

Town of Cullen
Cullen, Louisiana

Annual Financial Statements
For the Year Then Ended June 30, 2017

Town of Cullen

Annual Financial Statements
As of and for the Year Ended June 30, 2017
With Supplemental Information Schedules

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Town of Cullen, Louisiana
Management Discussion and Analysis
June 30, 2017

The management of the Town of Cullen, Louisiana offers readers of the Town of Cullen, Louisiana's (Town) financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2017. This management discussion and analysis ("MD&A") is designed to provide an objective analysis of the Town's financial activities based on currently known facts, decisions, and conditions. It is intended to provide readers with a broad overview of Town finances. It is also intended to provide readers with an analysis of the Town's short-term and long-term activities based on information presented in the financial report and fiscal policies that have been adopted by the Town. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the Town's financial activity, identify changes in the Town's financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Government issued June 2001. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of the government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information, which is in addition to the basic financial statements themselves.

Government-Wide Financial Statements

Government-wide financial statements are designed by GASB Statement No. 34 to change the way in which governmental financial statements are presented. It now provides readers with a concise "entity-wide" Statement of Net Position and Statement of Activities, which seek to give the user of the financial statements a broad overview of the Town's financial position and results of operations in a manner similar to private sector businesses.

The statement of net position presents information on all of the Town's assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. The difference between the two is reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or weakening.

The statement of activities presents information which shows how the government's net position changed during this fiscal year. All changes in net position are reported as soon as the underlying event occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g. uncollected taxes).

Town of Cullen, Louisiana
Management Discussion and Analysis
June 30, 2017

Each of these reports is broken down between governmental activities and business-type activities. Governmental activities normally are those activities that are supported by taxes, licenses, permits, fines, and intergovernmental revenues; for example, the police department. Business-type activities are functions that are intended to support their costs through charges for services or fees; such as the Water and Sewer Departments.

Government-wide Financial Analysis

As noted earlier, net position may, over time, serve as a useful indicator of a government's financial position. At the close of the most recent fiscal year, the Town's assets exceeded its liabilities by \$4,849,861 (net position); this represents an increase of \$38,968 from the last fiscal year. Of this total net asset amount, \$1,281,575 is unrestricted net position. The Town's net position are comprised of \$951,198 from governmental activities and \$3,898,663 from business-type activities.

The following is a condensed statement of the Town of Cullen's net position as of June 30, 2017:

| | Governmental-Type Activities | | Business-Type Activities | | Total | |
|----------------------------------|------------------------------|--------------------|--------------------------|--------------------|--------------------|--------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Assets | | | | | | |
| Current & Other Assets | \$484,753 | \$488,992 | \$1,051,287 | \$1,058,570 | \$1,536,040 | \$1,547,562 |
| Capital Assets (net) | 569,345 | 584,533 | 2,958,017 | 2,866,019 | 3,527,362 | 3,450,552 |
| Total Assets | \$1,054,098 | \$1,073,525 | \$4,009,304 | \$3,924,589 | \$5,063,402 | \$4,998,114 |
| Deferred outflows | 2,436 | 4,929 | 0 | 0 | 2,436 | 4,929 |
| Liabilities | | | | | | |
| Current liabilities | \$56,729 | \$22,544 | \$67,081 | \$33,604 | \$123,810 | \$56,148 |
| Non-current Liabilities | 2,431 | 1,645 | 43,560 | 43,372 | 45,991 | 45,017 |
| Total Liabilities | 59,160 | 24,189 | 110,641 | 76,976 | 169,801 | 101,165 |
| Deferred inflows | | 90,984 | 0 | 0 | 0 | 90,984 |
| Net Position | | | | | | |
| Invested in capital assets, net | 569,345 | 584,533 | 2,958,017 | 2,866,019 | 3,527,362 | 3,450,552 |
| Restricted for customer deposits | | | 40,924 | 40,736 | 40,924 | 40,736 |
| Unrestricted | 381,853 | 378,748 | 899,722 | 940,858 | 1,281,575 | 1,319,606 |
| Total Net Position | \$951,198 | \$963,281 | \$3,898,663 | \$3,847,613 | \$4,849,861 | \$4,810,894 |

The Town's net position includes \$3,527,362 reflected in its investment in capital assets (e.g. land, buildings, machinery and equipment, Town infrastructure, etc.). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Restricted net position has a balance of \$40,924. The remaining balance of \$1,281,575 is unrestricted net position, which may be used to meet the government's on-going obligations to citizens and creditors.

