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TOWN OF CULLEN, LOUISIANA  
ANNUAL FINANCIAL REPORT

JUNE 30, 2004

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

Release Date 2-9-2005

TOWN OF CULLEN, LOUISIANA  
Annual Financial Statements  
As of and for the Year Ended June 30, 2004

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SOCIETY OF LOUISIANA  
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## INDEPENDENT AUDITORS' REPORT

The Honorable Floydean White, Mayor,  
and the Members of the Board of Aldermen  
Town of Cullen, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Cullen, Louisiana, as of and for the year ended June 30, 2004, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town of Cullen's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following two paragraphs, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

We were unable to determine the accounts receivable for ticket fines for the general fund and governmental activities because of inadequate accounting records. The town does not have a current listing of fines receivable, with an adequate allowance for uncollectible receivables. The amount by which this departure would affect the assets, fund balances, and revenues of the general fund and governmental activities is not reasonably determinable.

We were unable to determine the General Fund due to other governments balance, stated at \$14,697, at June 30, 2004, because of inadequate accounting records.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to

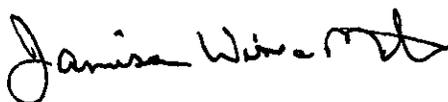
be necessary had we been able to examine evidence to determine the accounts receivable and due to other governments balances in the general fund as discussed in paragraphs three and four, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Cullen, Louisiana, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 17, 2004 on our consideration of the Town of Cullen's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As described in Note 1, the Town has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of June 30, 2004.

The management discussion and analysis and budgetary comparison information on pages 3 through 8 and 40 through 42, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Town of Cullen, Louisiana basic financial statements. The information listed as other supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence to determine the accounts receivable and due to other governments balances as discussed in paragraphs three and four, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.



Minden, Louisiana  
December 17, 2004

## TOWN OF CULLEN, LOUISIANA

### Management's Discussion and Analysis As of and for the Year Ended June 30, 2004 (Unaudited)

Our discussion and analysis of the Town of Cullen, Louisiana's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2004. Please read it in conjunction with the Town's financial statements, which begin on page 10.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 10-11) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements start on page 12. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside the government.

#### Reporting the Town as a Whole

Our analysis of the Town as a whole begins on page 10. One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's *net assets* and changes in them. You can think of the Town's net assets—the difference between assets and liabilities—as one way to measure the Town's financial health, or *financial position*. Over time, *increases or decreases* in the Town's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Town's property tax base and the condition of the Town's roads, to assess the *overall health* of the Town.

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

- Governmental activities – Most of the Town's basic services are reported here, including the police, fire, public works, parks and recreation, sanitation and health, highway and streets, and general administration. Property taxes, sales taxes, franchise fees, and state and federal grants finance most of these activities.
- Business-type activities – The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's water and sewer systems are reported here.

**TOWN OF CULLEN, LOUISIANA**

**Management’s Discussion and Analysis  
As of and for the Year Ended June 30, 2004  
(Unaudited)**

**Reporting the Town’s Most Significant Funds**

Our analysis of the Town’s major funds begins on page 12. The fund financial statements begin on page 12 and provide detailed information about the most significant funds-not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, the Town Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes (sales taxes with restricted for specific use). The Town’s two kinds of funds – *governmental and proprietary* – use different accounting approaches.

- *Governmental funds* – Most of the Town’s basic services are reported in governmental which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds 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 Town’s general government operations and the basic 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 Town’s programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in a reconciliation following the fund financial statements.
- *Proprietary funds* – When the Town charges customers for the services it provides – whether to outside customers or to other units of the Town – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Town’s enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

**THE TOWN AS A WHOLE**

For the year ended June 30, 2004, net assets changed as follows:

	<b>Governmental</b>	<b>Business-type</b>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Beginning net assets	\$ 1,101,130	\$ 2,386,841	\$ 3,487,971
Increase (decrease) in net assets	<u>16,096</u>	<u>(40,213)</u>	<u>(24,117)</u>
Ending net assets	\$ <u>1,117,226</u>	\$ <u>2,346,628</u>	\$ <u>3,463,854</u>

The change in net assets reflects a slight increase of 1.5 percent for governmental activities and decrease of 1.7 percent decrease for business-type activities. It should be noted that a portion of the total net asset increase in governmental activities is related to the addition of capital assets which were funded with \$49,770 of state grants.

**TOWN OF CULLEN, LOUISIANA**

**Management's Discussion and Analysis  
As of and for the Year Ended June 30, 2004  
(Unaudited)**

Since this is the first year to report all activities on the accrual basis of accounting, a comparison to the prior year is not possible. However, in future years, this section will explain the differences between the current- and prior-year assets, liabilities, and changes in net assets.

**Governmental Activities**

Again, because this is the first year to report governmental activities on the accrual basis of accounting, a comparison to the prior year is not possible. However, in next year's discussion this section will show a condensed financial comparison of revenues and expenses and provide explanations for significant differences.

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the Town's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants. Some of the individual line item revenues reported for each function are:

General government	Building permits, licenses/registrations, rental fees
Parks and recreation	Contributions, program fees
Public safety	Fines, seizures, charges for services, grants
Sanitation and health	Charges for garbage services

All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose.

**Business-type activities**

Revenues for the Town's business-type activities was comparative to last year's revenues. Expenses exceeded the revenues from charges in the business-type activities. Depreciation expense accounts for 27% of the total expense of the water and sewer activities. Without the effect of depreciation, the water and sewer department would operate with a positive cash flow.

**THE TOWN'S FUNDS**

With the implementation of two new accounting standards, an analysis of current- and prior-year governmental fund (in particular the general fund) balance sheets is difficult to do. In subsequent years, this section will discuss and analyze significant differences. However, some individual funds were not affected by these new accounting standards and a review of those funds follows.

**TOWN OF CULLEN, LOUISIANA**

**Management's Discussion and Analysis  
As of and for the Year Ended June 30, 2004  
(Unaudited)**

Activity for the Town's major governmental funds are presented as follows:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Sources and (Uses)</u>	<u>Excess (Deficiency)</u>
General Fund	\$ 226,984	389,098	109,019	(53,095)
Two Percent Sales Tax Fund	91,249	1,458	(93,471)	(3,680)

The general fund experienced a \$53,095 deficiency of revenues over expenditures. In comparison with prior year amounts, expenditures for general government and public safety functions increased by 17% and 20% respectively. Both the general government and public safety functions expended funds for capital assets and improvements. Capital assets are reported as expenditures by governmental funds, resulting in approximately \$60,000 of expenditures for capital assets being recognized in the general fund.

The Two Percent Sales Tax Fund experienced a \$3,680 deficiency of revenues over expenditures due to the fact that the fund transferred money to the general fund in excess of revenues it received during the year.

The following schedule presents a summary of revenues and expenditures of the governmental funds for the fiscal year ended June 30, 2004, and the amount of percentage of increases and decreases in relation to the prior year.

<u>Revenues</u>	<u>FYE 6/30/04 Amount</u>	<u>Percent of Total</u>	<u>Increase (decrease) from FYE 6/30/03</u>	<u>Percent increase (decrease)</u>
Taxes	\$ 124,605	36 %	12,423	11 %
Intergovernmental	30,341	9 %	(7,329)	(19) %
Charges for services	63,211	18 %	(1,752)	(3) %
Licenses, permits	78,363	23 %	12,327	19 %
Fines and forfeits	33,306	10 %	19,730	145 %
Interest	2,764	1 %	(2,224)	(45) %
Miscellaneous	<u>9,731</u>	3 %	<u>738</u>	8 %
Total revenues	\$ <u>342,321</u>	100 %	<u>33,913</u>	11 %

Sales taxes experienced a 13% increase this year. The occupational license revenues experienced a 32% increase during the year. The Town also experienced a large increase in fines and forfeitures.

**TOWN OF CULLEN, LOUISIANA**

**Management's Discussion and Analysis  
As of and for the Year Ended June 30, 2004  
(Unaudited)**

<u>Expenditures</u>	<u>FYE 6/30/04 Amount</u>	<u>Percent of Total</u>	<u>Increase (decrease) from FYE 6/30/03</u>	<u>Percent increase (decrease)</u>
General government	\$ 103,576	25 %	17,830	21 %
Public safety	226,665	55 %	38,465	20 %
Highway and streets	14,545	4 %	(182)	1 %
Sanitation and health	35,072	9 %	(3,753)	10 %
Culture and recreation	8,314	2 %	3,011	57 %
Debt service	<u>20,874</u>	5 %	<u>(500)</u>	(2) %
 Total expenditures	 \$ <u>409,046</u>	 100 %	 <u>54,871</u>	 15 %

A portion of the increase in general government expenditures resulted from a 100% increase in the capital expenditures due to preliminary costs incurred with a sidewalk improvement project. The police department, which is the major component of the public safety function, experienced an overall increase in expenditures. Retirement expenditures in the police department increased overall 27%. The Town's contribution rate to the police retirement system, increased from 9.0% to 15.25%. Another reason for the increase in public safety expenditures was the purchase of two new police cars and video/radio systems.

The total expenditures of the culture and recreation department increased from last year. One component of the increase was that the board allowed the payment for \$1,100 in additional operation costs for Cullen Recreation District. The additional \$1,100 represents the amount unspent for the Cullen Recreation District from the prior year which was requested by the board to be available in the current year.

The Town's proprietary fund statements provide the same type of information found in the government-wide financial statements but in more detail. Operations in the proprietary fund statements is comparative with last year's activity.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of a year, the Town Council revised the General Fund budget one time. This budget amendment was to recognize changes in the overall revenues and expenditures within the General Fund. The amendment recognized an increase in intergovernmental revenues and public safety capital expenditures due to the grants awarded to the town to assist in the purchase of police department equipment.

