7,684,548	8,166,100	-	-
Loans payable	-	-	<u>2,633,737</u>	<u>2,686,377</u>
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>7,687,839</u>	<u>8,181,506</u>	<u>2,633,737</u>	<u>2,686,377</u>
<b>TOTAL LIABILITIES</b>	<u>8,701,332</u>	<u>9,321,557</u>	<u>2,748,756</u>	<u>2,995,682</u>
<b>NET POSITION</b>				
Net investment in capital assets	(5,699,634)	(5,692,110)	9,012,607	9,275,840
Restricted for debt service	339,127	700,650	158,751	150,899
Unrestricted	<u>128,020</u>	<u>(256,005)</u>	<u>156,540</u>	<u>(98,489)</u>
<b>TOTAL NET POSITION</b>	<u>\$ (5,232,487)</u>	<u>\$ (5,247,465)</u>	<u>\$9,327,898</u>	<u>\$ 9,328,250</u>

See independent auditor's report.



**CITY OF TALLULAH, LOUISIANA**

**Schedule of Compensation, Benefits, and Other Payments  
to Agency Head  
For the Year Ended June 30, 2019**

**Exhibit 8**

**Agency Head**

Mayor Paxton Branch (July 1, 2018 to September 6, 2018)

<b>Purpose</b>	<b>Amount</b>
Salary	\$10,920
Benefits - Insurance	\$0
Benefits - Retirement	\$2,900
Benefits - Other	\$0
Car Allowance	\$0
Vehicle Allowance	\$1,500
Per Diem	\$0
Reimbursements	\$3,879
Travel	\$0
Registration Fees	\$0
Conference Travel	\$0
Continuing Professional Education Fees	\$0
Housing	\$0
Unvouchered Expenses	\$0
Special Meals	\$0

See independent auditor's report.

**CITY OF TALLULAH, LOUISIANA**

**Schedule of Compensation, Benefits, and Other Payments  
to Agency Head (Continued)  
For the Year Ended June 30, 2019**

**Exhibit 8**

**Agency Head**

Interim Mayor Gloria Hayden (September 18, 2018 to June 30, 2019)

<b>Purpose</b>	<b>Amount</b>
Salary	\$51,435
Benefits - Insurance	\$0
Benefits - Retirement	\$15,675
Benefits - Other	\$0
Car Allowance	\$0
Vehicle Allowance	\$4,000
Per Diem	\$0
Reimbursements	\$1,132
Travel	\$0
Registration Fees	\$0
Conference Travel	\$0
Continuing Professional Education Fees	\$0
Housing	\$0
Unvouchered Expenses	\$0
Special Meals	\$0

See independent auditor's report.

**CITY OF TALLULAH, LOUISIANA**

**Financial Data Schedule  
Program Balance Sheet Summary**

**Exhibit 9**

Submission Type: unaudited

Fiscal Year End : 06/30/2019

	<b>14.871 Housing</b>	
	<b>Choice Vouchers</b>	<b>Total</b>
	<hr/>	<hr/>
112 Cash - Unrestricted	\$ 59,934	\$ 59,934
112.1 Cash - Restricted	9,727	9,727
124 Accounts Receivable - Other Gov't	1,271	1,271
190 Total Assets	<hr/> <u>\$ 70,932</u>	<hr/> <u>\$ 70,932</u>
312 Accounts Payable <= 90 Days	5,135	5,135
300 Total Liabilities	<hr/> 5,135	<hr/> 5,135
512.1 Unrestricted Net Assets	56,070	56,070
512.2 Restricted Net Assets	9,727	9,727
513 Total Equity/Net Assets	<hr/> 65,797	<hr/> 65,797
600 Total Liabilities and Equity/Net Assets	<hr/> <u>\$ 70,932</u>	<hr/> <u>\$ 70,932</u>

(Continued)

See independent auditor's report.

**CITY OF TALLULAH, LOUISIANA**

**Financial Data Schedule  
As of and For the Year Ended June 30, 2019**

**Exhibit 9**

Submission Type: unaudited

Fiscal Year End : 06/30/2019

	<b>14.871 Housing</b>	
	<b>Choice Vouchers</b>	<b>Total</b>
	<hr/>	<hr/>
70800 HUD PHA Operating Grants	\$ 199,489	\$ 199,489
71100 Investment Income - Unrestricted	39	39
71500 Other Revenue	18,716	18,716
	<hr/>	<hr/>
	218,244	218,244
91600 Office Expenses	34,665	34,665
91800 Travel	1,335	1,335
91900 Other	-	-
96900 Total Operating Expenses	<hr/>	<hr/>
	36,000	36,000
97000 Excess of Operating Revenue over Operating Expenses	182,244	182,244
97300 Housing Assistance Payments	142,672	142,672
97300 Tenant Protected	23,367	23,367
97350 HAP Portability-In	16,313	16,313
90000 Total Expenses	<hr/>	<hr/>
	182,352	182,352
10000 Excess (Deficiency) of Total Revenue Over (under) Total	(108)	(108)
11030 Beginning Equity	<hr/>	<hr/>
	65,905	65,905
11170 Administrative Fee Equity	<hr/>	<hr/>
	65,797	65,797
11180 Housing Assistance Payments Equity	<hr/>	<hr/>
	-	-

(Concluded)

See independent auditor's report.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

Independent Auditor's Report

The Honorable Charles Finlayson, Mayor  
and the Members of the City Council  
City of Tallulah, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tallulah, Louisiana (the City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Tallulah, Louisiana's basic financial statements, and have issued our report thereon dated December 17, 2019.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control that we consider to be a material weakness which is described in the accompanying schedule of findings and responses as items 2019-002

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as items 2019-001, 2019-003, 2019-004, and 2019-005.