The Town does not have any outstanding debt as of the end of the current fiscal year.

The following is a summary of the statement of activities:

Town of Cullen, Louisiana
Management Discussion and Analysis
June 30, 2017

| | Governmental-Type Activities | | Business-Type Activities | | Total | |
|--|------------------------------|------------------|--------------------------|--------------------|--------------------|--------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Revenue | | | | | | |
| Program Revenue | 95,728 | 142,801 | \$560,407 | \$393,556 | \$656,135 | \$536,357 |
| General Revenues | 180,434 | 136,889 | 9,273 | 1,125 | 189,707 | 138,014 |
| Total Revenue | <u>276,162</u> | <u>279,690</u> | <u>569,680</u> | <u>394,681</u> | <u>845,842</u> | <u>674,371</u> |
| Expenses | | | | | | |
| General & Administrative | 347,638 | 326,489 | | | 347,638 | 326,489 |
| Water Utilities | | | 459,237 | 437,619 | 459,237 | 437,619 |
| Total Expenses | <u>347,638</u> | <u>326,489</u> | <u>459,237</u> | <u>437,619</u> | <u>806,875</u> | <u>764,108</u> |
| Excess (deficiency) before special items and transfers | (71,476) | (46,799) | 110,443 | (42,938) | 38,967 | (89,737) |
| Transfers in (out) | 59,393 | 95,000 | (59,393) | (95,000) | 0 | 0 |
| Change in Net Position | (12,083) | 48,201 | 51,050 | (137,938) | 38,967 | (89,737) |
| Net Position, June 30, 2016 | 963,281 | 917,298 | 3,847,613 | 3,987,954 | 4,810,895 | 4,905,253 |
| Prior period adjustment | 0 | (2,218) | | (2,403) | 0 | (4,621) |
| Net Position, June 30, 2017 | <u>\$951,198</u> | <u>\$963,281</u> | <u>\$3,898,663</u> | <u>\$3,847,613</u> | <u>\$4,849,862</u> | <u>\$4,810,895</u> |

Governmental Activities

The governmental activities of the Town include General Government. In that revenues normally associated with municipal operations, (e.g. property tax, franchise fees, license fees, fines, and operating grants) are sufficient for the funding of these activities.

Business-type Activities

The business-type activities of the Town are those that charge a fee to customers for the services provided. The Town has one business-type activity, which are accounted for in an enterprise fund. The Town uses the enterprise fund to account for the revenues and expenses related to the provision of water services.

The following is a summary of the business-type activity of the Town:

| | Operating Revenues Net of Purchases | |
|-----------------------------------|--|----------------|
| | Water | Sewer |
| Fiscal year ended June 30, 2016 | \$130,135 | \$177,636 |
| Fiscal year ended June 30, 2017 | 109,909 | 178,031 |
| Increase (decrease) between years | <u>(\$20,226)</u> | <u>\$395</u> |
| | Operating Expenses | |
| | Water | Sewer |
| Fiscal year ended June 30, 2016 | \$188,029 | \$249,590 |
| Fiscal year ended June 30, 2017 | 203,226 | 256,011 |
| Increase (decrease) between years | <u>\$15,197</u> | <u>\$6,421</u> |

Town of Cullen, Louisiana
Management Discussion and Analysis
June 30, 2017

| | Net Income (Loss) | |
|-----------------------------------|-------------------|------------|
| | From Operations | |
| | Water | Sewer |
| Fiscal year ended June 30, 2016 | (\$57,894) | (\$71,954) |
| Fiscal year ended June 30, 2017 | (93,317) | (77,980) |
| Increase (decrease) between years | (\$35,423) | (\$6,026) |

Fund Financial Statements - Governmental Funds

The fund financial statements provide more detailed information about the Town’s most significant funds - not the Town as a whole. Funds are accounting devices that the Town uses to keep track of specific sources of funding and spending for a particular purpose.