**TOWN OF CULLEN, LOUISIANA**

**Management's Discussion and Analysis  
As of and for the Year Ended June 30, 2004  
(Unaudited)**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

At the end of June 30, 2004, the Town had \$4.8 million invested in capital assets including police and fire equipment, buildings, park facilities, water and sewer system improvements.

	Governmental Activities		Business-type Activities		Totals	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Land	\$ 69,693	69,693	7,675	7,675	77,368	77,368
Construction in progress	12,504	-	-	-	12,504	-
Building	458,569	458,569	3,745	3,745	462,314	462,314
Improvements other than bldgs.	-	-	3,122,932	3,122,932	3,122,932	3,122,932
Equipment	24,003	16,783	608,462	602,662	632,465	619,445
Vehicles	<u>576,815</u>	<u>536,120</u>	<u>-</u>	<u>-</u>	<u>576,815</u>	<u>536,120</u>
Totals (net of depreciation)	\$ <u>1,141,584</u>	<u>1,081,165</u>	<u>3,742,814</u>	<u>3,737,014</u>	<u>4,884,398</u>	<u>4,818,179</u>

This year's major additions included:

(2) new police cars	\$ 40,695
(2) video systems	7,220
Generator, air compressor, power washer	<u>5,800</u>
	<b>\$ <u>53,715</u></b>

**Debt**

At year-end, the Town had \$46,199 in Certificates of Indebtedness. More detailed information about the City's long-term liabilities is presented in Note 8 to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Currently know facts that are expected to have a significant effect on net assets are as listed:

1. Sidewalk grant approved in the amount of \$175,400. Approval letter was received in October, 2004.
2. Louisiana Community Development Block grant in the amount of \$622,669 for sewer lift station and sewer improvements received. Approval letter received in March, 2004.
3. Recreational Trail Program grant received in the amount of \$10,000. Award letter received in April, 2004.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional information, contact the Town Clerk's office at 405 Coyle Avenue, Cullen, Louisiana, 71021.

**BASIC FINANCIAL STATEMENTS**

**TOWN OF CULLEN, LOUISIANA**  
**Statement of Net Assets**  
**June 30, 2004**

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 133,224	\$ 172,916	\$ 306,140
Investments	143,364	790,942	934,306
Receivables	93,117	35,113	128,230
Due from other funds	44,451	28,984	73,435
Inventory	38,000	-	38,000
Prepaid Items	510	-	510
Noncurrent assets:			
Restricted assets	-	24,480	24,480
Capital assets (net)	<u>768,405</u>	<u>1,368,071</u>	<u>2,136,476</u>
Total assets	<u>\$ 1,221,071</u>	<u>\$ 2,420,506</u>	<u>\$ 3,641,577</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts, salaries, and other payables	\$ 13,329	\$ 5,738	\$ 19,067
Due to other funds	29,069	44,366	73,435
Due to other governments	14,697	-	14,697
Bonds payable	19,603	-	19,603
Payable from restricted assets	<u>-</u>	<u>21,165</u>	<u>21,165</u>
Total current liabilities	<u>76,698</u>	<u>71,269</u>	<u>147,967</u>
Noncurrent liabilities:			
Compensated absences payable	551	2,609	3,160
Bonds and interest payable	<u>26,596</u>	<u>-</u>	<u>26,596</u>
Total noncurrent liabilities	<u>27,147</u>	<u>2,609</u>	<u>29,756</u>
Total liabilities	<u>\$ 103,845</u>	<u>\$ 73,878</u>	<u>\$ 177,723</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ 722,206	\$ 1,368,071	\$ 2,090,277
Restricted for:			
Other purposes	10,406	21,165	31,571
Unrestricted	<u>384,614</u>	<u>957,392</u>	<u>1,342,006</u>
Total net assets	<u>\$ 1,117,226</u>	<u>\$ 2,346,628</u>	<u>\$ 3,463,854</u>

The accompanying notes are an integral part of this statement.

TOWN OF CULLEN, LOUISIANA  
Statement of Activities  
For the Year Ended June 30, 2004

	Program Revenues				Net (Expenses)/ Revenue	Net (Expenses) Revenues and Changes of Primary Government		
	Operating		Capital Grants & Contributions	Governmental Activities		Business-type Activities	Total	
	Charges for Services	Grants and Contributions						
<b>Governmental activities</b>								
General government	\$ 97,304	\$ 4,975	\$ 3,205	\$ -	\$ (89,124)	\$ -	\$ (89,124)	
Public safety	209,328	46,983	1,079	49,770	(111,496)	-	(111,496)	
Highway and streets	26,561	-	-	-	(26,561)	-	(26,561)	
Sanitation and health	37,700	63,211	-	-	25,511	-	25,511	
Parks and recreation	8,314	-	-	-	(8,314)	-	(8,314)	
Total governmental activities	379,207	115,169	4,284	49,770	(209,984)	-	(209,984)	
<b>Business-type activities</b>								
Water	146,192	121,087	-	-	(25,105)	(25,105)	(25,105)	
Sewer	177,339	153,034	-	-	(24,305)	(24,305)	(24,305)	
Total business-type activities	323,531	274,121	-	-	(49,410)	(49,410)	(49,410)	
Total primary government	\$ 702,738	\$ 389,290	\$ 4,284	\$ 49,770	\$ (259,394)	\$ (49,410)	\$ (259,394)	
General revenues:								
Property taxes levied for general purposes								10,906
Sales taxes								113,698
Franchise taxes								26,631
Occupational licenses								51,280
Investment earnings								2,763
Other general revenues								20,802
Total general revenues and transfers								226,080
Change in net assets								16,096
Net assets-beginning								1,101,130
Net assets-ending								\$ 1,117,226
								\$ 2,346,628
								\$ 3,463,854

The accompanying notes are an integral part of this statement.

## STATEMENT C

**TOWN OF CULLEN, LOUISIANA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2004**

	General Fund	Two Percent Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 85,387	\$ 16,630	\$ 31,207	\$ 133,224
Investments	19,544	11,432	112,388	143,364
Receivables	64,196	8,455	17,249	89,900
Due from other funds	44,451	-	26,115	70,566
Prepaid/deposits	510	-	-	510
Inventory	-	-	38,000	38,000
Total assets	<u>\$ 214,088</u>	<u>\$ 36,517</u>	<u>\$ 224,959</u>	<u>\$ 475,564</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts, salaries, and other payables	\$ 13,014	\$ -	\$ -	\$ 13,014
Due to other funds	28,983	26,115	85	55,183
Due to other governments	14,697	-	-	14,697
Deferred revenues	49,770	-	-	49,770
Total liabilities	<u>106,464</u>	<u>26,115</u>	<u>85</u>	<u>132,664</u>
Fund balances:				
Reserved for:				
Debt retirement	\$ 8,634	\$ -	\$ -	\$ 8,634
Drug law enforcement	1,772	-	-	1,772
Unreserved, reported in:				
General fund	97,218	-	-	97,218
Special revenue funds	-	10,402	224,874	235,276
Total fund balance	<u>107,624</u>	<u>10,402</u>	<u>224,874</u>	<u>342,900</u>
Total liabilities and fund balances	<u>\$ 214,088</u>	<u>\$ 36,517</u>	<u>\$ 224,959</u>	<u>\$ 475,564</u>

The accompanying notes are an integral part of this statement.

## TOWN OF CULLEN, LOUISIANA

**Reconciliation of the Governmental Funds Balance Sheet  
to the Government-Wide Financial Statement of Net Assets**

**June 30, 2004**

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

Fund Balances, Total Governmental Funds (Statement C)	\$ 342,900
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	768,404
Other assets used in governmental activities that are not financial resources and, therefore, are not reported in the governmental funds	3,217
Other liabilities used to deferred revenues not available to government funds, reported as revenues in governmental activities	49,770
Long-term liabilities including bonds payable are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Compensated absences	\$ (866)
Bonds, notes, and loans payable	<u>(46,199)</u>
	<u>(47,065)</u>
Net Assets of Governmental Activities (Statement A)	<u>\$ 1,117,226</u>

The accompanying notes are an integral part of this statement.

## TOWN OF CULLEN, LOUISIANA

Statement of Revenues, Expenditures and  
and Changes in Fund Balances  
Governmental Funds

For the Year Ended June 30, 2004

	General Fund	Two Percent Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes:				
Ad valorem	\$ 10,906	\$ -	\$ -	\$ 10,906
Sales and use	-	90,959	22,740	113,699
Licenses and permits	78,363	-	-	78,363
Charges for services	63,211	-	-	63,211
Intergovernmental revenues:				
State/Parish	29,541	-	-	29,541
Other	800	-	-	800
Fines and forfeitures	33,306	-	-	33,306
Investment earnings	1,126	290	1,348	2,764
Other revenues	9,731	-	-	9,731
Total revenues	<u>226,984</u>	<u>91,249</u>	<u>24,088</u>	<u>342,321</u>
<b>EXPENDITURES</b>				
General government	91,942	1,458	10,176	103,576
Culture and recreation	-	-	8,314	8,314
Public safety	226,665	-	-	226,665
Highways and streets	14,545	-	-	14,545
Sanitation and health	35,072	-	-	35,072
Debt service	20,874	-	-	20,874
Total expenditures	<u>389,098</u>	<u>1,458</u>	<u>18,490</u>	<u>409,046</u>
Excess (deficiency) of revenues over (under) expenditures	(162,114)	89,791	5,598	(66,725)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	109,019	-	-	109,019
Transfers out	-	(93,471)	(15,548)	(109,019)
Total other financing sources and uses	<u>109,019</u>	<u>(93,471)</u>	<u>(15,548)</u>	<u>-</u>
Net change in fund balance	(53,095)	(3,680)	(9,950)	(66,725)
Fund balances - beginning	160,719	14,082	234,824	409,625
Fund balances - ending	<u>\$ 107,624</u>	<u>\$ 10,402</u>	<u>\$ 224,874</u>	<u>\$ 342,900</u>

The accompanying notes are an integral part of this statement.

