

**City of Tallulah
Tallulah, Louisiana**

**Annual Financial Report
As of and for the Year Ended June 30, 2020**



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, 2020, 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, 2020, 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, 2020, 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.

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 14, 2020 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

Baton Rouge, LA
December 14, 2020

City of Tallulah

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REQUIRED SUPPLEMENTARY INFORMATION:

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

City of Tallulah
Management's Discussion and Analysis (MD&A)
June 30, 2020

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, 2020.

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 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:

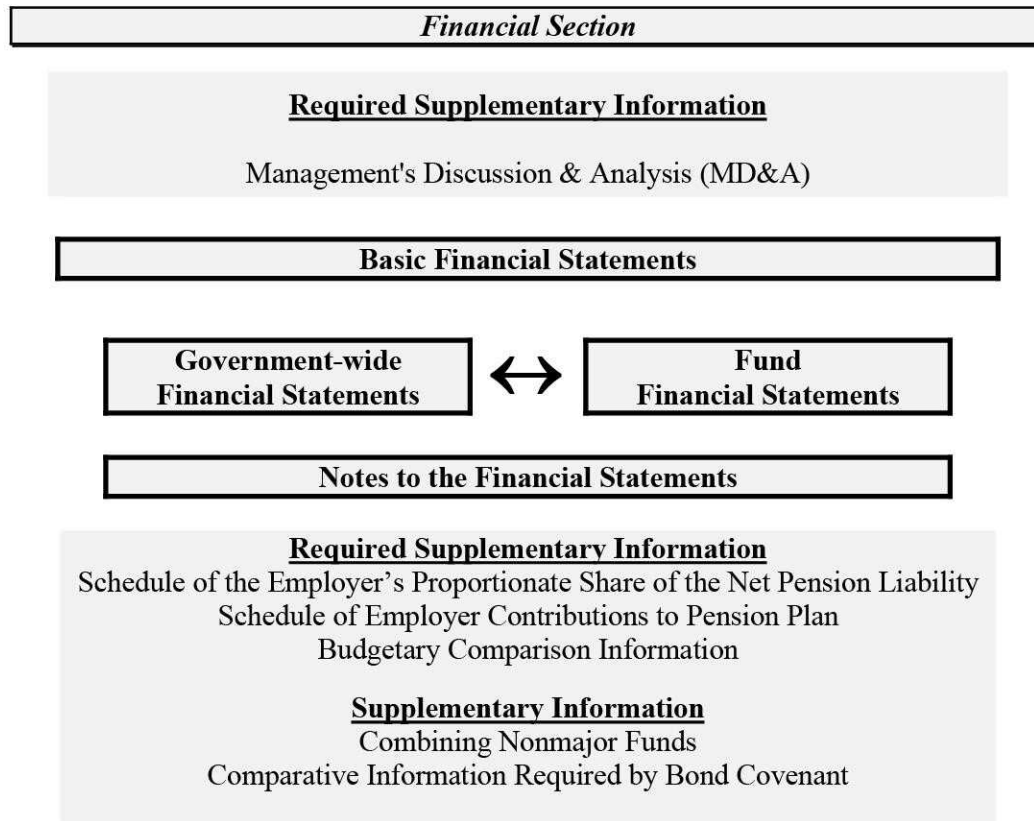
- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$6.7 million (net position) for the government as a whole. Of this amount, \$721 thousand represents unrestricted net position, which may be used to meet the City's ongoing obligations to its citizens and creditors.
- The City's total net position increased \$884 thousand. The main reason for this increase is due to the \$238 thousand increase in capital grants and contributions related to the LCDBG water aerator and pump construction project and the \$203 thousand increase in sales tax collections. In November 2019, the voters of the City approved a one-half cent sales tax increase. Expenses decreased \$181 thousand mainly due to a reduction in water and sewer expenses. Governmental activities' net position increased \$313 thousand and the business-type activities' net position increased \$571 thousand.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$782 thousand, an increase of \$247 thousand in comparison with the prior year. Approximately 78% of this amount (\$610 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 \$610 thousand, or approximately 21% of total general fund expenditures.
- The City's total long-term debt decreased \$507 thousand. The primary reason for the reduction was due to the \$674 thousand in principal payments offset by the issuance of \$174 thousand in notes payables for the purchase of six new police patrol vehicles and a \$7 thousand decrease 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.

City of Tallulah
Management's Discussion and Analysis (MD&A)
June 30, 2020

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.

City of Tallulah
Management's Discussion and Analysis (MD&A)
June 30, 2020

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

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

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

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 \$6.7 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, 2020

Table 1
Net Position
(In Thousands)
June 30,

	Governmental		Business-type		Total	
	2020	2019	2020	2019	2020	2019
Assets						
Current and other assets	\$ 1,200	\$ 851	\$ 489	\$ 583	\$ 1,689	\$ 1,434
Restricted assets	-	13	1,043	738	1,043	751
Capital assets	1,957	1,996	13,819	14,174	15,776	16,170
Total assets	<u>3,157</u>	<u>2,860</u>	<u>15,351</u>	<u>15,495</u>	<u>18,508</u>	<u>18,355</u>
Total deferred outflows of resources	<u>205</u>	<u>308</u>	<u>-</u>	<u>-</u>	<u>205</u>	<u>308</u>
Liabilities						
Current and other liabilities	286	330	362	531	648	861
Long-term liabilities	831	997	10,323	10,869	11,154	11,866
Total liabilities	<u>1,117</u>	<u>1,327</u>	<u>10,685</u>	<u>11,400</u>	<u>11,802</u>	<u>12,727</u>
Total deferred inflows of resources	<u>173</u>	<u>82</u>	<u>-</u>	<u>-</u>	<u>173</u>	<u>82</u>
Net Position						
Net investment in capital assets	1,508	1,594	3,504	3,313	5,012	4,907
Restricted	151	117	854	498	1,005	615
Unrestricted	413	48	308	284	721	332
Total net position	<u>\$ 2,072</u>	<u>\$ 1,759</u>	<u>\$ 4,666</u>	<u>\$ 4,095</u>	<u>\$ 6,738</u>	<u>\$ 5,854</u>

By far, the largest portion of the City's net position (74%) 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 (15%) represent resource that are subject to external restrictions on how they may be used. The remaining balance of \$721 thousand is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors.

The overall net position increased \$884 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, 2020

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

	Governmental		Business-type		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues						
Charges for services	\$ 202	\$ 203	\$ 2,985	\$ 2,902	\$ 3,187	\$ 3,105
Operating grants and contributions	332	368	35	170	367	538
Capital grants and contributions	330	92	-	-	330	92
General revenues						
Property taxes	606	490	-	-	606	490
Sales tax	1,467	1,264	-	-	1,467	1,264
Other taxes, penalties and interest	276	404	-	-	276	404
License and permits	73	80	-	-	73	80
Grants and contributions not restricted to a program						
	253	196	-	-	253	196
Earnings on investments	-	-	5	7	5	7
Miscellaneous	116	35	86	128	202	163
Total Revenues	<u>3,655</u>	<u>3,132</u>	<u>3,111</u>	<u>3,207</u>	<u>6,766</u>	<u>6,339</u>
Functions/Program Expenses:						
Governmental activities						
General and administrative	703	771	-	-	703	771
Police department	772	682	-	-	772	682
Fire department	453	450	-	-	453	450
Street department	730	768	-	-	730	768
Health and welfare	195	194	-	-	195	194
Culture and recreation	98	87	-	-	98	87
Legislative	62	65	-	-	62	65
Transportation	48	54	-	-	48	54
Interest expense	27	6	-	-	27	6
Business-type activities						
Water enterprise	-	-	1,884	2,020	1,884	2,020
Sewer enterprise	-	-	910	966	910	966
Total Functions/Program Expenses	<u>3,088</u>	<u>3,077</u>	<u>2,794</u>	<u>2,986</u>	<u>5,882</u>	<u>6,063</u>
Increase (decrease) in net position before transfers	567	55	317	221	884	276
Transfers	(254)	207	254	(207)	-	-
Increase (decrease) in net position	<u>313</u>	<u>262</u>	<u>571</u>	<u>14</u>	<u>884</u>	<u>276</u>
Net position - beginning	<u>1,759</u>	<u>1,497</u>	<u>4,095</u>	<u>4,081</u>	<u>5,854</u>	<u>5,578</u>
Net position - ending	<u>\$ 2,072</u>	<u>\$ 1,759</u>	<u>\$ 4,666</u>	<u>\$ 4,095</u>	<u>\$ 6,738</u>	<u>\$ 5,854</u>

City of Tallulah
Management's Discussion and Analysis (MD&A)
June 30, 2020

Governmental Activities

During the current fiscal year, net position of governmental activities increased \$313 thousand from the prior fiscal year for an ending balance of \$2.1 million. Governmental activities' revenues received for the current fiscal year increased \$523 thousand from prior year. This was due mainly to increases in capital grants and contributions (\$238 thousand) and in sales tax revenues (\$203 thousand). The increase in capital grants and contributions is from the funding received for the LCDBG water aerator and pump project, which began in 2019. The increase in sales tax is from the additional one-half cent sales tax approved by voters in fiscal year 2019. Collections for the new tax began in April 2019. In the current fiscal year, the City received \$132 thousand from Cares Act for eligible expenses related to the COVID-19 pandemic.