The Town currently maintains three individual governmental fund type. The fund type includes the General fund, Two percent sales tax fund and the One-half percent sales tax fund. Information is presented separately in the Governmental Funds Balance Sheet (Statement C) and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances (Statements E) for the General Fund and the Two percent sales tax fund and the One-half percent sales tax fund which are considered to be major funds.

The Town adopts an annual budget for the General Fund and the two Special Revenue funds. A statement of revenues, expenditures, and changes in fund balance for these funds is presented in the Required Supplemental Information Schedule 1), which compares actual revenues and expenditures to the original budget and amended budget figures.

Financial Analysis of the Town’s Governmental Funds

The Town of Cullen’s General Fund reported an ending fund balance (deficit) of (\$20,941), which is a decrease of \$47,608. The unreserved portion is (\$21,441). The Town of Cullen’s Two percent sales tax fund reported an ending fund balance of \$233,520, which is a decrease of \$5,955, all of which is restricted. The Town of Cullen’s One-half percent sales tax fund reported an ending fund balance of \$215,444, which is an increase of \$15,138, all of which is restricted.

Fund Financial Statements - Proprietary Funds

The Town maintains three proprietary funds. Proprietary fund is used to report the same functions as business-type activities. Operations in the proprietary fund statements are comparative to last year’s activity except for the decrease in grant funds received to finish wastewater system improvements.

Financial Analysis of the Town’s Proprietary Fund

The Town’s proprietary funds show an increase in ending retained earnings of \$51,050.

Town of Cullen, Louisiana
Management Discussion and Analysis
June 30, 2017

In that financial statements of enterprise fund are presented on the same basis of accounting as in both the governmental-wide financial statements and the individual fund statements. All comments and analysis made under business-type activities apply to these funds.

Budgetary Highlights

The Town did not amend their original budgets for the General fund and both of the Special Revenue funds. The General fund budgeted revenues and other sources exceeded actual revenues and other sources by \$203,103 or 39%. The Two Percent Sales Tax fund actual expenditures and other uses exceeded the budgeted expenditures and other uses by \$25,086 or 45%.

Capital Asset and Debt Administration

The total net investment in capital assets as of June 30, 2017 is \$3,527,362.

There were major capital assets purchased or constructed in fiscal 2017 for governmental activities which consisted of a tractor.

Current Financial Factors

There are no major changes within the Town's normal operations except the Town has not adopted any budgets so the Town should be operating at 50% of the last budget adopted.

Requests for Information

This financial report is designed to provide a general overview of the Town of Cullen's finances for all with an interest in the government's operations. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Town Clerk's office at 405 Coyle Avenue, Cullen, Louisiana 71021.

WADE & PERRY
Certified Public Accountants
A Professional Accounting Corporation
Members: AICPA/ Society of LCPA's

Independent Auditor's Report

Mayor and Board of Aldermen
Town of Cullen
Cullen, LA

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Cullen ("Town"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Town of Cullen, as of June 30, 2017, and the changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

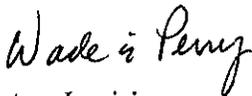
Required Supplementary Information

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

The management's discussion and analysis and budgetary comparison information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the management's discussion and analysis and budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated February 11, 2019, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of the testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