## TOWN OF CULLEN, LOUISIANA

**Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities**

**For the Year Ended June 30, 2004**

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

Net Change in Fund Balances, Total Governmental Funds, Statement E	\$ (66,725)
--	-------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	8,331
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Revenue in the statement of activities that do not provide current resources are not reported as revenues in the funds	52,987
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The issuance of long-term debt (bonds, leases, etc.) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	18,367
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	<u>3,136</u>
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Change in Net Assets of Governmental Activities, Statement B	<u>\$ 16,096</u>
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The accompanying notes are an integral part of this statement.

**TOWN OF CULLEN, LOUISIANA**  
**Statement of Net Assets, Proprietary Funds**  
**June 30, 2004**

	Business Type Activities - Enterprise Funds		Totals
	Water Fund	Sewer Fund	
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 17,896	\$ 155,020	\$ 172,916
Investments	216,890	574,052	790,942
Accounts receivable - customers	13,853	21,230	35,083
Other receivable	30	-	30
Due from other funds	36,841	29,553	66,394
Total current assets	<u>285,510</u>	<u>779,855</u>	<u>1,065,365</u>
Noncurrent assets:			
Restricted assets -			
Cash and interest-bearing bank deposits	3,374	-	3,374
Investment	21,106	-	21,106
Capital assets (net of accumulated depreciation)	493,095	874,976	1,368,071
Total noncurrent assets	<u>517,575</u>	<u>874,976</u>	<u>1,392,551</u>
Total assets	<u>\$ 803,085</u>	<u>\$ 1,654,831</u>	<u>\$ 2,457,916</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 1,618	\$ 2,450	\$ 4,068
Compensated absences payable	-	1,670	1,670
Due to other funds	31,636	50,140	81,776
Total current liabilities	<u>33,254</u>	<u>54,260</u>	<u>87,514</u>
Current liabilities payable from restricted assets	<u>21,165</u>	<u>-</u>	<u>21,165</u>
Noncurrent liabilities:			
Compensated absences payable	2,223	386	2,609
Total noncurrent liabilities	<u>2,223</u>	<u>386</u>	<u>2,609</u>
Total liabilities	<u>56,642</u>	<u>54,646</u>	<u>111,288</u>
<b>NET ASSETS</b>			
Invested in capital assets	493,095	874,976	1,368,071
Restricted for meter deposits	21,165	-	21,165
Unrestricted	232,183	725,209	957,392
Total net assets	<u>\$ 746,443</u>	<u>1,600,185</u>	<u>\$ 2,346,628</u>

The accompanying notes are an integral part of this statement.

**TOWN OF CULLEN, LOUISIANA**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2004**

	Business Type Activities - Enterprise Funds		Totals
	Water Fund	Sewer Fund	
<b>Operating revenues:</b>			
Charges for services			
Water	\$ 116,486	\$ -	\$ 116,486
Sewerage	-	133,402	133,402
Penalties/service charges	-	8,042	8,042
Other charges for services	4,601	11,590	16,191
Total operating revenues	<u>121,087</u>	<u>153,034</u>	<u>274,121</u>
<b>Operating expenses:</b>			
Personal services	48,123	49,451	97,574
Materials and supplies	8,210	1,218	9,428
Insurance claims and expenses	4,426	10,177	14,603
Repairs and maintenance	25,110	27,193	52,303
Other services and charges	30,739	30,197	60,936
Bad debt expenses	1,189	1,530	2,719
Depreciation	28,395	57,573	85,968
Total operating expenses	<u>146,192</u>	<u>177,339</u>	<u>323,531</u>
<b>Operating income (loss)</b>	(25,105)	(24,305)	(49,410)
<b>Nonoperating revenues (expenses):</b>			
Interest income	2,439	6,758	9,197
Total nonoperating revenues and expenses	<u>2,439</u>	<u>6,758</u>	<u>9,197</u>
<b>Change in net assets</b>	(22,666)	(17,547)	(40,213)
<b>Net assets - beginning</b>	<u>769,109</u>	<u>1,617,732</u>	<u>2,386,841</u>
<b>Net assets - end of year</b>	<u>\$ 746,443</u>	<u>\$ 1,600,185</u>	<u>\$ 2,346,628</u>

The accompanying notes are an integral part of this financial statement.

**TOWN OF CULLEN, LOUISIANA**  
**Statements of Cash Flows**  
**Proprietary Funds**  
**Years Ended June 30, 2004**

	Business Type Activities - Enterprise Funds		Totals
	Water Fund	Sewer Fund	
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 115,767	\$ 130,793	\$ 246,560
Other operating cash receipts	4,601	19,632	24,233
Cash payments for supplies and services	(7,459)	212	(7,247)
Cash payments to employees for service	(48,121)	(48,768)	(96,889)
Other operating cash payments	(60,275)	(67,567)	(127,842)
Operating transfer (to)/from other funds	(1,825)	10,784	8,959
Net cash provided by operating activities	<u>2,688</u>	<u>45,086</u>	<u>47,774</u>
<b>Cash flows from noncapital financing activities:</b>			
Net increase in meter deposits	486	-	486
Net cash used for noncapital financing activities	<u>486</u>	<u>-</u>	<u>486</u>
<b>Cash flows from capital and related financing activities:</b>			
Acquisition and construction of capital assets	-	(5,800)	(5,800)
Net cash used for capital and related financing activities	<u>-</u>	<u>(5,800)</u>	<u>(5,800)</u>
<b>Cash flows from investing activities:</b>			
Interest on interest-bearing deposits	2,439	6,758	9,197
Reinvestment of interest earned	(2,439)	(5,496)	(7,935)
Net cash provided by investing activities	<u>-</u>	<u>1,262</u>	<u>1,262</u>
Net increase (decrease) in cash and cash equivalents	3,174	40,548	43,722
Cash and cash equivalents at beginning of year	18,096	114,472	132,568
Cash and cash equivalents at end of year	<u>\$ 21,270</u>	<u>\$ 155,020</u>	<u>\$ 176,290</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Operating income (loss)	\$ (25,105)	\$ (24,305)	\$ (49,410)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	28,394	57,573	85,967
Bad debt	1,189	1,530	2,719
Changes in assets and liabilities -			
Decrease (increase) in accounts receivable	(764)	(2,608)	(3,372)
Decrease (increase) in accounts receivable - other	46	-	46
Decrease (increase) interfund loans	(1,825)	10,784	8,959
Increase (decrease) in accounts payable	751	1,430	2,181
Increase (decrease) in accrued compensated absences	2	682	684
Net cash provided by operating activities	<u>\$ 2,688</u>	<u>\$ 45,086</u>	<u>\$ 47,774</u>

The accompanying notes are an integral part of this financial statement.

## TOWN OF CULLEN, LOUISIANA

### NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2004

#### **INTRODUCTION**

The Town of Cullen was incorporated June 16, 1955, under the provisions of the Lawrason Act and is located in northern Webster Parish. The Town operates under a Mayor-Board of Aldermen form of government and provides the following services as authorized by its charter: general administrative services, public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, public improvements, and planning and zoning. The Board of Aldermen is made up of five members who are elected by the citizens of Cullen to serve four-year terms. They are compensated for their services.

The accounting and reporting policies of the Town of Cullen conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of the Louisiana Municipal Audit and Accounting Guide and to the industry audit guide, Audits of State and Local Governmental Units.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the municipality is considered a primary government, since it is a special purpose government that has a separately elected body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the municipality may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. Certain units of local government over which the Town exercises no financial accountability are excluded from the accompanying financial statements. These units of government are considered separate reporting entities and issue financial statements separate from those of the Town of Cullen.

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **A. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and

## TOWN OF CULLEN, LOUISIANA

### NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2004

intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) 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.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

#### **B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal

TOWN OF CULLEN, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2004

period. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The municipality reports the following major governmental funds:

The General Fund is the municipality's primary operating fund. It accounts for all financial resources, of the general government, except those required to be accounted for in another fund.

The Two Percent Sales Tax Fund accounts for the receipt and use of the municipality's two percent (2%) sales and use tax levied by the Town of Cullen to be used for any lawful purpose for the Town.

The municipality reports the following major proprietary funds:

The Water Fund accounts for the receipts and use of the municipality's water system.

The Sewer Fund accounts for the receipts and use of the municipality's sewer system.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's enterprise operations. Eliminations of these charges would distort direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

TOWN OF CULLEN, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2004

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are from charges for water and sewerage services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

**C. Deposits and investments**

The municipality's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investment with original maturities of three months or less from the date of acquisition. State law and the municipality's investment policy allow the municipality to invest in collateralized certificates of deposits, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities.

Investments for the municipality, as well as for its component units, are reported at fair value. The state investment pool (LAMP) operates in accordance with state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

**D. Receivables and payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include sales and use taxes, franchise taxes, police fines, and grants.

TOWN OF CULLEN, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2004

Business-type activities report utilities as their major receivable. The Town considers substantially all customers' utility receivables and other receivables to be fully collectible; accordingly, an allowance for doubtful accounts is not required. If amounts become uncollectible, in the opinion of management, they are charged to operations at that time.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, grants and other intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned and only if paid within 60 days since they would be considered both measurable and available.