Governmental activities expenses for 2020 and 2019 were \$3.1 million. Police department (\$90 thousand), Fire department (\$3 thousand), Health and welfare (\$1 thousand), Culture and recreation (\$11 thousand), and Interest (\$21 thousand) expenses increased, while the expenses of General and administrative (\$68 thousand), Street department (\$38 thousand), Legislative (\$3 thousand), and Transportation (\$6 thousand) decreased. The business-type activities transferred to the governmental activities \$100 thousand in current fiscal year. The decrease in General and administrative expense is mainly due to the reduction in salary and benefit expenses. The increase in police department expense is due to the increase in vehicle insurance and depreciation expense related to the new police patrol vehicles.

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 \$2.2 million because some of the cost was paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions.

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

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

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	2020	2019	2020	2019
Governmental activities				
General and administrative	\$ 703	\$ 771	\$ 645	\$ 723
Police department	772	682	554	441
Fire department	453	450	415	404
Street department	730	768	724	759
Health and welfare	195	194	(335)	(115)
Culture and recreation	98	87	84	77
Legislative	62	65	62	65
Transportation	48	54	48	54
Interest expense	27	6	27	6
Total functions/program expenses	<u>\$ 3,088</u>	<u>\$ 3,077</u>	<u>\$ 2,224</u>	<u>\$ 2,414</u>

City of Tallulah
Management's Discussion and Analysis (MD&A)
June 30, 2020

Business-type Activities

The net position of the business-type activities increased \$571 thousand from the prior fiscal year for an ending balance of \$4.7 million.

Revenue of the City's business-type activities (see Table 2) for June 30, 2020 was \$3.1 million. This is a decrease of \$96 thousand from 2019 to 2020. Charges for water and sewer services increased \$83 thousand while operating grants and contributions and miscellaneous revenues decreased \$135 thousand and \$42 thousand, respectively. In the prior fiscal year, the City received federal and state operating grants for repairs to the water system. At the end of 2020, the City transferred \$364 thousand, the completed LCDBG water aerator and pump project, to the Water Fund.

Expenses for the year ended June 30, 2020 were \$2.8 million for the City's business-type activities, a decrease of \$192 thousand from the amount reported in 2019. This decrease is mainly due to a reduction in personnel services (\$68 thousand), maintenance (\$81 thousand), and depreciation (\$72 thousand) expenses.

THE CITY'S FUNDS

Governmental Funds

As the City completed the year, its governmental funds reported a combined fund balance of \$782 thousand, which is an increase of \$247 thousand in fund balance from last year.

The General Fund's fund balance increased \$214 thousand from the \$418 thousand reported in the prior fiscal year to \$631 thousand. Revenues increased \$199 mainly due to the increase in sales tax collections and receipt of LWCC dividends in the current fiscal year offset by a decrease in intergovernmental revenues. In the prior fiscal year, the City received \$84 thousand in FEMA funds to reimburse the City for expenditures incurred from the March 2016 flooding disaster. Expenditures decreased \$123 thousand from the previous fiscal year. Capital Outlay expenses decreased \$135 thousand in comparison with prior year. In the current year, the City issued \$174 thousand in notes payable to finance the purchase of six police patrol vehicles. The capital outlay decrease was offset by increases in police department vehicle insurance and increases in principal and interest.

The Section 8 fund had a \$18 decrease in fund balance for an ending fund balance of \$47 thousand. HUD funding decreased \$25 thousand and miscellaneous revenues from port-in HAP payments increased \$7 thousand. Expenditures experienced a slight increase from \$218 thousand to \$219 thousand.

The nonmajor governmental funds had an increase of \$52 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 \$(8) thousand and for the Sewer Fund was \$316 thousand. Net position restricted for debt service was \$620 thousand for the Water Fund and \$234 thousand for the Sewer Fund. The change in net position for Water and Sewer Funds was \$596 thousand and \$(25), respectively.

City of Tallulah
Management's Discussion and Analysis (MD&A)
June 30, 2020

The Water Fund's charges for services increased \$115 thousand while expenses decreased \$128 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 Water Funds' expenses decreased \$128 thousand mainly due decreases in maintenance (\$61 thousand) and depreciation (\$71 thousand) expense offset by a \$37 thousand increase in supplies. 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 \$32 thousand and expenses decreased \$54 thousand in comparison with prior year. Decreases in expenses are mainly due to the decreases in personnel services expense (\$45 thousand) and decreases in sewer line repairs (\$20 thousand) offset by an increase in professional services (\$11 thousand).

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual amounts available for appropriations were \$491 thousand more than budgeted. This favorable variance was primarily due to collecting more in sales and uses tax, and other taxes, penalties, and interest than was expected.

Overall actual charges to appropriations were \$20 thousand more than budgeted. This unfavorable variance was due to unexpected expenditures occurring in the final quarter of the fiscal year.

The original budgeted revenues were increased by \$155 thousand in the final budget whereas the original budgeted expenditures were increased by \$1 thousand in the final budget. The budget revisions included the increase in the beginning fund balance, a decrease in transfers from other funds and an increase in loan proceeds.

CAPITAL ASSETS

At June 30, 2020 and 2019, the City had invested in the following capital assets (in thousands):

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 79	\$ 79	\$ 678	\$ 678	\$ 757	\$ 757
Construction in progress	573	598	25	-	598	598
Infrastructure	647	647	-	-	647	647
Buildings improvements	2,961	2,961	18	18	2,979	2,979
Furniture and equipment	1,899	1,752	894	903	2,793	2,655
Plant	-	-	10,194	9,906	10,194	9,906
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	6,159	6,037	31,073	30,769	37,232	36,806
Accumulated depreciation	(4,202)	(4,041)	(17,254)	(16,595)	(21,456)	(20,636)
Net capital assets	\$ 1,957	\$ 1,996	\$ 13,819	\$ 14,174	\$ 15,776	\$ 16,170

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

City of Tallulah
Management's Discussion and Analysis (MD&A)
June 30, 2020

DEBT ADMINISTRATION At June 30, 2020, the City had notes payable of \$424 thousand in which Governmental Funds make the required payments. During the current fiscal year, the City issued \$174 thousand in notes payable to purchase six police patrol vehicles. Enterprise Funds had net outstanding bonds and loans of \$10.3 million at June 30, 2020. 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.

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 69% of total revenues in the general fund are from ad valorem and sales tax collections. There was little change in the general fund's budget for the year ending June 30, 2021, as originally adopted, from the 2020 final budget.

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. On October 22, 2020, the City Council approved a \$7.8 million water plant rehabilitation project that will address all issues listed in the administrative order. The water plant rehabilitation will be funded through a USDA loan and USDA grant. The amount of the loan and grant award have not been determined at the date of this report. The USDA loan will be repaid from mandatory water rate increases.

ADDITIONAL INFORMATION For additional information contact the City 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, 2020**

	Statement A		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL PRIMARY GOVERNMENT
ASSETS			
Cash and cash equivalents	\$ 578,479	\$ 213,456	\$ 791,935
Receivables, net	474,095	402,125	876,220
Internal balances	126,816	(126,816)	-
Prepaid items	20,734	-	20,734
Restricted assets:			
Cash and cash equivalents	-	1,043,153	1,043,153
Capital assets:			
Land and construction in progress	651,923	703,230	1,355,153
Depreciable assets, net of depreciation	1,305,050	13,115,682	14,420,732
TOTAL ASSETS	3,157,097	15,350,830	18,507,927
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	205,225	-	205,225
TOTAL DEFERRED OUTFLOWS OF RESOURCES	205,225	-	205,225
LIABILITIES			
Accounts, salaries and other payables	281,388	91,052	372,440
Unearned revenue	4,774	-	4,774
Interest payable	-	101,647	101,647
Payable from restricted assets - customer deposits	-	169,031	169,031
Long-term liabilities:			
Long-term debt due within one year	99,760	555,653	655,413
Long-term debt due in more than one year	369,926	9,766,986	10,136,912
Net pension liability	361,242	-	361,242
TOTAL LIABILITIES	1,117,090	10,684,369	11,801,459
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	173,267	-	173,267
TOTAL DEFERRED INFLOWS OF RESOURCES	173,267	-	173,267
NET POSITION			
Net investment in capital assets	1,508,330	3,503,884	5,012,214
Restricted for:			
Debt service	-	854,378	854,378
Section 8 program	47,351	-	47,351
Street maintenance	103,256	-	103,256
Unrestricted	413,028	308,199	721,227
TOTAL NET POSITION	\$ 2,071,965	\$ 4,666,461	\$ 6,738,426