Ruston, Louisiana
February 11, 2019

Town of Cullen, Louisiana
Statement of Net Position
June 30, 2017

| | Primary Government | | Total |
|--|----------------------------|-----------------------------|--------------------|
| | Governmental Activities | Business-Type Activities | |
| ASSETS | | | |
| Cash and cash investments | \$343,942 | \$559,798 | \$903,740 |
| Investments | 128,128 | 311,026 | 439,154 |
| Receivables | 16,965 | 123,171 | 140,136 |
| Internal balances | (4,782) | 4,782 | 0 |
| Prepaid assets | 500 | | 500 |
| Inventory | | 10,331 | 10,331 |
| Restricted assets | | 42,179 | 42,179 |
| Capital assets (net) | 569,345 | 2,958,017 | 3,527,362 |
| TOTAL ASSETS | \$1,054,098 | \$4,009,304 | \$5,063,402 |
| Deferred outflows of resources | 2,436 | 0 | 2,436 |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts, salaries, and other payables | \$45,747 | \$67,081 | \$112,828 |
| Due to other governments | 10,982 | | 10,982 |
| Noncurrent liabilities: | | | |
| Compensated absences payable | 2,431 | 2,636 | 5,067 |
| Customer deposits | | 40,924 | 40,924 |
| TOTAL LIABILITIES | 59,160 | 110,641 | 169,801 |
| Deferred inflows of resources | 45,492 | 0 | 45,492 |
| NET POSITION | | | |
| Net investment in capital assets | 569,345 | 2,958,017 | 3,527,362 |
| Restricted | | 40,924 | 40,924 |
| Unrestricted | 382,537 | 899,722 | 1,282,259 |
| TOTAL NET POSITION | \$951,882 | \$3,898,663 | \$4,850,545 |

The accompanying notes are an integral part of this statement.

Town of Cullen, Louisiana
Statement of Activities
Year Ended June 30, 2017

| | Program Revenues | | | Net (Expenses) Revenues and Changes of Primary Government | | |
|--|------------------|-------------------------|--|--|----------------------------|-----------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants & Contributions | Governmental Activities | Business-type Activities |
| Governmental Activities: | | | | | | |
| General government | \$102,354 | | \$13,856 | (\$88,498) | | (\$88,498) |
| Public safety | 123,264 | \$12,704 | | (110,560) | | (110,560) |
| Highways and streets | 46,545 | | | (46,545) | | (46,545) |
| Sanitation and health | 66,241 | 69,168 | | 2,927 | | 2,927 |
| Culture and recreation | 8,549 | | | (8,549) | | (8,549) |
| Total governmental activities | <u>346,953</u> | <u>81,872</u> | <u>13,856</u> | <u>0</u> | <u>(251,225)</u> | <u>0</u> |
| Business-type activities | | | | | | |
| Water | 203,226 | 109,909 | | 272,467 | | 179,150 |
| Sewer | 256,011 | 178,031 | | | | (77,980) |
| Total business-type activities | <u>459,237</u> | <u>287,940</u> | <u>0</u> | <u>272,467</u> | <u>0</u> | <u>101,170</u> |
| Total primary government | <u>\$806,190</u> | <u>\$369,812</u> | <u>\$13,856</u> | <u>\$272,467</u> | <u>(\$251,225)</u> | <u>\$101,170</u> |
| General revenues: | | | | | | |
| Ad valorem taxes levied for general purposes | | | | 21,253 | | 21,253 |
| Sales taxes | | | | 90,091 | | 90,091 |
| Licenses and permits | | | | 47,868 | | 47,868 |
| Investment earnings | | | | 887 | 2,221 | 3,108 |
| Other general revenues | | | | 20,335 | 7,052 | 27,387 |
| Loss on sale of asset | | | | | | 0 |
| Transfers | | | | 59,393 | (59,393) | 0 |
| Total general revenues and transfers | | | | <u>239,827</u> | <u>(50,120)</u> | <u>189,707</u> |
| Change in Net Position | | | | (11,398) | 51,050 | 39,652 |
| Net Position - beginning | | | | 963,281 | 3,847,613 | 4,810,894 |
| Prior period adjustment | | | | 0 | 0 | 0 |
| Net Position - ending | | | | <u>\$951,882</u> | <u>\$3,898,663</u> | <u>\$4,850,546</u> |

The accompanying notes are an integral part of this statement.