Advalorem taxes

For the year ended June 30, 2004, taxes of 7.62 mills were levied on property with assessed valuations totaling \$1,475,050 and were dedicated as follows:

General corporate purposes	7.62 mills
----------------------------	------------

Ad valorem taxes attach as an enforceable lien on the valuation of property as of January 1, of each year. The Town of Cullen bills and collects its property taxes using the assessed values determined by the tax assessor of Webster Parish. Total taxes levied were \$11,240.

Sales taxes

The voters of the Town of Cullen approved a 1% sales and use tax on January 20, 1970. The proposition approved by the voters specifies that the revenue may be used for any lawful corporate purpose. On November 21, 1987, the voters approved a 1/2% sales and use tax which specifies that the revenue may be used for the purpose of constructing, operating and maintaining the sewer system, waterworks, garbage collection and waste disposal facilities, fire department stations and related facilities, public parks and related facilities, and streets, alleys, sidewalks and bridges and for payment of salaries of non-elected municipal employees.

On April 29, 1995, the voters approved an additional 1% sales and use tax which specifies that revenue may be used for any lawful purpose for the town and authority to fund the tax proceeds into bonds to pay the costs of any lawful capital improvements for the town.

TOWN OF CULLEN, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2004

**E. Restricted assets**

For the year ended June 30, 2004, the Town of Cullen received confiscated drug revenues which are restricted for expenditure on drug policing activities. The Town accounts for these revenues in the general fund as allowed by GASB Cod. Sec 1300.107 which notes that if the purpose is normally financed through the general fund, that fund (instead of a special revenue fund) may be used to account for restricted resources and expenditures as long as applicable legal requirements can be satisfied.

Certain proceeds of the General Fund Certificate of Indebtedness, Series 1999, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable covenants.

There shall be set aside into a "Certificates of Indebtedness, Series 1999, Reserve Fund," an amount at least equal to 10% of the amount to be paid monthly into the Sinking Fund until there has been accumulated therein a sum equal to the highest combined principal and interest falling due in any succeeding year. The money in the Reserve Fund is to be used solely for the purpose of paying the principal and interest on the Certificate as which there would otherwise be default.

Restricted assets in the Water Fund include cash and investments set aside for the refunding of customers' meter deposits.

**F. Capital assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The municipality maintains a threshold level of \$2,500 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

TOWN OF CULLEN, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2004

Major outlays for capital assets and improvements are capitalized as projects are constructed. All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Roads, bridges, and infrastructure	25-50 years
Land improvements	10-30 years
Buildings and building improvements	10-40 years
Improvements other than buildings	10-33 years
Furniture and fixtures	5-15 years
Vehicles	5-15 years
Equipment	5-10 years

**G. Compensated absences**

Employees are allowed to accrue ten days of sick leave each year. Employees can be paid sick leave only when sick. Since the employees' accumulating rights to receive compensation for future absences are contingent upon the absences being caused by future illnesses and such amounts cannot be reasonably estimated, a liability for unused sick leave is not recorded in the financial statements.

Employees are granted annual leave as follows:

> 3 years of service	5 days (40 hours)
3-8 years of service	10 days (80 hours)
> 8 years of service	15 days (120 hours)

Annual leave is granted to each employee on their anniversary date of employment based on years of service. No carryover is allowed for annual leave. Upon termination of employment, an employee will be paid for unused vacation as of the termination date.

Employees are also eligible to accumulate comp time. Comp time is overtime hours that the employee works which are accumulated to be taken at a later date. Any hours worked by an employee which is over the regular time of forty (40) hours is equal to one and one-half (1 ½) hours of comp time. Upon termination, an employee is paid for unused comp time. Comp time is carried

TOWN OF CULLEN, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2004

forward indefinitely until used or paid to the employee.

Both annual leave and comp time are recognized as a liability as the benefits are earned by the employees when both of the following conditions are met:

1. The employees' rights to receive compensation are attributable to the services already rendered.
2. 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.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

**H. Long-term obligations**

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

**I. Fund equity**

In the fund financial statements, governmental funds report reservations of fund balances for

TOWN OF CULLEN, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2004

amounts that are not available for appropriation or are legally restricted by parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**J. Estimates**

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

**2. Stewardship, compliance and accountability**

The Town follows the following budget practices:

- a) The Town Clerk prepares a proposed budget and submits same to the Mayor and Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year.
- b) The public is notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
- c) A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
- d) After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
- e) Budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases or decreases in expenditures resulting from revenues exceeding or failing to meet amounts estimated require the approval of the Board of Aldermen.
- f) All budgetary appropriations lapse at the end of each fiscal year.

TOWN OF CULLEN, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2004

- g) Budgets for the General and Special Revenue Funds were adopted on a cash basis for the year ended June 30, 2004. Budgeted amounts, as originally adopted, are amended from time to time by the Board of Aldermen. Such amendments were not material in relation to the original appropriations. Budgets comparisons are not presented for the Special Revenue Fund – Rural Development Revolving Loan Program Grant due to the restriction of these funds for the purposes authorized by the underlying grant.
- h) The revenues and expenditures presented on Page 14 using the GAAP basis are reconciled with the Actual on Budgetary Basis presented on Pages 40, 41 and 46 as follows:

	General <u>Fund</u>	Special Revenue <u>Funds</u>
Net change in fund balance (GAAP Basis)	\$ (53,095)	(13,630)
Adjustments:		
(Increase) decrease receivables	(49,428)	(2,388)
Increase (decrease) payables	34,966	
Revolving Loan Program	<u>          -</u>	<u>  9,555</u>
Net change in fund balance (CASH Basis)	\$ <u>(67,557)</u>	<u>(  6,463)</u>

**3. Cash and cash equivalents**

At June 30, 2004, the Town of Cullen had cash and cash equivalents totaling \$309,514 as follows:

Petty cash	\$ 830
Demand deposits	136,777
Certificates of deposit	<u>171,907</u>
Total	\$ <u>309,514</u>

These deposits are stated at cost, which approximates market. 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

TOWN OF CULLEN, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2004

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.

At June 30, 2004, the Town of Cullen had \$316,111 in bank deposits. These deposits are secured from risk by \$101,047 of federal deposit insurance and \$217,679 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Town that the fiscal agent has failed to pay deposited funds upon demand.

**4. Investments**

Investments held at the Town of Cullen consist of \$955,412 in the Louisiana Asset Management Pool (LAMP), a local government investment pool. In accordance with GASB Codification Section 150.126, the investment in LAMP at the Town of Cullen is not categorized in the three risk categories provided by GASB Codification Section 150.125 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form.

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA – R.S. 33:2955. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities.

Effective August 1, 2001, LAMP's investment guidelines were amended to permit the investment in government-only money market funds. In its 2001 Regular Session, the Louisiana Legislature (Senate Bill No. 512, Act 701) enacted LSA-R.S. 33:2955(A)(1)(h) which allows all municipalities, parishes, school boards, and any other political subdivisions of the State to invest in "Investment

TOWN OF CULLEN, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2004

grade (A-1/P-1) commercial paper of the domestic United States corporations.” Effective October 1, 2001, LAMP’s Investment Guidelines were amended to allow the limited investment in A-1 or A-1+ commercial paper.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

**5. Receivables**

The receivables of \$89,900 at June 30, 2004 within the governmental funds are as follows:

<u>Class of receivable:</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
Taxes:			
Advalorem	\$ 998	-	998
Sales and use	-	10,569	10,569
Franchise	2,392	-	2,392
Intergovernmental:			
State	44,916	-	44,916
Local	5,670	-	5,670
Accounts - Garbage service	6,959	-	6,959
Note receivable	-	15,135	15,135
Other	<u>3,261</u>	<u>-</u>	<u>3,261</u>
Total	<u>\$ 64,196</u>	<u>25,704</u>	<u>89,900</u>

All receivables are considered fully collectible and, therefore, no allowance for uncollectible amounts is provided. If amounts become uncollectible, they are charged to operations when that determination is made.

TOWN OF CULLEN, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2004

**6. Interfund receivables/payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. At June 30, 2004, such interfund receivables and payables were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 44,451	28,984
Special Revenue Funds	-	85
Enterprise Fund	<u>28,984</u>	<u>44,366</u>
	<u>\$ 73,435</u>	<u>73,435</u>

**7. Capital assets**

Capital assets and depreciation activity as of and for the year ended June 30, 2004, for the primary government is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated				
Land	69,693	-	-	69,693
Construction in progress	<u>-</u>	<u>12,504</u>	<u>-</u>	<u>12,504</u>
Total capital assets, not being depreciated	<u>69,693</u>	<u>12,504</u>	<u>-</u>	<u>82,197</u>
Capital assets, being depreciated				
Buildings	458,569	-	-	458,569
Equipment	16,783	7,220	-	24,003
Vehicles	<u>536,120</u>	<u>40,695</u>	<u>-</u>	<u>576,815</u>
Total capital assets being depreciated	<u>1,011,472</u>	<u>47,915</u>	<u>-</u>	<u>1,059,387</u>
Less accumulated depreciation for:				
Buildings	117,759	11,464	-	129,223
Equipment	9,666	2,050	-	11,716
Vehicles	<u>193,667</u>	<u>38,573</u>	<u>-</u>	<u>232,240</u>
Total accumulated depreciation	<u>321,092</u>	<u>52,087</u>	<u>-</u>	<u>373,179</u>
Total capital assets being depreciated, net	<u>690,380</u>	<u>(4,172)</u>	<u>-</u>	<u>686,208</u>