**City of Tallulah's Responses to Findings**

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

**Purpose of this Report**

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



A Professional Accounting Corporation

Covington, LA  
December 17, 2019

**CITY OF TALLULAH, LOUISIANA**  
**Schedule of Findings and Responses**  
**For Year Ended June 30, 2019**

**A. Summary of Auditor’s Results**

Financial Results

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

Federal Awards

Not Applicable.

**B. Findings - Financial Statement Audit**

**2019-001 Violation of Debt Covenants**

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

*Condition:* In reviewing balances of the debt service reserve fund and the contingency/project reserve fund, we noted that the City had funded the reserves in the amount of \$604,024, whereas the required reserve was \$1,114,580, which resulted in a deficiency of \$510,556. We noted that the net revenues for the water fund were less than the 125% requirement.

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

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

*Recommendation:* We recommend that management consider increasing revenues in order to meet its reserve requirements and to comply with its debt covenants.

*Management’s Response:* The City raised water rates in 2019 and an additional ½ sales tax was approved by voters on November 16, 2019. Management is seeking grant funding to provide for improvements to the water system.

**CITY OF TALLULAH, LOUISIANA**  
**Schedule of Findings and Responses (Continued)**  
**For Year Ended June 30, 2019**

**2019-002    Controls Over Payroll Disbursements**

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

*Condition:*                In our testing of 74 payroll disbursements, we noted that there was no documentation of approved pay rate in the employee's personnel file for 73 of the payroll disbursements. We noted 11 instances for which management was unable to locate the timesheets. For 3 disbursements, we noted that an employee was overpaid based on review of timesheets which appears to be a violation of Article 7 Section 14 of the Louisiana Constitution. In June 2019, the former Mayor suspended the City Clerk. The City Clerk's final paycheck was prorated accordingly. However, the City Clerk accessed the payroll system and paid himself an additional \$1,485.

*Cause:*                      Unknown.

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

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

*Management's  
Response:*                Management will improve its recordkeeping and review process for payroll disbursements. Management referred the unapproved payment to the former City Clerk to the District Attorney of the 6<sup>th</sup> Judicial District for investigation.

**2019-003    Write-Off of Utility Accounts Receivable and Violation of Debt Covenant**

*Criteria:*                    The City's debt covenants require the City to send a notice to delinquent customers on the 21<sup>st</sup> day of its intent to disconnect services. On the 5<sup>th</sup> day after notice, the City is required to shut off water service if the delinquent balance and interest and penalties have not been paid. Article 7 Section 14 of the Louisiana Constitution prohibits governments from donating or loaning public funds.

*Condition:*                In our testing of utility accounts receivable write-offs, we noted that one customer's account balance was written off. After use of utility deposit, a balance of \$16,984 remained on that account. The utility clerk indicated that the interim mayor had directed her to re-establish service under a new account even though the balance had not been paid.

*Cause:*                      Unknown.

*Effect:*                      Possible violation of debt covenants and possible violation of Article 7 Section 14 of the Louisiana Constitution.



**CITY OF TALLULAH, LOUISIANA**  
**Schedule of Findings and Responses (Continued)**  
**For Year Ended June 30, 2019**

*Recommendation:* We recommend that the City comply with the requirements pertaining to delinquent accounts in its debt covenants. We recommend that the City seek collection of the delinquent account balance.

*Management's Response:* Management will comply with the requirements of its debt covenants pertaining to delinquent accounts and will immediately seek collection of the unpaid balance.

**2019-004 Continuing Disclosure**

*Criteria:* LRS 39:1438 requires the City to maintain compliance with the continuing disclosure requirements of the City's bonds.

*Condition:* During testing of compliance with the provisions of certain laws, we noted that the City has not maintained current continuing disclosure requirements.

*Cause:* It was an oversight by management.

*Effect:* Violation of LRS 39:1438.

*Recommendation:* The City should contact bond counsel to assist in filing the required continuing disclosures to the municipal repository.

*Management's Response:* The City will seek assistance from bond counsel in filing the required continuing disclosures.

**2019-005 Payment of Payroll Taxes and Retirement Contributions**

*Criteria:* Internal Revenue Service Publication 15 requires that payroll taxes be remitted on a timely basis.

*Condition:* The City owes the Internal Revenue Service \$48,566 for payroll taxes, penalties, and interest. In addition, the City is behind on contributions to the 457 retirement plan in the amount of \$26,057

*Cause:* The City experienced cash flow shortages in the first half of the year ended June 30, 2019.

*Effect:* Violation of IRS Publication 15.

*Recommendation:* The City should pay the remaining liabilities owed to the IRS and the 457 retirement plan.

*Management's Response:* The City is in the process of paying the remaining amounts owed to the IRS and retirement plan.

**CITY OF TALLULAH, LOUISIANA**  
**Schedule of Prior Year Findings and Responses**  
**For Year Ended June 30, 2019**

**2018-001    Violation of Debt Covenants**

*Status:*                    This finding has not been resolved. See current year finding 2019-001 in the accompanying schedule of findings and responses.

**2018-002    Failure to Amend Budget**

*Status:*                    This finding has been resolved

**2018-003    Controls Over Payroll Disbursements**

*Status:*                    This finding has not been resolved. See current year finding 2019-002 in the accompanying schedule of findings and responses.

**2018-004    Controls Over Credit Cards**

*Status:*                    This finding has been resolved.