Town of Cullen, Louisiana
 Balance Sheet, Governmental Funds
 June 30, 2017

| | General Fund | Two Percent Sales Tax Fund | Non-major One-half Percent Sales Tax Fund | Total Governmental Funds |
|--|-----------------|----------------------------------|---|--------------------------------|
| ASSETS | | | | |
| Cash and equivalents | \$33,371 | \$238,548 | \$72,023 | \$343,942 |
| Investments | 661 | 543 | 126,924 | 128,128 |
| Receivables | 8,048 | | 8,917 | 16,965 |
| Due from other funds | 15,207 | 10,546 | 18,128 | 43,881 |
| Prepaid assets | 500 | | | 500 |
| TOTAL ASSETS | \$57,787 | \$249,637 | \$225,992 | \$533,416 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts, salaries, and other payables | \$45,747 | | | 45,747 |
| Due to other funds | 21,999 | 16,118 | \$10,546 | 48,663 |
| Due to other governments | 10,982 | | | 10,982 |
| Total liabilities | 78,728 | 16,118 | 10,546 | 105,392 |
| Fund balances: | | | | |
| Nonspendable | 500 | | | 500 |
| Restricted | | \$233,519 | 215,445 | 448,964 |
| Unassigned | (21,441) | | | (21,441) |
| Total fund balances | (20,941) | 233,519 | 215,445 | 428,023 |
| TOTAL LIABILITIES AND FUND BALANCES | \$57,787 | \$249,637 | \$225,991 | \$533,415 |

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 Position
 June 30, 2017

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

| | |
|--|------------------------------------|
| Fund balances, Total governmental funds (Statement C) | \$428,023 |
| Liabilities including bonds payable are not due and payable in the current period and therefore, are not reported in the governmental funds: | |
| Other liabilities | |
| Compensated absences | (2,430) |
| Pension related changes in net pension liability that are only reported in the Statement of Net Position as deferred outflows | 2,436 |
| Pension related changes in net pension liability that are only reported in the Statement of Net Position as deferred inflows | (45,492) |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. | |
| Governmental capital asset | \$1,285,175 |
| Less accumulated depreciation | <u>(715,830)</u> |
| Net Position of Governmental Activities (Statement A) | <u>569,345</u> <u>\$951,882</u> |

The accompanying notes are an integral part of this statement.

Town of Cullen, Louisiana
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2017

| | General Fund | Two Percent Sales Tax Fund | Non-major One-half Percent Sales Tax Fund | Total Governmental Funds |
|---|-------------------|----------------------------------|---|--------------------------------|
| REVENUES | | | | |
| Taxes: | | | | |
| Ad valorem | \$21,253 | | | \$21,253 |
| Sales and use | | \$71,119 | \$18,972 | 90,091 |
| Licenses and permits | 47,868 | | | 47,868 |
| Charges for services | 69,168 | | | 69,168 |
| Intergovernmental revenues: | | | | |
| State/parish | 10,553 | | | 10,553 |
| Grants | 13,856 | | | 13,856 |
| Fines and forfeitures | 12,704 | | | 12,704 |
| Investment earnings | 39 | | 848 | 887 |
| Other revenues | 9,782 | | | 9,782 |
| Total Revenues | <u>185,223</u> | <u>71,119</u> | <u>19,820</u> | <u>276,162</u> |
| EXPENDITURES | | | | |
| General government | 138,708 | 914 | 1,158 | 140,780 |
| Culture and recreation | | | 4,684 | 4,684 |
| Public safety | 118,173 | | | 118,173 |
| Highways and streets | 22,153 | | | 22,153 |
| Sanitation and health | 66,241 | | | 66,241 |
| Capital outlay | 21,950 | | | 21,950 |
| Total Expenditures | <u>367,225</u> | <u>914</u> | <u>5,842</u> | <u>373,981</u> |
| Excess (Deficiency) of Revenues over (under) Expenditures | (182,002) | 70,205 | 13,978 | (97,819) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from sale of assets | | | | 0 |
| Transfers in | 134,394 | | | 134,394 |
| Transfers out | | (70,000) | (5,000) | (75,000) |
| Total Other Financing Sources (Uses) | <u>134,394</u> | <u>(70,000)</u> | <u>(5,000)</u> | <u>59,394</u> |
| Net Change in Fund Balance | (47,608) | 205 | 8,978 | (38,425) |
| Prior period adjustment | | (6,160) | 6,160 | 0 |
| Fund Balance – beginning | 26,667 | 239,475 | 200,306 | 466,448 |
| Fund Balance – ending | <u>(\$20,941)</u> | <u>\$233,520</u> | <u>\$215,444</u> | <u>\$428,023</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, 2017