TOWN OF CULLEN, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2004

7. Capital assets (cont')

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated				
Land	7,675	—	—	7,675
Total capital assets, not being depreciated	<u>7,675</u>	<u>—</u>	<u>—</u>	<u>7,675</u>
Capital assets, being depreciated				
Buildings	3,745	-	-	3,745
Improvements other than buildings	3,122,932	-	-	3,122,932
Equipment	<u>602,662</u>	<u>5,800</u>	—	<u>608,462</u>
Total capital assets being depreciated	<u>3,729,339</u>	<u>5,800</u>	<u>—</u>	<u>3,735,139</u>
Less accumulated depreciation for:				
Buildings	3,745	-	-	3,745
Improvements other than buildings	1,697,675	79,342	-	1,777,017
Equipment	<u>587,355</u>	<u>6,626</u>	—	<u>593,981</u>
Total accumulated depreciation	<u>2,288,775</u>	<u>85,968</u>	<u>—</u>	<u>2,374,743</u>
Total capital assets being depreciated, net	<u>1,440,564</u>	<u>(78,168)</u>	<u>—</u>	<u>1,360,396</u>

8. Long-term obligations

The following is a summary of changes in long-term debt for the year ended June 30, 2004:

	<u>Certificate of Indebtedness</u>	<u>Compensated Absences</u>
Long-term obligations at July 1, 2003	\$ 64,567	7,596
Deductions	<u>(18,368)</u>	<u>(2,451)</u>
Long-term obligations at June 30, 2004	<u>\$ 46,199</u>	<u>5,145</u>

TOWN OF CULLEN, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2004

The following is a summary of the current (due in one year or less) and the long-term (due in more than one year) portions of long-term obligations as of June 30, 2004:

	<u>Certificate of Indebtedness</u>	<u>Compensated Absences</u>	<u>Total</u>
Current portion	\$ 19,603	1,985	21,588
Long-term portion	<u>26,596</u>	<u>3,160</u>	<u>29,756</u>
Total	<u>\$ 46,199</u>	<u>5,145</u>	<u>51,344</u>

Bonds at June 30, 2004, are comprised of the following individual issues:

Certificates of Indebtedness, Series 1999:

\$120,165 Certificates of Indebtedness, Series 1999,  
dated November 4, 1999; due in monthly installments  
installments of \$1,281 through November 4, 2009;  
interest at 4 ¾%

\$ 46,199

The annual requirements to amortize all debt outstanding as of June 30, 2004, including interest payments of \$3,747 are presented below:

<u>Year Ending June 30,</u>	<u>Certificates of Indebtedness</u>
2005	\$ 15,374
2006	15,374
2007	15,374
2008	<u>3,824</u>
	<u>\$ 49,946</u>

Management has been paying and plans to pay in the future an additional \$500 per month on the outstanding certificates of indebtedness. If these payments are made then the total requirements to amortize the debt will be \$48,844.

In accordance with R.S. 39:562, the municipality is legally restricted from incurring long-term bonded debt in excess of 35% of the assessed value of taxable property. At June 30, 2004, the

TOWN OF CULLEN, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2004

statutory limit is \$516,268, and outstanding bonded debt totals \$46,199.

**9. Retirement system**

Prior to the current fiscal year, the employees of the Town elected to terminate their participation in the Municipal Employee's Retirement System. The plan was terminated effective July 1, 1992, following the conclusion of the plan's prescribed waiting period. All funds on deposit with the system were subsequently distributed to the employees according to plan terms and conditions. Subsequent to July 1, 1992 employees are covered by the Federal Social Security System.

**Municipal Police Employees Retirement System of Louisiana (System)**

*Plan Description.* All full-time police department employees engaged in law enforcement are required to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3 percent of their final average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

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

*Funding Policy.* Plan members are required by state statute to contribute 7.5 percent of their annual covered salary and the Town of Cullen is required to contribute at an actuarially determined rate. The current rate is 15.25 percent of annual covered payroll. The contribution requirements of plan members and the Town of Cullen are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town of Cullen contributions to the System for the years ended June 30, 2004, 2003 and

TOWN OF CULLEN, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2004

2002, were \$11,648, \$9,183 and \$9,157, respectively, equal to the required contributions for each year.

**10. Operating leases**

The Town of Cullen has two operating leases with Centurytel Telephone System. These leases are for telephone equipment for both City Hall and the Police Department. Both lease terms are for 60 months with a monthly minimum rent of \$49.99 for the City Hall system and \$44.67 for the Police Department system. Operating lease payments for the year ended June 30, 2004 was \$1,136.

The minimum annual commitments under noncancelable operating leases are as follows:

<u>Fiscal Year</u>	<u>Equipment</u>
2005	\$ 1,136
2006	1,136
2007	1,136
2008	<u>678</u>
Total	\$ <u>4,086</u>

**11. Revolving loan receivable**

The Town of Cullen was awarded \$80,000 in funding for a Revolving Loan Fund under the Rural Business Enterprise Grant Program. The funds are being used in connection with a revolving loan program, established by the Town, to assist area small business development and expansion.

In connection with the Revolving Loan Fund, one loan recipient is delinquent on repayment of a \$45,000 loan made on May 1, 1988. The loan was secured by the mortgaged property. On July 2, 2001, the town adopted a resolution to initiate foreclosure proceedings against the loan recipient for non-payment of the balance due on the note secured by the mortgaged property. On January 20, 2004, the town entered a partial dation en paiement with Henry and Rudell Rhone. The total mortgage obligation owed to the town as of January 20, 2004, was \$53,133.86, which includes \$13,095 in accrued interest. The Rhone's transferred the mortgaged property, having an appraised value of \$38,000 as partial satisfaction of the debt. As of June 30, 2004, the total outstanding loan balance was \$15,134, to be paid in monthly installments of \$100 per month. During the fiscal year ended June 30, 2004, no payments have been received by the town and no action has been taken

TOWN OF CULLEN, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2004

regarding further collection proceedings on the remaining balance owed to the town.

The town recognizes \$38,000 of inventory as of June 30, 2004, which is made up of the building which was received as payment on the loan receivable. The town currently holds the building for sale.

A second loan recipient is delinquent on repayment of a \$10,000 loan made on March 1, 2001. The loan was secured by a second mortgage on the loan recipient's home. The total outstanding loan balance of \$8,861 and interest receivable of \$722 was written off as uncollectible during the year ended June 30, 2004. On November 24, 2003, the Town received notice that the second loan recipient had filed for Chapter 13 bankruptcy.

**12. Deferred revenue**

At June 30, 2004, the town recorded deferred revenue total \$49,770, primarily relating to reimbursement-type state grants not collected within 60 days after the end of the fiscal year. The town purchased equipment in connection with the grants and a request for reimbursement was submitted to the appropriate agencies as of June 30, 2004.

**13. Restricted assets**

For the governmental activities, the restricted assets were applicable to the following at June 30, 2004:

Confiscated drug revenues	\$ 1,772
Certificate of Indebtedness sinking fund	1,281
Certificate of Indebtedness reserve fund	<u>7,353</u>
Total	\$ <u>10,406</u>

For the business-type activities, restricted assets were applicable to the following at June 30, 2004:

Customers' meter deposits – cash	\$ 3,374
Customers' meter deposits – investment	<u>21,106</u>
Total	\$ <u>24,480</u>

TOWN OF CULLEN, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2004

**14. On-behalf payments**

During the fiscal year ended June 30, 2004, the town's police chief and officers each received \$300 per month in police supplemental pay from the State of Louisiana, Department of Public Safety and Corrections, totaling \$16,200. The town recognizes this supplemental pay received by the employees as revenues and expenditures of the town. The revenues are reported in the general fund and the expenditures are included in the public safety expenditures.

**15. Contingent liabilities**

At June 30, 2004, there was no litigation pending against the Town of Cullen.

**16. Risk management**

The town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The town attempts to minimize risk from significant losses through the purchase of insurance.

**17. Fund balance/retained earnings restatements**

Undesignated fund balance previously reported at June 30, 2003, for the general fund and special revenue fund have been increased by \$10,578, and \$13,097, respectively, as follows:

	<u>General</u>	<u>Special Revenue</u>
Fund balance at beginning of year, as previously reported	\$ 150,141	235,809
Adjustment for understatement of earned revenues from FEMA	10,578	-
Adjustment for understatement of interest receivable from RBE loan	-----	<u>13,097</u>
Fund balance at beginning of year, as restated	\$ <u>160,719</u>	<u>248,906</u>

TOWN OF CULLEN, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2004

Total fund equity balance previously reported at June 30, 2003 for the water fund has been decreased by \$5,000 as follows:

	Water Fund
Fund equity at beginning of year, as previously reported	\$774,109
Adjustment for overstatement of inventory	<u>(5,000)</u>
Fund equity at beginning of year, as restated	\$ <u>769,109</u>

REQUIRED SUPPLEMENTAL INFORMATION

**TOWN OF CULLEN, LOUISIANA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2004**

	<u>Budgeted Amounts</u>		<u>Actual CASH Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes - ad valorem	\$ 11,350	\$ 11,350	\$ 10,281	\$ (1,069)
Licenses and permits	46,250	41,825	80,737	38,912
Charges for services	63,000	63,000	63,544	544
Fines and forfeitures	22,000	27,000	33,306	6,306
Intergovernmental	34,750	68,700	30,624	(38,076)
Interest	1,490	1,315	1,126	(189)
Miscellaneous	4,670	7,118	6,946	(172)
Total revenues	<u>183,510</u>	<u>220,308</u>	<u>226,564</u>	<u>6,256</u>
<b>Expenditures</b>				
General Government	96,059	103,296	97,084	6,212
Public Safety	203,030	236,318	232,721	3,597
Highway and streets	19,500	19,500	16,810	2,690
Sanitation and health	42,800	40,545	35,651	4,894
Debt service	21,375	21,375	20,874	501
Total expenditures	<u>382,764</u>	<u>421,034</u>	<u>403,140</u>	<u>17,894</u>
Excess (deficiency) of revenues over (under) expenditures	(199,254)	(200,726)	(176,576)	24,150
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	115,000	108,500	109,019	519
Operating transfers out	(1,548)	-	-	-
Total other financing sources (uses)	<u>113,452</u>	<u>108,500</u>	<u>109,019</u>	<u>519</u>
Net change in fund balance	(85,802)	(92,226)	(67,557)	24,669
Fund balance at beginning of year	<u>167,135</u>	<u>167,135</u>	<u>167,135</u>	<u>-</u>
Fund balance at end of year	<u>\$ 81,333</u>	<u>\$ 74,909</u>	<u>\$ 99,578</u>	<u>\$ 24,669</u>

The accompanying notes are an integral part of this statement.