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

CITY OF TALLULAH

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
<i>Governmental activities:</i>				
General and administrative	\$ 702,645	\$ 57,703	\$ -	\$ -
Police department	771,557	134,786	82,639	-
Fire department	452,932	5,600	32,177	-
Street department	729,793	-	6,225	-
Health and welfare	194,963	-	200,234	329,739
Culture and recreation	98,371	3,750	10,669	-
Legislative	61,894	-	-	-
Transportation	48,077	-	-	-
Interest expense	27,560	-	-	-
Total Governmental Activities	3,087,792	201,839	331,944	329,739
<i>Business-type activities:</i>				
Water activities	1,883,519	2,064,854	34,562	-
Sewer activities	910,124	920,403	-	-
Total Business-Type Activities	2,793,643	2,985,257	34,562	-
Total Primary Government	\$ 5,881,435	\$ 3,187,096	\$ 366,506	\$ 329,739

General revenues:

Taxes:

Property taxes levied for general purposes

Property taxes levied for fire protection

Sales and use tax revenue

Other taxes, penalties and interest

Licenses and permits

Grants and contributions not restricted to a specific program

Earnings on investments

Miscellaneous

Transfers

Total general revenues and transfers

Changes in net position

Net position - beginning

Net position - ending

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

Statement B

PRIMARY GOVERNMENT		
NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION		
Governmental Activities	Business-Type Activities	TOTAL
\$ (644,942)	\$ -	\$ (644,942)
(554,132)	-	(554,132)
(415,155)	-	(415,155)
(723,568)	-	(723,568)
335,010	-	335,010
(83,952)	-	(83,952)
(61,894)	-	(61,894)
(48,077)	-	(48,077)
(27,560)	-	(27,560)
<u>(2,224,270)</u>	<u>-</u>	<u>(2,224,270)</u>
-	215,897	215,897
-	10,279	10,279
<u>-</u>	<u>226,176</u>	<u>226,176</u>
<u>(2,224,270)</u>	<u>226,176</u>	<u>(1,998,094)</u>
502,078	-	502,078
103,806	-	103,806
1,467,179	-	1,467,179
276,671	-	276,671
72,809	-	72,809
252,689	-	252,689
75	4,542	4,617
116,329	86,107	202,436
(254,225)	254,225	-
<u>2,537,411</u>	<u>344,874</u>	<u>2,882,285</u>
313,141	571,050	884,191
<u>1,758,824</u>	<u>4,095,411</u>	<u>5,854,235</u>
<u>\$ 2,071,965</u>	<u>\$ 4,666,461</u>	<u>\$ 6,738,426</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, 2020**

Statement C

	<u>GENERAL</u>	<u>SECTION 8</u>	<u>NONMAJOR GOVERNMENTAL</u>	<u>TOTAL</u>
ASSETS:				
Cash and cash equivalents	\$ 404,209	\$ 51,268	\$ 123,002	\$ 578,479
Receivables	259,476	5,854	76,510	341,840
Interfund receivables	139,796	-	-	139,796
Prepaid items	20,734	-	-	20,734
TOTAL ASSETS	<u>824,215</u>	<u>57,122</u>	<u>199,512</u>	<u>1,080,849</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts, salaries and other payables	193,115	81	88,192	281,388
Unearned revenue	-	4,774	-	4,774
Interfund payables	-	4,916	8,064	12,980
TOTAL LIABILITIES	<u>193,115</u>	<u>9,771</u>	<u>96,256</u>	<u>299,142</u>
FUND BALANCES:				
Nonspendable	20,734	-	-	20,734
Restricted	-	47,351	103,256	150,607
Unassigned	610,366	-	-	610,366
TOTAL FUND BALANCES	<u>631,100</u>	<u>47,351</u>	<u>103,256</u>	<u>781,707</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 824,215</u>	<u>\$ 57,122</u>	<u>\$ 199,512</u>	<u>\$ 1,080,849</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, 2020**

Statement D

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

Total fund balances - governmental funds	\$	781,707
--	----	---------

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	\$ 6,159,327		
Accumulated depreciation	<u>(4,202,354)</u>		1,956,973

Some revenues were collected more than sixty days after year-end and, therefore, are not available are not available soon enough to pay for current-period expenditures.		132,255
--	--	---------

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	205,225		
Deferred inflows related to pensions	<u>(173,267)</u>		31,958

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, 2020 are:

Loans payable	(423,531)		
Capital leases	(25,112)		
Compensated absences payable	(21,043)		
Net pension liability	<u>(361,242)</u>		<u>(830,928)</u>

Net position - governmental activities	\$	<u><u>2,071,965</u></u>
--	----	-------------------------

CITY OF TALLULAH

GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended June 30, 2020

Statement E

	GENERAL	SECTION 8	NONMAJOR GOVERNMENTAL	TOTAL
REVENUES				
Taxes:				
Ad valorem	\$ 480,954	\$ -	\$ 124,930	\$ 605,884
Sales and use	1,467,179	-	-	1,467,179
Other taxes, penalties, and interest	272,781	-	-	272,781
Licenses and permits	72,809	-	-	72,809
Intergovernmental revenues	211,086	174,229	329,739	715,054
Rental income	3,750	-	-	3,750
Use of money and property	5	33	37	75
Fines and forfeitures	139,894	-	-	139,894
Miscellaneous revenues	194,183	26,005	-	220,188
TOTAL REVENUES	2,842,641	200,267	454,706	3,497,614
EXPENDITURES				
Current:				
General and administrative	679,842	-	178	680,020
Police department	731,595	-	-	731,595
Fire department	378,409	-	-	378,409
Street department	594,449	-	62,413	656,862
Health and welfare	850	218,713	-	219,563
Culture and recreation	89,826	-	-	89,826
Legislative	61,894	-	-	61,894
Transportation	48,077	-	-	48,077
Capital outlay	180,533	-	339,544	520,077
Debt service:				
Principal retirement	118,869	-	8,964	127,833
Interest and bank charges	27,091	-	469	27,560
TOTAL EXPENDITURES	2,911,435	218,713	411,568	3,541,716
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	(68,794)	(18,446)	43,138	(44,102)
OTHER FINANCING SOURCES (USES)				
Transfers in	100,945	-	9,741	110,686
Transfers out	-	-	(945)	(945)
Loan proceeds	174,220	-	-	174,220
Sales of general capital assets	7,200	-	-	7,200
TOTAL OTHER FINANCING SOURCES (USES)	282,365	-	8,796	291,161
Net Change in Fund Balances	213,571	(18,446)	51,934	247,059
FUND BALANCES - BEGINNING	417,529	65,797	51,322	534,648
FUND BALANCES - ENDING	\$ 631,100	\$ 47,351	\$ 103,256	\$ 781,707

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

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, 2020

	Statement F
Amounts reported for governmental activities in the Statement of Activities are different because:	
Total net change in fund balances - governmental funds	\$ 247,059
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation in the period:	
Capital outlays	\$ 520,077
Depreciation expense	<u>(229,367)</u>
	290,710
The net effect of donated capital assets is an increase in net position.	34,500
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.	(363,966)
Some revenues in the statement of activities do not provide current financial resources and are not reported as revenues in the governmental funds; whereas other revenues may be reported in prior periods statement of activities but are reported as current year financial resources in the governmental funds.	132,255
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.	11,700
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.	127,833
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).	7,270
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>(174,220)</u>
Change in net position of governmental activities	<u><u>\$ 313,141</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, 2020

	Statement G		
	WATER FUND	SEWER FUND	TOTAL
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ -	\$ 213,456	\$ 213,456
Receivables, net	276,924	125,201	402,125
Interfund receivables	66	12,925	12,991
Restricted Assets:			
Cash and cash equivalents	809,080	234,073	1,043,153
TOTAL CURRENT ASSETS	1,086,070	585,655	1,671,725
NONCURRENT ASSETS:			
Capital Assets:			
Land and construction in progress	90,351	612,879	703,230
Depreciable assets, net of depreciation	2,341,864	10,773,818	13,115,682
TOTAL NONCURRENT ASSETS	2,432,215	11,386,697	13,818,912
TOTAL ASSETS	3,518,285	11,972,352	15,490,637
LIABILITIES			
CURRENT LIABILITIES :			
Accounts, salaries and other payables	79,707	11,345	91,052
Interfund payables	119,441	20,366	139,807
Interest payable	101,647	-	101,647
Payable from restricted assets - customer deposits	169,031	-	169,031
Compensated absences	3,915	3,696	7,611
Capital leases - current	3,290	-	3,290
Revenue bonds payable - current	490,000	-	490,000
Loans payable - current	-	54,752	54,752
TOTAL CURRENT LIABILITIES	967,031	90,159	1,057,190
NONCURRENT LIABILITIES:			
Revenue bonds payable, net	7,187,995	-	7,187,995
Loans payable	-	2,578,991	2,578,991
TOTAL NONCURRENT LIABILITIES	7,187,995	2,578,991	9,766,986
TOTAL LIABILITIES	8,155,026	2,669,150	10,824,176
NET POSITION			
Net investment in capital assets	(5,249,070)	8,752,954	3,503,884
Restricted for debt service	620,305	234,073	854,378
Unrestricted	(7,976)	316,175	308,199
TOTAL NET POSITION	\$ (4,636,741)	\$ 9,303,202	\$ 4,666,461