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

| | |
|---|-------------------|
| Net Change in Fund Balances, Total governmental funds (Statement E) | (\$38,425) |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$21,950) exceeded depreciation (\$37,138) in the current period. | (15,188) |
| Governmental funds are not required to report gain or loss on sale of assets. This is the amount of capital assets sold during the year | 0 |
| Pension expense or benefit is based on employer contributions in the government funds Statement of Revenues, Expenditures, and Changes in Fund Balances, but is an actuarially calculated expense in the Statement of Activities | 43,000 |
| 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>(785)</u> |
| Change in Net Position of Governmental Activities, Statement B | <u>(\$11,398)</u> |

The accompanying notes are an integral part of this statement.

Town of Cullen, Louisiana
Statement of Net Position, Proprietary Funds
June 30, 2017

| | Business-Type Activities - Enterprise Funds | | |
|--|--|---------------------------|---------------------------|
| | Water Fund | Sewer Fund | Totals |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash investments | \$189,513 | \$370,285 | \$559,798 |
| Investments | 136,227 | 174,799 | 311,026 |
| Accounts receivable - customers | 25,487 | 50,543 | 76,030 |
| Accounts receivable - other | 47,141 | | 47,141 |
| Due from other funds | 61,412 | 29,771 | 91,183 |
| Supplies inventory | 10,331 | | 10,331 |
| Total current assets | <u>470,111</u> | <u>625,398</u> | <u>1,095,509</u> |
| Noncurrent assets: | | | |
| Restricted assets: | | | |
| Cash and cash investments | 16,922 | | 16,922 |
| Investments | 25,257 | | 25,257 |
| Capital assets (net of accumulated depreciation) | 1,243,400 | 1,714,617 | 2,958,017 |
| Total noncurrent assets | <u>1,285,579</u> | <u>1,714,617</u> | <u>3,000,196</u> |
| TOTAL ASSETS | <u>\$1,755,690</u> | <u>\$2,340,015</u> | <u>\$4,095,705</u> |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts, salaries, and other payables | \$62,711 | \$4,370 | \$67,081 |
| Due to other funds | 14,688 | 71,713 | 86,401 |
| Total current liabilities | <u>77,399</u> | <u>76,083</u> | <u>153,482</u> |
| Noncurrent liabilities: | | | |
| Compensated absences payable | 1,318 | 1,318 | 2,636 |
| Total noncurrent liabilities | <u>1,318</u> | <u>1,318</u> | <u>2,636</u> |
| Liabilities payable from restricted assets | <u>40,924</u> | <u>0</u> | <u>40,924</u> |
| Total liabilities | <u>119,641</u> | <u>77,401</u> | <u>197,042</u> |
| NET POSITION | | | |
| Invested in capital assets, net of related debt | 1,243,400 | 1,714,617 | 2,958,017 |
| Restricted net position | 40,924 | 0 | 40,924 |
| Unrestricted | 351,725 | 547,997 | 899,722 |
| TOTAL NET POSITION | <u>\$1,636,049</u> | <u>\$2,262,614</u> | <u>\$3,898,663</u> |

The accompanying notes are an integral part of this statement.