**TOWN OF CULLEN, LOUISIANA**  
**Statement of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget and Actual**  
**Special Revenue Fund - Two Percent Sales Tax Fund**  
**For the Year Ended June 30, 2004**

	Budgeted Amounts		Actual	Variance with
	Original	Budget	CASH Basis	Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes - sales	\$ 83,000	\$ 82,000	\$ 89,049	\$ 7,049
Interest	100	250	291	41
Total revenues	<u>83,100</u>	<u>82,250</u>	<u>89,340</u>	<u>7,090</u>
<b>Expenditures:</b>				
General government -				
Collection expense	1,175	1,250	1,458	(208)
Total expenditures	<u>1,175</u>	<u>1,250</u>	<u>1,458</u>	<u>(208)</u>
Excess of revenues over expenditures	<u>81,925</u>	<u>81,000</u>	<u>87,882</u>	<u>6,882</u>
<b>Other financing (uses):</b>				
Operating transfers out	(95,000)	(88,500)	(93,471)	(4,971)
Total other financing (uses)	<u>(95,000)</u>	<u>(88,500)</u>	<u>(93,471)</u>	<u>(4,971)</u>
Excess (deficiency) of revenues over (under) expenditures and other uses	(13,075)	(7,500)	(5,589)	1,911
Fund balance at beginning of year	<u>7,537</u>	<u>7,537</u>	<u>7,537</u>	<u>-</u>
Fund balance at end of year	<u>\$ (5,538)</u>	<u>\$ 37</u>	<u>\$ 1,948</u>	<u>\$ 1,911</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF CULLEN, LOUISIANA

NOTES TO BUDGETARY COMPARISON SCHEDULES

June 30, 2004

Note 1 - Budget basis

The budget for the general fund and special revenues funds are adopted on a cash basis.

Note 2 – Explanation major changes from original budget to final budget

Major changes to revenues budgeted in the General Fund

Final budget reflects amendment to increase revenues to include grants received for the purchase of new police cars and equipment.

Major changes to expenditures budgeted in the General Fund

Final budget reflects amendment to increase the amount budgeted for capital outlay expenditures for public safety.

OTHER SUPPLEMENTARY SCHEDULES

**TOWN OF CULLEN, LOUISIANA**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2004**

	<u>Special Revenue</u>		
	<u>One-half Percent Sales Tax Fund</u>	<u>Revolving Loan Program Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 19,450	\$ 11,757	\$ 31,207
Investments	112,388	-	112,388
Receivables	2,115	15,134	17,249
Due from other funds	26,115	-	26,115
Inventory	-	38,000	38,000
	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 160,068</u>	<u>\$ 64,891</u>	<u>\$ 224,959</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Due to other funds	\$ -	\$ 85	\$ 85
Total liabilities	<u>          </u>	<u>          </u>	<u>          </u>
Fund balances:			
Unreserved, undesignated	<u>160,068</u>	<u>64,806</u>	<u>224,874</u>
Total fund balances	<u>160,068</u>	<u>64,806</u>	<u>224,874</u>
	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund balances	<u>\$ 160,068</u>	<u>\$ 64,891</u>	<u>\$ 224,959</u>

The accompanying notes are an integral part of this statement.

**TOWN OF CULLEN, LOUISIANA**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**For the Year Ended June 30, 2004**

	<u>Special Revenue</u>		
	One-half Percent Sales Tax Fund	Revolving Loan Program Fund	Total Nonmajor Governmental Funds
<b>REVENUES</b>			
Sales taxes	\$ 22,740	\$ -	\$ 22,740
Intergovernmental revenues:			
Federal grants	-	-	-
Fines and forfeitures	-	-	-
Investment earnings	1,245	103	1,348
Other revenues	-	-	-
Total revenues	<u>23,985</u>	<u>103</u>	<u>24,088</u>
<b>EXPENDITURES</b>			
General government	518	9,658	10,176
Culture and recreation	8,314	-	8,314
Total expenditures	<u>8,832</u>	<u>9,658</u>	<u>18,490</u>
Excess (deficiency) of revenues over (under) expenditures	15,153	(9,555)	5,598
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers out	<u>(15,548)</u>	<u>-</u>	<u>(15,548)</u>
Total other financing sources and uses	<u>(15,548)</u>	<u>-</u>	<u>(15,548)</u>
Net change in fund balance	(395)	(9,555)	(9,950)
Fund balances -- beginning	<u>160,463</u>	<u>74,361</u>	<u>234,824</u>
Fund balances -- ending	<u>\$ 160,068</u>	<u>\$ 64,806</u>	<u>\$ 224,874</u>

The accompanying notes are an integral part of this statement.

**TOWN OF CULLEN, LOUISIANA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances-**  
**Budget and Actual**  
**Nonmajor Governmental Fund - One-half Percent Sales Tax Fund**  
**Year Ended June 30, 2004**

	<u>Budgeted Amounts</u>		Actual CASH Basis	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Sales tax	\$ 20,750	\$ 20,500	\$ 22,262	\$ 1,762
Investment earnings	1,300	1,150	1,245	95
Total revenues	<u>22,050</u>	<u>21,650</u>	<u>23,507</u>	<u>1,857</u>
<b>Expenditures</b>				
General government	800	3,325	519	2,806
Culture and recreation	7,000	8,050	8,314	(264)
Total expenditures	<u>7,800</u>	<u>11,375</u>	<u>8,833</u>	<u>2,542</u>
Excess (deficiency) of revenues over (under) expenditures	14,250	10,275	14,674	4,399
<b>Other Financing Sources (Uses)</b>				
Transfers in	<u>(20,000)</u>	<u>(32,000)</u>	<u>(15,548)</u>	<u>16,452</u>
<b>Net change in fund balance</b>	(5,750)	(21,725)	(874)	20,851
<b>Fund balance at beginning of year</b>	<u>158,826</u>	<u>158,826</u>	<u>158,826</u>	<u>-</u>
<b>Fund balance at end of year</b>	<u>\$ 153,076</u>	<u>\$ 137,101</u>	<u>\$ 157,952</u>	<u>\$ 20,851</u>

See accompanying note to budgetary comparison schedules.

TOWN OF CULLEN, LOUISIANA

SCHEDULE OF COMPENSATION PAID BOARD MEMBERS

June 30, 2004

The Mayor and Board of Aldermen for the Town of Cullen were compensated for the year ended June 30, 2004 as follows:

	<u>Mayor</u>	<u>Alderman</u>
Floydean White	\$ 10,200	-
Maude Underwood	-	1,500
Myrtle Veal (does not receive compensation)	-	-
Curtecia Kennedy	-	1,500
Jennifer Rhone	-	1,500
Andre' Washington	-	<u>1,500</u>
Compensation paid	<u>\$ 10,200</u>	<u>6,000</u>

OTHER REPORTS

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# JAMIESON, WISE & MARTIN

A PROFESSIONAL ACCOUNTING CORPORATION

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JENNIFER C. SMITH, C.P.A.

WM. PEARCE JAMIESON, C.P.A.(1991)

MEMBERS

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

The Honorable Floydean White, Mayor,  
and the Members of the Board of Aldermen  
Town of Cullen, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Cullen, Louisiana, as of and for the year ended June 30, 2004, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 17, 2004, which was qualified because we could not determine the General Fund accounts receivable for ticket fines and accounts payable to other agencies balances. Except for the matters discussed previously regarding the accounts receivable and accounts payable to other agencies balances, 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.

### Compliance

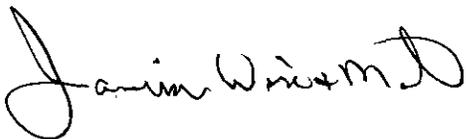
As part of obtaining reasonable assurance about whether Town of Cullen, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instances of noncompliance that is required to be reported under *Government Auditing Standards* and is described in the accompanying Schedule of Current Year Findings as item 2004-1.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Town of Cullen, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we considered to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Town of Cullen's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Current Year Findings as items 2004-2 through 2004-5.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2004-5 to be a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to the management of the Town of Cullen, Louisiana, in a separate letter dated December 17, 2004.