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, 2020

Statement H

	WATER FUND	SEWER FUND	TOTAL
OPERATING REVENUES			
Charges for services	\$ 2,064,854	\$ 920,403	\$ 2,985,257
TOTAL OPERATING REVENUES	<u>2,064,854</u>	<u>920,403</u>	<u>2,985,257</u>
OPERATING EXPENSES			
Personnel services	373,769	140,499	514,268
Supplies	306,169	14,241	320,410
Maintenance	197,412	142,595	340,007
Utilities	115,522	60,338	175,860
Miscellaneous	36,386	9,755	46,141
Uniforms	6,130	4,815	10,945
Insurance	14,538	3,836	18,374
Professional services	94,296	101,264	195,560
Depreciation	433,116	316,293	749,409
TOTAL OPERATING EXPENSES	<u>1,577,338</u>	<u>793,636</u>	<u>2,370,974</u>
Operating income (loss)	<u>487,516</u>	<u>126,767</u>	<u>614,283</u>
NON OPERATING REVENUES/EXPENSES			
Intergovernmental revenues	34,562	-	34,562
Interest income	4,459	83	4,542
Interest expense & other charges	(306,181)	(116,488)	(422,669)
Other revenues	21,165	64,942	86,107
TOTAL NON OPERATING REVENUES/EXPENSES	<u>(245,995)</u>	<u>(51,463)</u>	<u>(297,458)</u>
Income (Loss) before transfers	<u>241,521</u>	<u>75,304</u>	<u>316,825</u>
TRANSFERS			
Transfers in	363,966	-	363,966
Transfers out	(9,741)	(100,000)	(109,741)
TOTAL TRANSFERS	<u>354,225</u>	<u>(100,000)</u>	<u>254,225</u>
Change in Net Position	595,746	(24,696)	571,050
NET POSITION - BEGINNING	<u>(5,232,487)</u>	<u>9,327,898</u>	<u>4,095,411</u>
NET POSITION - ENDING	<u>\$ (4,636,741)</u>	<u>\$ 9,303,202</u>	<u>\$ 4,666,461</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, 2020

Statement I

	WATER FUND	SEWER FUND	TOTAL
CASH FLOW (USES) FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 2,089,996	\$ 911,359	\$ 3,001,355
Payments to employees	(307,814)	(110,390)	(418,204)
Payments to others	(872,495)	(346,550)	(1,219,045)
Net cash provided by (used for) operating activities	909,687	454,419	1,364,106
CASH FLOW (USES) FROM INVESTING ACTIVITIES			
Earnings on investments	4,459	83	4,542
Net cash provided by (used for) investing activities	4,459	83	4,542
CASH FLOW (USES) FROM NONCAPITAL FINANCING ACTIVITIES			
Grants and contributions	159,627	-	159,627
Other receipts	21,165	17,573	38,738
Transfers out	(59,741)	(100,000)	(159,741)
Net cash provided by (used for) noncapital financing activities	121,051	(82,427)	38,624
CASH FLOW (USES) FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(1,203)	(4,000)	(5,203)
Principal payment bonds & loans payable	(475,000)	(52,640)	(527,640)
Principal payment capital leases	(12,058)	-	(12,058)
Interest & penalties paid on debt	(317,233)	(116,488)	(433,721)
Net cash provided by (used for) capital and related financing activities	(805,494)	(173,128)	(978,622)
Net increase (decrease) in cash and cash equivalents	229,703	198,947	428,650
CASH AND CASH EQUIVALENTS - BEGINNING	579,377	248,582	827,959
CASH AND CASH EQUIVALENTS - ENDING	809,080	447,529	1,256,609
RECONCILIATION TO BALANCE SHEET			
Cash	-	213,456	213,456
Restricted assets - cash	809,080	234,073	1,043,153
	\$ 809,080	\$ 447,529	\$ 1,256,609

(CONTINUED)

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

PROPRIETARY FUND TYPE - ENTERPRISE FUNDS
Statement of Cash Flows
For the Year Ended June 30, 2020

Statement I

	WATER FUND	SEWER FUND	TOTAL
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 487,516	\$ 126,767	\$ 614,283
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	433,116	316,293	749,409
(Increase) decrease in operating accounts receivable	12,217	3,881	16,098
(Increase) decrease in interfund receivable	(66)	(12,925)	(12,991)
Increase (decrease) in operating accounts payable	(135,970)	443	(135,527)
Increase (decrease) in compensated absences	189	(406)	(217)
Increase (decrease) in interfund payable	119,441	20,366	139,807
Increase (decrease) in deposits due others	(6,756)	-	(6,756)
Net cash provided by (used for) operating activities	\$ 909,687	\$ 454,419	\$ 1,364,106

(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, 2020

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City of Tallulah
Notes to the Financial Statements
For the Year Ended June 30, 2020

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 approximately seven thousand. 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, 2020

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, 2020

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, 2020

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, 2020

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 \$169,031 in payable from restricted assets - customer deposits, the actual restricted cash and cash equivalents for customer deposits equates to \$87,128.

City of Tallulah
Notes to the Financial Statements
For the Year Ended June 30, 2020

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, property, and surety bond coverage. The City retains the risk of loss for general liability. There were no significant reductions in insurance coverage during the year ended June 30, 2020 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. The restricted net position reported for street maintenance in the statement of activities is 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, 2020

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

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Excess of Expenditures Over Appropriations in Individual Funds The following individual fund had actual expenditures over budgeted expenditures for the year-ended June 30, 2020.

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	\$ 2,891,308	\$ 2,911,435	\$ (20,127)

B. Deficit Fund Balances The following fund had a deficit fund balance at June 30, 2020:

<u>Fund</u>	<u>Deficit Amount</u>
Water	\$ 4,636,741

NOTE 3 - DEPOSITS AND INVESTMENTS

Cash and cash equivalents consist of the following at June 30, 2020:

Petty Cash	\$ 1,125
Demand deposits	1,114,642
Money market mutual funds	719,321
Total	\$ 1,835,088

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, 2020, the City's had a bank balance of \$1,184,115, in which \$924,200 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, 2020

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, 2020:

Money market mutual funds of \$719,321, which are included in cash and cash equivalents, 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 2019 with a due date and collection date of December 31, 2019 and a lien date of January 1, 2020.

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	2022
General Purposes	8.54	8.54	2020
Streets, Roads, Drainage	8.05	8.05	2020

NOTE 5 - RECEIVABLES The following is a summary of receivables at June 30, 2020:

<u>Class of Receivables</u>	<u>General</u>	<u>Section 8</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
<u>Governmental Activities:</u>				
Governmental Funds:				
Taxes:				
Sales & use	\$ 165,352	\$ -	\$ -	\$ 165,352
Other taxes	5,743	-	422	6,165
State revenue	27,035	-	-	27,035
Federal revenue	-	-	76,088	76,088
Other	61,346	5,854	-	67,200
Total Governmental Funds	<u>\$ 259,476</u>	<u>\$ 5,854</u>	<u>\$ 76,510</u>	<u>341,840</u>
Long-term receivables reported in governmental activities				<u>132,255</u>
Total Governmental Activities				<u>\$ 474,095</u>

City of Tallulah
Notes to the Financial Statements
For the Year Ended June 30, 2020

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<u>Business-Type Activities:</u>			
Proprietary Funds:			
State revenue	22,140	-	22,140
Water user fees	260,767	-	260,767
Sewer user fees	-	128,201	128,201
Gross receivables	282,907	128,201	411,108
Less allowance for doubtful accounts	(5,983)	(3,000)	(8,983)
Total Proprietary net receivables	<u>\$ 276,924</u>	<u>\$ 125,201</u>	<u>\$ 402,125</u>

NOTE 6 - INTERFUND TRANSACTIONS/BALANCES Individual balances due from/to other funds at June 30, 2020, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water Fund	\$ 106,516
General Fund	Sewer Fund	20,366
General Fund	Section 8	4,916
General Fund	Nonmajor Governmental	7,998
Water Fund	Nonmajor Governmental	66
Sewer Fund	Water Fund	12,925
Total		<u>\$ 152,787</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	Sewer Fund	\$ 100,000
General Fund	Nonmajor Governmental	945
Nonmajor Governmental	Water Fund	9,741
Water Fund	Governmental Activities	363,966
Total		<u>\$ 474,652</u>

The City transferred money from the 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 (1981 GOB) to the General Fund its residual fund balance. The governmental activities transferred the completed LCDBG construction project to the Water Fund.