Town of Cullen, Louisiana
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2017

| | Business-Type Activities - Enterprise Funds | | Totals |
|---|--|--------------------|--------------------|
| | Water Fund | Sewer Fund | |
| Operating Revenues | | | |
| Charges for services: | | | |
| Water | \$99,223 | | \$99,223 |
| Sewerage | | \$165,975 | 165,975 |
| Penalties/service charges | 10,686 | 12,056 | 22,742 |
| Other charges for services | | | 0 |
| Total Operating Revenues | <u>109,909</u> | <u>178,031</u> | <u>287,940</u> |
| Operating Expenses | | | |
| Personnel services | 59,166 | 60,053 | 119,219 |
| Materials and supplies | 19,467 | 4,103 | 23,570 |
| Insurance claims and expenses | 15,712 | 5,234 | 20,946 |
| Repairs and maintenance | 16,925 | 13,446 | 30,371 |
| Other services and charges | 35,400 | 39,611 | 75,011 |
| Depreciation | <u>56,556</u> | <u>133,564</u> | <u>190,120</u> |
| Total Operating Expenses | <u>203,226</u> | <u>256,011</u> | <u>459,237</u> |
| Operating income (loss) | (93,317) | (77,980) | (171,297) |
| Nonoperating revenue (expenses) | | | |
| Interest earnings | 1,074 | 1,147 | 2,221 |
| Other income | 3,526 | 3,526 | 7,052 |
| Capital grants | <u>272,467</u> | <u>0</u> | <u>272,467</u> |
| Total Nonoperating Revenue (Expenses) | <u>277,067</u> | <u>4,673</u> | <u>281,740</u> |
| Income before contributions and transfers | 183,750 | (73,307) | 110,443 |
| Transfers in | 496 | 0 | 496 |
| Transfers out | <u>0</u> | <u>(59,889)</u> | <u>(59,889)</u> |
| Change in Net Position | 184,246 | (133,196) | 51,050 |
| Total Net Position - Beginning | 1,451,803 | 2,395,810 | 3,847,613 |
| Prior period adjustment | <u>0</u> | <u>0</u> | <u>0</u> |
| Total Net Position - Ending | <u>\$1,636,049</u> | <u>\$2,262,614</u> | <u>\$3,898,663</u> |

The accompanying notes are an integral part of this statement.

Town of Cullen, Louisiana
Statement of Cash Flows, Proprietary Funds
For the Year Ended June 30, 2017

| | Business Type Activities - Enterprise Funds | | |
|---|--|------------------|------------------|
| | Water Fund | Sewer Fund | Totals |
| Cash Flows from Operating Activities | | | |
| Receipts from customers and users | \$85,939 | \$159,569 | \$245,508 |
| Other operating cash receipts | 8,379 | 3,781 | 12,160 |
| Payments to suppliers | (55,477) | (64,075) | (119,552) |
| Other operating cash payments | (131) | (1,271) | (1,402) |
| Payments to employees | <u>(58,176)</u> | <u>(57,912)</u> | <u>(116,088)</u> |
| Net Cash Provided by Operating Activities | <u>(19,466)</u> | <u>40,092</u> | <u>20,626</u> |
| Cash Flows from Noncapital Financing Activities | | | |
| Prior period adjustment | | | 0 |
| Transfer from (to) other funds | <u>496</u> | <u>(59,889)</u> | <u>(59,393)</u> |
| Net Cash Provided (Used) by Noncapital Financing Activities | <u>496</u> | <u>(59,889)</u> | <u>(59,393)</u> |
| Cash Flows from Capital and Related Financing Activities | | | |
| Purchases of capital assets | (272,467) | (2,600) | (275,067) |
| Grant proceeds | <u>272,467</u> | | <u>272,467</u> |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>0</u> | <u>(2,600)</u> | <u>(2,600)</u> |
| Cash Flows from Investing Activities | | | |
| Investments Redeemed | (1,090) | (1,180) | (2,270) |
| Interest and dividends received | <u>1,074</u> | <u>1,147</u> | <u>2,221</u> |
| Net Cash Provided by Investing Activities | <u>(16)</u> | <u>(33)</u> | <u>(49)</u> |
| Net Increase in Cash and equivalents | (18,986) | (22,430) | (41,416) |
| Cash and equivalents, Beginning of Year | <u>225,421</u> | <u>392,715</u> | <u>618,136</u> |
| Cash and equivalents, End of Year | <u>\$206,435</u> | <u>\$370,285</u> | <u>\$576,720</u> |
| Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities | | | |
| Operating income | (\$93,317) | (\$77,980) | (\$171,297) |
| Depreciation expense | 56,556 | 133,564 | 190,120 |
| (Increase) decrease in accounts receivable | (23,970) | (18,462) | (42,432) |
| (Increase) decrease in due from/to other funds | 8,060 | 2,510 | 10,570 |
| Increase (decrease) in compensated absences payable | | | 0 |
| Increase (decrease) in customer deposits | 188 | | 188 |
| Increase (decrease) in accounts payable | <u>33,017</u> | <u>460</u> | <u>33,477</u> |
| Net Cash Provided by Operating Activities | <u>(\$19,466)</u> | <u>\$40,092</u> | <u>\$20,626</u> |
| Reconciliation of total cash and cash investments: | | | |
| Current assets - cash and cash investments | \$189,513 | \$370,285 | \$559,798 |
| Restricted assets - cash and cash investments | <u>16,922</u> | | <u>16,922</u> |
| Total cash and cash investments | <u>\$206,435</u> | <u>\$370,285</u> | <u>\$576,720</u> |