This report is intended for the information of management, Board of Alderman, the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Minden, Louisiana  
December 17, 2004

TOWN OF CULLEN, LOUISIANA

SCHEDULE OF CURRENT YEAR FINDINGS

June 30, 2004

**COMPLIANCE WITH LAWS, REGULATIONS, CONTRACTS, AND GRANTS**

**2004-1: Donating town funds**

**The town may have violated Louisiana's constitution and state law by exceed its powers in donation town funds to nonprofit organizations.**

The town donated town funds to the following non-profit organizations:

Boys and Girls Club of Webster, Cullen site - The town has a cooperative endeavor agreement with the Boys and Girls Club of Webster, Cullen site to provide funds to assist in obtaining their charter and daily operation of the club. During August, 2003, the town paid \$4,000 to the club for its support. However, we were unable to determine the existence of the club at the time payment was made.

Cullen Recreation District – The town has a cooperative endeavor agreement with the Cullen Recreation District to provide funding necessary to operate the park, not to exceed \$2,000 annually. It appears that the town provided funding in excess of the amount stated in the cooperative endeavor. No amendment to the existing endeavor was provided.

We recommend that the town not donate public funds to nonprofit organizations unless in agreement with the terms of a valid cooperative endeavor agreement and also, verification of supporting documentation from the organization to ensure that funding is used for proper purposes.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

**2004-2: Insufficient effort to collect delinquent utility accounts**

Description of finding: **The town is not following its policy for collecting delinquent utility accounts.** On May 1, 2004, the town adopted a new water cut-off policy which amended the old policy by requiring bills to be paid by the 20<sup>th</sup> of the month. All bills not paid by the 20<sup>th</sup> are to be cut-off. The town's previous cut-off policy provided that customers who do not pay their bill by the end of the first month next succeeding the month in which the charge was incurred and for which it was billed, he shall be notified by the clerk of the town that such charge must be paid within ten days of the communication giving the notice, under penalty of having service disconnected. Continuing to provide services after the

## TOWN OF CULLEN, LOUISIANA

### SCHEDULE OF CURRENT YEAR FINDINGS

June 30, 2004

cut-off date and not actively trying to collect delinquent utility account balances is prohibited by Louisiana's constitution (Article VII, Section 14(A) of the Louisiana Constitution of 1974). In addition, the continued operation and quality of service provided to customers depends on the town collecting for the services it provides.

Although the town has amended its water cut-off policy, and entered into an agreement with a collection agency to try to collect delinquent accounts, we noted the following:

- Our review of customers with balances overdue as of June 30, 2004 revealed that ninety-three (93) out of six hundred sixty-six accounts (666) were over sixty days past due. Of these accounts, forty-four customers with overdue balances were still actively receiving utility services. The receivable of the ninety-three accounts was \$15,420, which represents 41% of the total receivable balance as of June 30, 2004, before proposed write-offs for uncollectible accounts. Therefore, the town was not following its cut-off policy.
- In addition, overdue accounts were noted for employees of the town. The town is allowing employees to pay utility bills thru payroll deduction.

The town should:

- Enforce its cutoff policies and procedures to ensure that all delinquent accounts are collected on a timely basis or that service is disconnected.
- Prohibit granting extensions to customers.
- Require board approval before accounts are written off and continue to turn these accounts over to a collection agency for collection.
- Discontinue allowing payment for utility services thru payroll deduction by the town's employees.

#### **2004-3: Enforcement of town ordinance**

*Description of finding:* **The town has not followed the appropriate procedures as stipulated in it's ordinance regarding requirements that landowners clear their premises.** If any property owner situated within the corporate limits of Cullen shall fail or neglect to comply with the provisions of the town code concerning clearing of premises, the mayor may, at his discretion, give the landowner a written "Notice to Comply." This written notice may be given by registered mail, or may be given through advertisement in the official journal of the town for two consecutive days, and will give the owner at least ten days to comply with the requirements. If the owner fails to comply, the town may cut the grass, weeds, or other noxious growths or cause them to be cut and charge the owner for all of the

TOWN OF CULLEN, LOUISIANA

SCHEDULE OF CURRENT YEAR FINDINGS

June 30, 2004

costs thereof, if done by any other than the town, or reasonable charges if done by the town.

Our tests revealed that:

- Although the town improved its efforts to give notice to property owners about compliance with the town's ordinance, efforts to collect payments are limited to letters to property owners notifying of amount due to the town. No effort was made to collect amounts from property owners for lot clearings incurred in April, 2004.
- Lack of system to properly account for amounts receivable from property owners for costs incurred. As of June 30, 2004, the town incurred over \$1,000 of unreimbursed lot cleaning expense.

**2004-4: Control over cellular phone usage and town assets**

*Description of finding:* The town provides a cellular phone to the Mayor and the Police Chief. Although, the town adopted a formal cellular phone policy, it was not made effective until May 3, 2004. During our testwork, we noted that the town is incurring charges from Alltel for two cell phones. Also, the mayor obtained a separate cellular phone plan through AT&T Wireless. Through the Alltel cell phone plan, only one telephone is being used by the police chief. The other phone has not been cancelled, and subsequently the town is incurring a monthly fee for an unused phone.

We noted a substantial increase in the amount of usage of cellphones and cost to the town for cellular phone charges. A total of over \$7,000 in cellular phone charges were paid by the Town of Cullen during the fiscal year ended June 30, 2004.

We noted that all cellular phone charges were paid by the town, without maintaining proper documentation that bills were properly reviewed, and to ensure that the town did not incur expenses for the personal usage of cellular phones. Personal use must be limited to incidental use while carrying on town business.

We recommend that the town develop a system which provides the documentation to support that invoices are reviewed by persons knowledgeable about the nature of the calls, that personal calls are identified and payment for personal calls be made by the cell phone user and not be paid for with public funds.

TOWN OF CULLEN, LOUISIANA

SCHEDULE OF CURRENT YEAR FINDINGS

June 30, 2004

**2004-5: Need to improve controls over traffic tickets, fine collection, and payable to other agencies**

**Management of the police department is not adequately accounting for traffic tickets and traffic citations are not reported to the Louisiana Department of Public Safety as required by law.** Good controls require that records are maintained that account for the numerical sequence and final disposition of all issued citations.

Our review of the police department's traffic tickets revealed the following:

- The town has no system that allow for the accounting of the numerical sequence of tickets issued. Without accounting for the numerical sequence of tickets, there is no way to efficiently determine whether citations were issued or tickets were lost or voided.
- Traffic tickets are not reported to the Department of Public Safety (DPS). Failure to report these violations to DPS results in inaccuracies in the offenders' driving records and is in violation of state law.
- There are no detailed written procedures for accounting for, processing receipts and ensuring collection of unpaid tickets fines of the General Fund.
- Because of inadequate accounting records, we were unable to determine the accounts receivable for ticket fines and related allowance for uncollectible accounts at June 30, 2004.
- There is not system to ensure collection of unpaid tickets.
- The accounts payable due to other agencies for court costs received from fines collected as of June 30, 2004 was \$14,697. No reconciliation of this account to any supporting detail has been performed since February, 2004.

We recommend that the management of the town should:

- Account for the numerical sequence of all citations issued and the final disposition of those citations monthly.
- Separate the functions of record keeping for citations and collecting fines and preparing deposits.
- Comply with state law and report all appropriate traffic violations to DPS.
- Prepare detailed written procedures for accounting for and processing ticket fines receivable.
- Develop a system to account for ticket fines receivable and reconcile to the general ledger and ensure proper collection of unpaid tickets.
- Develop a system to reconcile amounts payable to other agencies for court costs collected.

December 29, 2004

Jamieson, Wise & Martin, APAC  
Attn: Kristine Cole  
P. O. Box 897  
Minden, LA 71058

RE: Reply to schedule of Current Year Findings  
June 30, 2004 Audit

Dear Kristine:

In regard to your exit interview on December 28, 2004, the following findings noted by your firm are addressed as following:

**2004-1: Donating Town funds to the following non-profit organizations**

The Boys & Girls Club of Webster - Cullen Site received \$4,000.00 during August for operations. Your concern is whether or not they were in existence. In June, 2003, a letter was presented to the Board of Aldermen requesting funds. At the time, the Boys and Girls Club was in existence, however as of now, the Boys and Girls Club is inactive in this area; therefore the Town will not be making such donations.

The Cullen Recreation District is provided \$2,000 annually. The overpayment to this district was an error on the part of the Town Clerk. It was not intentional and when it was realized that too much money had been paid, no more was paid out. This was discussed with the auditors as to what could be done to rectify the error, it was suggested that the funding for 2004/2005 be reduced in the same amount as the overpayment, but it was too late to do this, because only a few days earlier, a partial payment on a large invoice had depleted their funding from the Town for this fiscal year. In the future, every effort will be made to ensure that the Cooperative Endeavor Agreement is followed and that no more than \$2000.00 is paid to the Cullen Recreation District. We have for the past several years only reimbursed the District for invoices that they have presented to the Town; therefore the Town does have in the files supporting documentation for this money.

**2004.2: Insufficient effort to collect delinquent utility accounts**

The Town will increase its efforts to enforce the policy which amended the old policy by requiring bills to be paid by the 20th of the month. The cut-off policy for delinquent accounts will be adhered to and service will be disconnected.

Extensions will not be granted to customers routinely.

A past-due list will be presented to the Board of Aldermen at the Council Meeting. Accounts will not be written off without approval from the Board of Aldermen, and the accounts written off will be turned over to a collection agency in an attempt to collect the funds.

The Town will quit allowing employees to use a payroll deduction to pay their utility bills.

**2004.3: Enforcement of Town ordinance**

The Town will put a system in place to properly account for property being cut or cleared. Efforts will be made to collect the amounts owed by property owners when the Town has had no choice but to cut the lots. Invoices will be mailed. If not paid, it will be placed as a lien on the property and will be due and payable when property taxes are paid.