City of Tallulah
Notes to the Financial Statements
For the Year Ended June 30, 2020

NOTE 7 - CAPITAL ASSETS The changes in capital assets for the year ended June 30, 2020 are as follows:

	Balance Beginning	Additions	Deletions	Balance Ending
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 78,500	\$ -	\$ -	\$ 78,500
Construction in progress	597,845	339,544	363,966	573,423
Total capital assets, not being depreciated	676,345	339,544	363,966	651,923
Depreciable assets:				
Infrastructure	647,495	-	-	647,495
Buildings and improvements	2,960,988	-	-	2,960,988
Furniture and equipment	1,751,688	215,033	67,800	1,898,921
Total capital assets, being depreciated	5,360,171	215,033	67,800	5,507,404
Less: accumulated depreciation	(4,040,787)	(229,367)	(67,800)	(4,202,354)
Depreciable capital assets, net	1,319,384	(14,334)	-	1,305,050
Total capital assets, net	\$ 1,995,729	\$ 325,210	\$ 363,966	\$ 1,956,973

Depreciation expense was charged to governmental activities as follows:

General and administrative	\$ 23,620
Police department	47,798
Fire department	75,111
Street department	74,103
Culture and recreation	8,735
Total	\$ 229,367

	Balance Beginning	Additions	Deletions	Ending Balance
<u>Business-type activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 678,330	\$ -	\$ -	\$ 678,330
Construction in progress	-	24,900	-	24,900
Total capital assets, not being depreciated	678,330	24,900	-	703,230
Depreciable assets:				
Building & Improvements	18,139	-	-	18,139
Equipment	903,349	5,203	14,490	894,062
Water plant and systems	9,905,661	363,966	75,677	10,193,950
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	30,091,284	369,169	90,167	30,370,286
Less accumulated depreciation	(16,595,362)	(749,409)	(90,167)	(17,254,604)
Depreciable capital assets, net	13,495,922	(380,240)	-	13,115,682
Total capital assets, net	\$ 14,174,252	\$ (355,340)	\$ -	\$ 13,818,912

City of Tallulah
Notes to the Financial Statements
For the Year Ended June 30, 2020

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

Water	\$ 433,116
Sewer	316,293
Total	<u>\$ 749,409</u>

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

DEFINED BENEFIT PLAN

Plan Description:

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

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

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

City of Tallulah
Notes to the Financial Statements
For the Year Ended June 30, 2020

computed under the retirement plan elected by the participant at date of application. The duration of participation in the DROP is thirty-six months or less. Upon leaving DROP, members must choose among available alternatives for the distribution of benefits that have accumulated in their DROP accounts. If employment is not terminated, active contributing membership in the retirement plan shall resume and upon later termination, the member shall receive additional retirement benefit based on the additional service.

Initial Benefit Option Plan

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

Employer Contributions

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

For the year ended June 30, 2020, the actuarially determined employer contribution rate was 33.69% of member's compensation. However, the actual rate for employer contributions for fiscal year ending June 30, 2020 was 32.50%. 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 32.50% and 10%, respectively. The employer and employee contribution rates for all non-hazardous duty members hired after January 1, 2013 were 32.50% 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 35.00% and 7.5%, respectively. City of Tallulah's contributions to the MPERS for the year ended June 30, 2020 was \$33,162.

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 2020, the City recognized \$8,189 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, 2020, the City reported a liability of \$361,242 for its proportionate share of the MPERS's Net Pension Liability (NPL). The NPL was measured as of June 30, 2019, 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, 2019 as compared to the total of all employers' contributions to MPERS during the year ended 2019. As of June 30, 2019, the most recent measurement date, the City's proportions and the changes in proportion from the prior measurement date was 0.039777%, or a decrease of 0.027270%.

City of Tallulah
Notes to the Financial Statements
For the Year Ended June 30, 2020

For the year ended June 30, 2020, the City recognized a total pension expense of \$29,651 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	\$ 758	\$ 11,114
Changes of assumptions	20,243	-
Net difference between projected and actual earnings on pension plan investments	23,469	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	127,593	162,153
Employer contributions subsequent to the measurement date	33,162	-
Total	<u><u>\$ 205,225</u></u>	<u><u>\$ 173,267</u></u>

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, 2021. 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	\$ 38,226	\$ (1,314)	\$ (43,977)	\$ 5,861

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, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurements:

Valuation Date	June 30, 2019
Actuarial Cost Method	Entry age normal cost
Expected Remaining Service Lives	4 years
Investment Rate of Return	7.125%, net of investment expense
Inflation Rate	2.50% per annum
Salary Increases, including inflation and merit	Varying from 9.75% to 4.25% after 23 years
Mortality	RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2029 using Scale AA (set back 1 year for females) for healthy annuitants and beneficiaries. RP-2000 Disables Lives Tables set back 5 years for males and set back 3 years for females for disabled annuitants. RP-2000 Sex Distinct Employee Tables set back 4 years for males and 3 years for females for active members.
Cost of Living Adjustments	Not substantively automatic

City of Tallulah
Notes to the Financial Statements
For the Year Ended June 30, 2020

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.

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	48.5%	3.28%
Fixed income	33.5%	0.80%
Alternatives	18.0%	1.06%
Other	0.0%	0.00%
Totals	100.0%	5.14%
Inflation		2.75%
Expected nominal return		7.89%

Discount Rate. The discount rate used to measure the total pension liability was 7.125%. 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, 2019 valuation from the assumptions used in the June 30, 2018 valuation:

- the discount rate was decreased from 7.20% to 7.125%
- the inflation rate decreased from 2.60% to 2.50%
- the expected nominal return was reduced from 8.03% to 7.89%

These changes were based on an analysis of the MPER’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.

City of Tallulah
Notes to the Financial Statements
For the Year Ended June 30, 2020

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 6.125%	Current Discount Rate 7.125%	1.0% Increase 8.125%
Net Pension Liability	\$503,329	\$361,242	\$242,045

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, 2020, the City had \$11,080 in payables to MPERS for employee and employer legally required contributions.

NOTE 9 - ACCOUNTS, SALARIES AND OTHER PAYABLES The accounts, salaries and other payables at fiscal year ended June 30, 2020 are as follows:

Class of Payables	General	Section 8	Nonmajor Governmental	Water Fund	Sewer Fund	Total
Accounts Payable	\$ 178,310	\$ 81	\$ 64,516	\$ 75,473	\$ 9,467	\$ 327,847
Retainage Payable	-	-	23,676	-	-	23,676
Wages Payable	14,805	-	-	4,234	1,878	20,917
Net total payable	\$ 193,115	\$ 81	\$ 88,192	\$ 79,707	\$ 11,345	\$ 372,440

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 \$63,950 is recognized as intergovernmental revenue and public safety expenditures. Of the \$63,950 recognized, the State paid \$39,950 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.

City of Tallulah
Notes to the Financial Statements
For the Year Ended June 30, 2020

During the year ended June 30, 2020, the following changes occurred in governmental activities long-term debt:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
Direct borrowings & placements:					
General obligation bonds	\$ 8,964	\$ -	\$ 8,964	\$ -	\$ -
Certificate of indebtedness	29,463	-	29,463	-	-
Loans payable	300,000	174,220	50,689	423,531	53,605
Capital leases	63,829	-	38,717	25,112	25,112
Compensated absences	28,313	27,180	34,450	21,043	21,043
Total	\$ 430,569	\$ 201,400	\$ 162,283	\$ 469,686	\$ 99,760

During the year ended June 30, 2020, the following changes occurred in business-type activities long-term debt:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
Revenue bonds	\$ 8,070,000	\$ -	\$ 475,000	\$ 7,595,000	\$ 490,000
Bond premiums	89,548	-	6,553	82,995	-
Direct borrowings & placements:					
Loans payable	2,686,383	-	52,640	2,633,743	54,752
Capital leases	15,348	-	12,058	3,290	3,290
Compensated absences	7,828	11,791	12,008	7,611	7,611
Total	\$ 10,869,107	\$ 11,791	\$ 558,259	\$ 10,322,639	\$ 555,653

The following is a summary of long-term obligation transactions for the year ended June 30, 2020:

	Issue Dates	Maturity Dates	Interest Rates	Original Amount	Governmental Activities	Business-type Activities
Governmental activities						
Loans Payable:						
Loans Payable - Fire Truck	1/29/2019	2/1/2031	4.540%	\$ 300,000	\$ 281,246	
Loans Payable - Police Cars	8/25/2019	1/25/2024	4.360%	174,220	142,285	
Business-type activities						
Enterprise Funds						
Utilities System Revenue Bonds:						
Water Revenue Refunding Bonds Series 2012	6/22/2012	9/1/2031	2.6-5.0%	5,275,000		\$ 3,720,000
Water Revenue Refunding Bonds Series 2016	2/24/2016	9/1/2032	2.0-4.0%	4,665,000		3,875,000
Loans payable (USDA):						
Sewer Rehab Phase I	9/6/2006	9/6/2046	4.375%	2,660,000		2,216,999
Sewer Rehab Phase II	9/6/2006	9/6/2046	4.375%	500,000		416,744
Totals					423,531	10,228,743
Current Portion of Debt					(53,605)	(544,752)
Total Long Term Portion of Debt					\$ 369,926	\$ 9,683,991

City of Tallulah
Notes to the Financial Statements
For the Year Ended June 30, 2020

The annual requirements to amortize all outstanding debt at June 30, 2020 are as follows:

<u>Year</u>	<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>
2021	\$ 53,605	\$ 18,971	\$ 490,000	\$ 297,961	\$ 54,752	\$ 114,376
2022	55,979	16,596	500,000	282,585	57,440	111,688
2023	58,458	14,118	525,000	265,390	60,004	109,124
2024	61,047	11,530	540,000	245,934	62,683	106,445
2025	24,218	8,826	555,000	224,322	65,480	103,648
2026-2030	138,614	26,608	3,155,000	748,872	373,944	471,696
2031-2035	31,610	1,435	1,830,000	98,259	465,195	380,445
2036-2040	-	-	-	-	578,715	266,925
2041-2045	-	-	-	-	719,936	125,704
2046-2047	-	-	-	-	195,594	5,492
Total	\$ 423,531	\$ 98,084	\$ 7,595,000	\$ 2,163,323	\$ 2,633,743	\$ 1,795,543

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 25th day of each month of each year, a sum equal to 1/6th of the interest falling due on the next interest payment date and 1/12 of the principal falling due on the next principal payment date.

City of Tallulah
Notes to the Financial Statements
For the Year Ended June 30, 2020

- 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, 2020, the Water Fund's net revenues were 122% of the principal and interest falling due on all bonds or other obligations payable. In September 2019, the City withdrew \$338 thousand from the Series 2012 and Series 2016 debt service reserve funds to meet the bonds' September 1st 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.

Required Debt Reserves: The required debt reserves and amounts reserved as of June 30, 2020 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	<u>250,000</u>	<u>29,082</u>	<u>3,304</u>
Business Activities:			
Water Fund:			
Water Improvement Bonds, Refunding Series 2012	5,275,000	458,457	361,622
Water Improvement Bonds, Refunding Series 2016	4,665,000	440,393	360,330
Total Water Fund	<u>9,940,000</u>	<u>898,850</u>	<u>721,952</u>
Sewer Fund:			
Sewer Rehab Phase I	2,660,000	181,611	-
Sewer Rehab Phase II	500,000	34,119	158,751
Total Sewer Fund	<u>3,160,000</u>	<u>215,730</u>	<u>158,751</u>
Total Business Activities	<u>13,100,000</u>	<u>1,114,580</u>	<u>880,703</u>
Grand Total	<u>\$ 13,350,000</u>	<u>\$ 1,143,662</u>	<u>\$ 884,007</u>

NOTE 12 - CAPITAL LEASES The City has three 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:			
2016 Case 580N Backhoe	\$ 63,472	\$ 6,347	\$ 31,736
2015 Case 580N Backhoe	59,754	5,975	23,902
Water Department Equipment:			
2012 Kobelco Compact Excavator	48,500	4,850	19,400

City of Tallulah
Notes to the Financial Statements
For the Year Ended June 30, 2020

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020, are as follows:

	Governmental Activities	Business-type Activities
2021 total minimum lease payments	\$ 25,795	\$ 3,321
Less: amount representing interest	(683)	(31)
Present value of minimum lease payments	\$ 25,112	\$ 3,290

NOTE 13 - PLEDGED REVENUES The City has pledged future water and sewer customer revenues, net of specified operating expenses to repay \$7,595,000 in water revenue bonds payable and \$2,633,743 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 \$9,758,323 and \$4,429,286, respectively. Water principal and interest paid for the current year was \$786,690 and total net revenue (loss) per Statement H was \$241,521. Sewer principal and interest paid for the current year was \$169,128 and total net revenue (loss) per Statement H was \$75,304. 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 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. If the City fails to meet the deadlines 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. At the date of this report, no fines have been assessed.

City of Tallulah
Notes to the Financial Statements
For the Year Ended June 30, 2020

On October 22, 2020, the City Council approved a \$7.8 million water plant rehabilitation project that will address all issues listed in the administrative order. The water plant rehabilitation will be funded through a USDA loan and a USDA grant. The amounts of the loan and grant award have not been determined at the date of this report. The USDA loan will be repaid from mandatory water rate increases.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern", and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries, including the geographical area in which the City operates. It is unknown how long these conditions will last and what the complete financial effect will be to the City.

Construction Projects: The City is involved in several projects at fiscal year ended June 30, 2020 which include the Ethel Street and Harlem Street Drainage projects and a new water well project. At June 30, 2020, the City had approximately \$1 million remaining on the Harlem Street Drainage Improvement 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. The City retains the risk of loss for general liability.

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>
Nonspendable	\$ 20,734	\$ -	\$ -	\$ 20,734
Restricted for:				
Section 8 program	-	47,351	-	47,351
Street maintenance	-	-	103,256	103,256
Unassigned	610,366	-	-	610,366
Total	<u>\$ 631,100</u>	<u>\$ 47,351</u>	<u>\$ 103,256</u>	<u>\$ 781,707</u>

City of Tallulah

REQUIRED SUPPLEMENTARY INFORMATION

City of Tallulah
Pension Supplementary Information
As of and for the Year Ended June 30, 2020

Exhibit 1-1

Schedule of the Employer's Proportionate Share of the Net Pension Liability
Last Six 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%
2020	0.039777%	361,242	136,810	264%	71.01%

*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 Six 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%
2020	33,162	33,162	-	102,036	32.50%

*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.*

City of Tallulah
Pension Supplementary Information
As of and for the Year Ended June 30, 2020

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. For 2016 and later, mortality assumptions were based on an experience study for the period July 1, 2009 through June 20, 2014.

The following is a detail description of the changes in assumptions:

Report Date	Valuation Date	Investment Rate of Return	Inflation Rate	Mortality Rate - Annuitant and Beneficiary	Mortality Rate - Employees	Mortality Rate - Disabled Annuitants	Salary Increases
December 31,							
2015	2014	7.500%	3.000%	RP-2000 Sex Distinct Healthy Annuitant Mortality Tables set back 1 year males and females	RP-2000 Sex Distinct Employee Mortality Tables set back 1 year for males and females	RP-2000 Disables Lives Mortality Tables for Males and Females	Varying from 10.000% to 4.00% after 30 years
2016 & 2017	2015 & 2016	7.500%	2.875%	RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2029 using Scale AA and set back 1 year for females	RP-2000 Sex Distinct Employee Tables set back 4 years for males and 3 years for females	RP-2000 Disables Lives Tables set back 5 years for males and set back 3 years for females	Varying from 9.75% to 4.25% after 23 years
2018	2017	7.325%	2.700%	RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2029 using Scale AA and set back 1 year for females	RP-2000 Sex Distinct Employee Tables set back 4 years for males and 3 years for females	RP-2000 Disabled Lives Mortality Tables set back 5 years for males and 3 years for females	Varying from 9.75% to 4.25% after 23 years
2019	2018	7.200%	2.600%	RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2029 using Scale AA and set back 1 year for females	RP-2000 Sex Distinct Employee Tables set back 4 years for males and 3 years for females	RP-2000 Disabled Lives Tables set back 5 years for males and set back 3 years for females	Varying from 9.75% to 4.25% after 23 years
2020	2019	7.125%	2.500%	RP-2000 Combined Healthy with Blue Collar Adjustment Sex Distinct Tables projected to 2029 using Scale AA and set back 1 year for females	RP-2000 Sex Distinct Employee Tables set back 4 years for males and 3 years for females	RP-2000 Disables Lives Tables set back 5 years for males and set back 3 years for females .	Varying from 9.75% to 4.25% after 23 years

See independent auditor's report.

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, 2020**

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 BUDGET</u>
BUDGETARY FUND BALANCES, BEGINNING	\$ 139,188	\$ 417,529	\$ 417,529	\$ -
Resources (inflows)				
Local sources:				
Taxes:				
Ad valorem	454,500	461,000	480,954	19,954
Sales and use	1,170,835	1,200,000	1,467,179	267,179
Other taxes, penalties, and interest	287,220	158,000	272,781	114,781
Licenses and permits	88,800	65,000	72,809	7,809
Intergovernmental revenues	134,520	190,000	211,086	21,086
Rental income	-	-	3,750	3,750
Use of money and property	-	-	5	5
Fines and forfeitures	84,675	125,000	139,894	14,894
Miscellaneous revenues	130,910	160,000	194,183	34,183
Transfers from other funds	406,000	100,945	100,945	-
Loan proceeds	-	174,220	174,220	-
Sales of general capital assets	-	-	7,200	7,200
	<u>2,896,648</u>	<u>3,051,694</u>	<u>3,542,535</u>	<u>490,841</u>
Amounts available for appropriations				
Charges to appropriations (outflows)				
Current:				
General and administrative	822,040	691,130	679,842	11,288
Police department	772,915	714,515	731,595	(17,080)
Fire department	473,210	378,130	378,409	(279)
Street department	660,955	582,825	594,449	(11,624)
Health and welfare	-	850	850	-
Culture and recreation	91,660	89,950	89,826	124
Legislative	64,800	62,500	61,894	606
Transportation	-	48,000	48,077	(77)
Capital outlay	-	180,533	180,533	-
Debt service:				
Principal retirement	-	116,875	118,869	(1,994)
Interest and bank charges	-	26,000	27,091	(1,091)
Transfers to other funds	4,800	-	-	-
	<u>2,890,380</u>	<u>2,891,308</u>	<u>2,911,435</u>	<u>(20,127)</u>
Total charges to appropriations				
BUDGETARY FUND BALANCES, ENDING	<u>\$ 6,268</u>	<u>\$ 160,386</u>	<u>\$ 631,100</u>	<u>\$ 470,714</u>

See independent auditor's report.

CITY OF TALLULAH

SECTION 8
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2020

Exhibit 2-2

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	BUDGETARY BASIS	WITH FINAL BUDGET
BUDGETARY FUND BALANCES, BEGINNING	\$ 75,718	\$ 65,797	\$ 65,797	\$ -
Resources (inflows)				
Intergovernmental revenues	225,000	177,991	174,229	(3,762)
Use of money and property	-	-	33	33
Miscellaneous revenues	25,000	23,384	26,005	2,621
Amounts available for appropriations	325,718	267,172	266,064	(1,108)
Charges to appropriations (outflows)				
Current:				
Health and welfare	250,000	219,293	218,713	580
Total charges to appropriations	250,000	219,293	218,713	580
BUDGETARY FUND BALANCES, ENDING	\$ 75,718	\$ 47,879	\$ 47,351	\$ (528)

See independent auditor's report.

City of Tallulah

Notes to the Budgetary Comparison Schedule
For the Year Ended June 30, 2020

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

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

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

Note B. EXCESS OF ACTUAL EXPENDITURES OVER BUDGETED APPROPRIATIONS The following individual fund had actual expenditures over budgeted expenditures for the year ended June 30, 2020:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	\$ 2,891,308	\$ 2,911,435	\$ (20,127)

City of Tallulah

**Notes to the Budgetary Comparison Schedule
For the Year Ended June 30, 2020**

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

	GENERAL	SECTION 8
<u>Sources/inflows of resources:</u>		
Actual amounts (budgetary basis) "available for appropriation" from the Budgetary Comparison Schedule	\$ 3,542,535	\$ 266,064
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	(417,529)	(65,797)
Transfers in are shown as resources (inflows) for budgetary purposes but as other financing sources for reporting purposes	(100,945)	-
Loan proceeds are shown as resources (inflows) for budgetary purposes but as other financing sources for reporting purposes	(174,220)	-
Sales of general assets are shown as resources (inflows) for budgetary purposes but as other financing sources for reporting purposes	(7,200)	-
Total revenues as reported on the Statement of Revenues, Expenditures, and changes in Fund Balances - Governmental Funds	2,842,641	200,267
<u>Uses/outflows of resources:</u>		
Actual amounts (budgetary basis) "Total charges to appropriations" from the Budgetary Comparison Schedule	2,911,435	218,713
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 2,911,435	\$ 218,713

City of Tallulah

SUPPLEMENTARY INFORMATION

CITY OF TALLULAH

NONMAJOR GOVERNMENTAL FUNDS
 Combining Balance Sheet - By Fund Type
 June 30, 2020

Exhibit 3

	SPECIAL REVENUE STREET	DEBT SERVICE 1981 GOB	CAPITAL PROJECTS	TOTAL
ASSETS				
Cash and cash equivalents	\$ 107,028	\$ -	\$ 15,974	\$ 123,002
Receivables	422	-	76,088	76,510
TOTAL ASSETS	<u>107,450</u>	<u>-</u>	<u>92,062</u>	<u>199,512</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts, salaries and other payables	4,194	-	83,998	88,192
Interfund payables	-	-	8,064	8,064
TOTAL LIABILITIES	<u>4,194</u>	<u>-</u>	<u>92,062</u>	<u>96,256</u>
FUND BALANCES:				
Restricted	103,256	-	-	103,256
TOTAL FUND BALANCES	<u>103,256</u>	<u>-</u>	<u>-</u>	<u>103,256</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 107,450</u>	<u>\$ -</u>	<u>\$ 92,062</u>	<u>\$ 199,512</u>

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, 2020**

Exhibit 4

	SPECIAL REVENUE STREET	DEBT SERVICE 1981 GOB	CAPITAL PROJECTS	TOTAL
REVENUES				
Taxes:				
Ad valorem	\$ 124,930	\$ -	\$ -	\$ 124,930
Intergovernmental revenues	-	-	329,739	329,739
Use of money and property	35	2	-	37
TOTAL REVENUES	124,965	2	329,739	454,706
EXPENDITURES				
Current:				
General and administrative	-	-	178	178
Street department	62,413	-	-	62,413
Capital outlay	-	-	339,544	339,544
Debt service:				
Principal retirement	-	8,964	-	8,964
Interest and bank charges	-	469	-	469
TOTAL EXPENDITURES	62,413	9,433	339,722	411,568
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	62,552	(9,431)	(9,983)	43,138
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	9,741	9,741
Transfers out	-	(945)	-	(945)
TOTAL OTHER FINANCING SOURCES (USES)	-	(945)	9,741	8,796
Net Change in Fund Balances	62,552	(10,376)	(242)	51,934
FUND BALANCES - BEGINNING	40,704	10,376	242	51,322
FUND BALANCES - ENDING	\$ 103,256	\$ -	\$ -	\$ 103,256

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, 2020

Exhibit 5

	ETHEL STREET DRAINAGE	HARLEM STREET DRAINAGE	LCDBG PROJECTS	USDA CONSTRUCTION	TOTAL
ASSETS					
Cash and cash equivalents	\$ -	\$ 123	\$ 5,936	\$ 9,915	\$ 15,974
Receivables	-	49,272	26,816	-	76,088
TOTAL ASSETS	-	49,395	32,752	9,915	92,062
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts, salaries and other payables	-	49,272	32,686	2,040	83,998
Interfund payables	-	123	66	7,875	8,064
TOTAL LIABILITIES	-	49,395	32,752	9,915	92,062
FUND BALANCES:					
Restricted	-	-	-	-	-
TOTAL FUND BALANCES	-	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 49,395	\$ 32,752	\$ 9,915	\$ 92,062

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, 2020

Exhibit 6

	<u>ETHEL STREET DRAINAGE</u>	<u>HARLEM STREET DRAINAGE</u>	<u>LCDBG PROJECTS</u>	<u>USDA CONSTRUCTION</u>	<u>TOTAL</u>
REVENUES					
Intergovernmental revenues	\$ 7,475	\$ -	\$ 206,258	\$ 116,006	\$ 329,739
TOTAL REVENUES	<u>7,475</u>	<u>-</u>	<u>206,258</u>	<u>116,006</u>	<u>329,739</u>
EXPENDITURES					
Current:					
General and administrative	178	-	-	-	178
Capital outlay	<u>7,475</u>	<u>-</u>	<u>216,063</u>	<u>116,006</u>	<u>339,544</u>
TOTAL EXPENDITURES	<u>7,653</u>	<u>-</u>	<u>216,063</u>	<u>116,006</u>	<u>339,722</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	<u>(178)</u>	<u>-</u>	<u>(9,805)</u>	<u>-</u>	<u>(9,983)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	<u>-</u>	<u>-</u>	<u>9,741</u>	<u>-</u>	<u>9,741</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>9,741</u>	<u>-</u>	<u>9,741</u>
Net Change in Fund Balances	(178)	-	(64)	-	(242)
FUND BALANCES - BEGINNING	<u>178</u>	<u>-</u>	<u>64</u>	<u>-</u>	<u>242</u>
FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2020 and 2019