**2004.4: Control over cellular phone usage and Town assets**

The Town has adopted a new cellular phone policy and changes have been made with regards to who is using a cell phone. The charges for the two phones from AllTel were canceled when the contract expired. This phone was being used by the Chief of Police. He did not get another cell phone through the Town and has been paying the entire cost of his cell phone plan. The only person now using a cell phone is the Mayor. Bills will be properly reviewed by the cell phone user and personal calls will be noted and the Town reimbursed for said calls. The cell phone bills will be signed by the Mayor (and the new Chief of Police, if a cell phone is used) certifying that all calls not reimbursed by the user are business calls and not personal. The Town will make every effort to ensure that the Town does not incur expenses for the personal usage of cellular phones.

**2004.5: Need to improve controls over traffic tickets, fine collection, and payable to other agencies**

The Town does in fact have a system of accounting for the numerical sequence of tickets. The ticket books are kept locked up and police officers must sign when receiving a new ticket book beside the number sequence of that book. The yellow copies of the old books are supposed to be turned in and initialed when that book is turned in beside the numbers in that particular book. These tickets were locked and the out-going Chief was not available at any time during the Audit to unlock the safe where the books are kept. This system will be continued and enforced by the new Chief of Police to ensure that traffic tickets are accounted for.

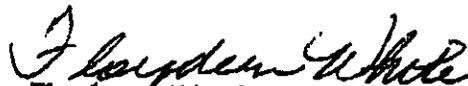
A new employee was hired to handle the traffic tickets, the Court records and the record keeping for the Police Department and Mayor's Court. There were no detailed written procedures for this employee to follow and she has been struggling to know what to do and how to do it. Written procedures will be developed and put into place for someone to follow. Separating the functions of record keeping for citations and collecting fines and preparing deposits will be difficult as the Town only has one person in the Police Department. This employee does not make the deposits, but brings the money that she has collected for fines to the Town Office personnel and they make the deposit. It is possible that policy can be changed and the Police Department will no longer take in any fine money, but will continue to handle the record keeping. All cash receipts and deposits will be handled by Town office personnel.

The Town will begin immediately to comply with the State law in reporting all appropriate traffic violations.

Procedures will be developed and written in detail to include the accounting for the numerical sequence of tickets, the proper procedures for collecting fines, the processing of the tickets and the fines which are receivable.

A computer program will be set up, if possible, to track the tickets, the fines receivable, the fines paid and give us proper totals for amounts that is receivable to the Town, amounts that the Town has collected and is holding as a Payable to other agencies, which includes all court costs, the Mayor's Court costs, the Ward II Court collections and the fines payable to the Town's General Fund. If unable to set up a computer program, this will be done manually on spread sheets. This system should also address the reconciliation of amounts payable to other agencies, for all court costs collected.

Yours truly,

  
Floyd Dean White, Mayor

TOWN OF CULLEN, LOUISIANA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2004

There were eight findings related to the financial statements for the year ended June 30, 2003, as follows:

- 2003-1 *Finding:* The town is not following its policy for collecting delinquent utility accounts.  
*Status:* Unresolved. See finding 2004-2.
- 2003-2 *Finding:* Town needs to improve controls over water, sewer, and garbage receivables and customer meter deposits.  
*Status:* Resolved.
- 2003-3 *Finding:* Detailed fixed asset records are not current, equipment is not tagged and physical inventories for these assets are not conducted annually.  
*Status:* Resolved.
- 2003-4 *Finding:* Deposits not made on daily basis. Town does not reconcile cash drawers daily.  
*Status:* Resolved.
- 2003-5 *Finding:* Town is required to pay FEMA for difference in cleanup costs and revenues received from FEMA.  
*Status:* Resolved.
- 2003-6 *Finding:* The Town has not followed the appropriate procedures as stipulated in it's ordinance regarding requirements that landowners clear their premises.  
*Status:* Unresolved. See finding 2004-3.
- 2003-7 *Finding:* Town does not exercise controls over cellular phone usage and town assets.  
*Status:* Unresolved. See finding 2004-4.
- 2003-8 *Finding:* During payroll testwork, we observed time cards being punched by other employees.  
*Status:* Resolved.

# JAMIESON, WISE & MARTIN

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MEMBERS

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## MANAGEMENT LETTER

The Honorable Floydean White, Mayor,  
and the Members of the Board of Aldermen  
Town of Cullen, Louisiana

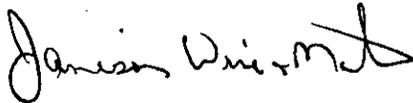
We have audited the financial statements of the Town of Cullen, Louisiana, as of and for the year ended June 30, 2004, and have issued our report thereon dated December 17, 2004. As part of the audit, we noted certain matters that we want to bring to the attention of management for its consideration. We offer the following comments for the Town's consideration:

1. The Council approved the requirement that customers whose name is on the cut-off list are required to pay an additional deposit, which would bring their deposit with the Town for utility services to \$75. This requirements is not being enforced. We suggest that the Town evaluate its policy concerning the overall amount required for utility deposits for all customers and enforce the appropriate payment before services are rendered.
2. Town needs to develop procedures to safeguard assets from theft. During the inventory observation and discussion with Town employees, small tools and equipment could not be located.
3. Town needs to review the status and collectibility of loan receivable from Henry and Rudell Rhone and determine followup action regarding collection procedures. In addition, the town needs to determine insurance requirements for building received as partial payment of loan receivable from Henry and Rudell Rhone.
4. Administrative department employees should be trained to enable them to complete their assigned duties. Noted employees have difficulty preparing daily cash reconciliations. In addition, the central filing system for accounting records and documents needs to maintained. Noted that some invoices and supporting documentation was more difficult to find.
5. Checks returned to the Town for non-sufficient funds should be turned over to the District Attorney's hot check program.

6. Petty cash should be reconciled and replenished regularly. Employees should not take money from one drawer to balance another drawer.

This letter is intended for the information and use of the management of the Town of Cullen and is not intended to be, and should not be, used by anyone other than management. Under Louisiana Revised Statute 24:513, this letter is distributed by the Legislative Auditor as a public document.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Jamieson, Wise & Martin".

Jamieson, Wise & Martin

December 17, 2004

**OFFICE OF THE MAYOR  
TOWN OF CULLEN**

**BOBBY WASHINGTON  
MAYOR**

318-994-2263

318-994-2191

FAX 318-994-2189

P.O. BOX 679  
CULLEN, LA 71021

Clara Devereaux

Belinda Harris

Board of Aldermen  
Myrtle Veal

Tarcus Hawthorne

Terrell Mendenhall

February 2, 2005

Office of Legislative Auditor  
Attn: Ms. Rebecca Thomas  
P. O. Box 94397  
Baton Rouge, LA 70804-9037

RECEIVED  
LEGISLATIVE AUDITOR  
05 FEB -4 AM 11:25

Dear Ms. Thomas:

This letter serves as the Town of Cullen's response to the management letter findings as presented in the audit of the Town of Cullen as of and for the year ended June 30, 2004. It is our understanding that the items listed in the management letter were administrative matters found in the audit and presented for management's consideration. Effective January 1, 2005, the Town instated a new mayor and several newly elected council members. Below is our response to the management letter items:

1. We intend to evaluate our current policy concerning the amounts required for utility deposits and determine whether an amendment to the current policy is necessary. We intend to enforce the Town's adopted policy.
2. The Town is aware of the needs to safeguard its assets from theft. Assets had always been kept inside a locked gate area, but we have implemented a locked tool room within this area. One employee has the key and all tools and equipment must be signed out by the employee using the tool and signed in by the employee who has the key. This process should appropriately safeguard the Town's assets.
3. The Town has contacted our attorney, who stated that he will start procedures to see if there are funds that are collectible for repayment of the Rural Business Enterprise Loan which was made to Henry and Rudell Rhone. The attorney also suggested getting quotes regarding the insurance on the building which was received as partial payment on the amounts owed by the Rhone's to the Town, to see if this insurance on an empty building would be cost effective. We will also contact Rural Development to see if the Town is required to insure the building.
4. The current administration intends to monitor and train all administrative department employees, so that they may properly fulfill their assigned duties.

This training has been in progress since everyone but one person left during the month of January, 2004. A total of four new employees were hired, of which two quit after working only a short time, so training was an on-going and, at times, a slow process.

5. We will review the requirement to participate in the District Attorney's "hot check program" and determine the feasibility of participation in such a program.
6. Our administrative employees currently attempt to reconcile petty cash on a daily basis. This petty cash consist of three petty cash drawers, plus a fourth drawer kept locked inside the safe, which holds packages of ones and rolls of change. We will review the system, currently in place, to monitor petty cash receipts and expenditures, to determine possible areas of improved controls over petty cash. Every effort will be made to determine the reason when the cash drawers do not balance and corrections made. We have three cash drawers with one being the drawer of the Town Clerk. This would be the only time that money would come from one cash drawer to another to balance it. The Town Clerk will balance the other two drawers, by taking their overage and paying them for their shortage to keep their drawer at the correct amount for beginning cash. Then her drawer will be balanced. Receipts will be written for any overage and that amount will be deposited, leaving that drawer balanced. If the drawer needs to be reimbursed, paid out tickets and shortages will be expensed out and a check will be written to bring her drawer back into balance. This process is not done on a daily basis, but when necessary.

The Town of Cullen has always tried to follow correct procedures and do everything possible to see that this office meets compliance in all areas. We certainly intend to continue in this effort. If you have any questions, please feel free to call (318) 994-2263.

Sincerely,

TOWN OF CULLEN



Bobby R. Washington  
Mayor