Exhibit 7

	<u>2020</u> <u>WATER</u> <u>FUND</u>	<u>2019</u> <u>WATER</u> <u>FUND</u>	<u>2020</u> <u>SEWER</u> <u>FUND</u>	<u>2019</u> <u>SEWER</u> <u>FUND</u>
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$ -	\$ -	\$ 213,456	\$ 89,831
Receivables, net	276,924	414,206	125,201	129,082
Interfund receivables	66	-	12,925	-
Restricted Assets:				
Cash and cash equivalents	809,080	579,377	234,073	158,751
TOTAL CURRENT ASSETS	<u>1,086,070</u>	<u>993,583</u>	<u>585,655</u>	<u>377,664</u>
NONCURRENT ASSETS:				
Capital Assets:				
Land and construction in progress	90,351	65,451	612,879	612,879
Depreciable assets, net of depreciation	2,341,864	2,409,811	10,773,818	11,086,111
TOTAL NONCURRENT ASSETS	<u>2,432,215</u>	<u>2,475,262</u>	<u>11,386,697</u>	<u>11,698,990</u>
TOTAL ASSETS	<u>3,518,285</u>	<u>3,468,845</u>	<u>11,972,352</u>	<u>12,076,654</u>
LIABILITIES				
CURRENT LIABILITIES:				
Accounts, salaries and other payables	79,707	190,777	11,345	58,271
Interfund payables	119,441	50,000	20,366	-
Interest payable	101,647	106,146	-	-
Payable from restricted assets - customer deposits	169,031	175,787	-	-
Compensated absences	3,915	3,726	3,696	4,102
Capital leases - current	3,290	12,057	-	-
Revenue bonds payable - current	490,000	475,000	-	-
Loans payable - current	-	-	54,752	52,646
TOTAL CURRENT LIABILITIES	<u>967,031</u>	<u>1,013,493</u>	<u>90,159</u>	<u>115,019</u>
NONCURRENT LIABILITIES:				
Capital leases	-	3,291	-	-
Revenue bonds payable, net	7,187,995	7,684,548	-	-
Loans payable	-	-	2,578,991	2,633,737
TOTAL NONCURRENT LIABILITIES	<u>7,187,995</u>	<u>7,687,839</u>	<u>2,578,991</u>	<u>2,633,737</u>
TOTAL LIABILITIES	<u>8,155,026</u>	<u>8,701,332</u>	<u>2,669,150</u>	<u>2,748,756</u>
NET POSITION				
Net investment in capital assets	(5,249,070)	(5,699,634)	8,752,954	9,012,607
Restricted for debt service	620,305	339,127	234,073	158,751
Unrestricted	(7,976)	128,020	316,175	156,540
TOTAL NET POSITION	<u>\$ (4,636,741)</u>	<u>\$ (5,232,487)</u>	<u>\$ 9,303,202</u>	<u>\$ 9,327,898</u>

See independent auditor's report.

CITY OF TALLULAH

Schedule of Compensation, Benefits, and Other Payments
to Agency Head
For the Year Ended June 30, 2020

Exhibit 8

Agency Head

Interim Mayor Gloria Hayden (July 1, 2019 to December 1, 2019)

Purpose	Amount
Salary	\$27,301
Benefits - Insurance	\$0
Benefits - Retirement	\$0
Benefits - Other	\$0
Car Allowance	\$0
Vehicle Allowance	\$1,500
Per Diem	\$0
Reimbursements	\$311
Travel	\$0
Registration Fees	\$0
Conference Travel	\$0
Continuing Professional Education Fees	\$0
Housing	\$0
Unvouchered Expenses	\$0
Special Meals	\$0

CITY OF TALLULAH

Schedule of Compensation, Benefits, and Other Payments
to Agency Head (Continued)
For the Year Ended June 30, 2020

Exhibit 8

Agency Head

Mayor Charles M. Finlayson (December 2, 2019 to June 30, 2020)

Purpose	Amount
Salary	\$31,761
Benefits - Insurance	\$0
Benefits - Retirement	\$0
Benefits - Other	\$0
Car Allowance	\$0
Vehicle Allowance	\$0
Per Diem	\$0
Reimbursements	\$382
Travel	\$0
Registration Fees	\$0
Conference Travel	\$0
Continuing Professional Education Fees	\$0
Housing	\$0
Unvouchered Expenses	\$0
Special Meals	\$0

CITY OF TALLULAH

Financial Data Schedule
Program Balance Sheet Summary

Exhibit 9

Submission Type: unaudited

Fiscal Year End : 06/30/2020

	14.871 Housing	
	Choice Vouchers	Total
112 Cash - Unrestricted	\$ 51,268	\$ 51,268
112.1 Cash - Restricted	-	-
124 Accounts Receivable - Other Gov't	5,854	5,854
190 Total Assets	<u>\$ 57,122</u>	<u>\$ 57,122</u>
312 Accounts Payable <= 90 Days	81	81
342 Unearned Revenue	4,916	4,916
347 Inter Program - Due To	4,774	4,774
300 Total Liabilities	<u>9,771</u>	<u>9,771</u>
512.1 Unrestricted Net Assets	47,351	47,351
512.2 Restricted Net Assets	-	-
513 Total Equity/Net Assets	<u>47,351</u>	<u>47,351</u>
600 Total Liabilities and Equity/Net Assets	<u>\$ 57,122</u>	<u>\$ 57,122</u>

(Continued)

CITY OF TALLULAH

Financial Data Schedule
As of and For the Year Ended June 30, 2020

Exhibit 9

Submission Type: unaudited

Fiscal Year End : 06/30/2020

	14.871 Housing	
	Choice Vouchers	Total
	<hr/>	<hr/>
70800 HUD PHA Operating Grants	\$ 174,229	\$ 174,229
71100 Investment Income - Unrestricted	33	33
71500 Other Revenue	26,005	26,005
	<hr/>	<hr/>
	200,267	200,267
91600 Office Expenses	31,306	31,306
91800 Travel	1,644	1,644
91900 Other	-	-
96900 Total Operating Expenses	<hr/>	<hr/>
	32,950	32,950
97000 Excess of Operating Revenue over Operating Expenses	167,317	167,317
97300 Housing Assistance Payments	135,586	135,586
97300 Tenant Protected	26,659	26,659
97350 HAP Portability-In	23,518	23,518
90000 Total Expenses	<hr/>	<hr/>
	185,763	185,763
10000 Excess (Deficiency) of Total Revenue Over (under) Total	(18,446)	(18,446)
11030 Beginning Equity	<hr/>	<hr/>
	65,797	65,797
11170 Administrative Fee Equity	<hr/>	<hr/>
	47,351	47,351
11180 Housing Assistance Payments Equity	<hr/>	<hr/>
	-	-

(Concluded)

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

Independent Auditor's Report

The Honorable 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, 2020, 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 14, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 financial statements. 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 and other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as item 2020-001 and 2020-002.

City of Tallulah's Responses to Findings

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

Purpose of this Report

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



A Professional Accounting Corporation

Baton Rouge, LA
December 14, 2020

CITY OF TALLULAH, LOUISIANA
Schedule of Findings and Responses
For Year Ended June 30, 2020

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?	None
B. Significant deficiencies identified not considered to be material weaknesses?	None
C. Non-compliance material to the financial statements noted?	Yes
D. Other matter	Yes

Federal Awards

Not Applicable.

B. Findings - Financial Statement Audit

2020-001 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 \$956,025, whereas the required reserve was \$1,140,911, which resulted in a deficiency of \$184,886. 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
Schedule of Findings and Responses
For Year Ended June 30, 2020

D. Other Matter

2020-002 Unauthorized Payment of Back Wages

On July 25, 2019, the City's former city clerk was suspended without pay pending a civil and criminal investigation. The investigation concluded that there was insufficient information with which to charge the city clerk. Upon the conclusion of the investigation, the City was in the process of rehiring the city clerk. On December 12, 2019, the Council was scheduled to consider his reinstatement. On that day, the former city clerk came to city hall to assist with payroll. At that time, he processed a payroll check, without authorization, for back pay totaling \$27,214.

The City consulted its legal counsel in regard to above payment of back wages. The City's legal counsel determined that the City legally owed the back wages to the former city clerk. In October 2020, the City entered into a settlement agreement with the former city clerk.

CITY OF TALLULAH
Schedule of Prior Year Findings and Responses
For Year Ended June 30, 2020

2019-001 Violation of Debt Covenants

Status: This finding has not been resolved. See current year finding 2020-001 in the accompanying schedule of findings and responses.

2019-002 Controls Over Payroll Disbursements

Status: This finding has been resolved.

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

Status: This finding has been resolved.

2019-004 Continuing Disclosure

Status: This finding has been resolved.

2019-005 Payment of Payroll Taxes and Retirement Contributions

Status: This finding has been resolved.