The accompanying notes are an integral part of this statement.

Town of Cullen, Louisiana
Notes to the Financial Statements
As of and For the Year Ended June 30, 2017

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), 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 Town is considered a primary government, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments. As used in GASB Statement No. 14, fiscally independent means that the Town 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Town have been prepared in conformity with U.S. generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

In June, 1999, the GASB unanimously approved Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Town's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Town's activities, including infrastructure (if any).
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

Town of Cullen, Louisiana
Notes to the Financial Statements
As of and For the Year Ended June 30, 2017

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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) charge 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, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual 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 financial statements. 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 to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables 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.

Town of Cullen, Louisiana
Notes to the Financial Statements
As of and For the Year Ended June 30, 2017

The Town reports the following major governmental funds:

The General Fund is the Town'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 (2%) sales and use tax levied by the Town of Cullen to be used for any lawful purpose for the Town.

The Town 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 this 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 governments enterprise operations. Elimination of those charges would distort the 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.

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. Operating expenses for enterprise funds and internal service funds include the costs 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 Town's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Deposits and Investments

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

Town of Cullen, Louisiana
Notes to the Financial Statements
As of and For the Year Ended June 30, 2017

Sales taxes

The voters of the Town approved a 1% sales and use tax on January 20, 1970. The proposition approved by the voters specifies that the revenues may be used for any lawful corporate purpose. On November 21, 1987, the voters approved a ½% 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 including issuance of bonds to pay the costs of any lawful capital improvements for the Town.

E. Restricted Assets

Restricted assets include cash and cash investments in the Proprietary funds which are restricted to their use. These restrictions are principally related to requirements of loan issues and utility meter deposits. Restricted assets in the General Fund include cash and investments to repay unused bond proceeds and grant funds to be spent in the next fiscal year. It is the Town's policy to use restricted assets before unrestricted assets for their intended purposes.

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 Town 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 assets lives are not capitalized.

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, & infrastructure | 25-50 years |
| Land improvements | 10-30 years |
| Buildings and 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 |

Town of Cullen, Louisiana
Notes to the Financial Statements
As of and For the Year Ended June 30, 2017

G. Compensated Absences

The Town has the following policy relating to vacation and sick leave:

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 are 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 forward indefinitely until used or paid to the employee.

Both annual leave and comp time are recognized as liabilities 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

In the government-wide financial statements and the proprietary fund types in the fund financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. The long-term debt consists primarily of accrued compensated absences.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures.

Town of Cullen, Louisiana
Notes to the Financial Statements
As of and For the Year Ended June 30, 2017

I. Fund Equity

In the government wide statements, equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints placed on the use with by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”

Proprietary fund equity is classified in the same manner as in the government-wide statements. In the fund financial statements, governmental fund equity is classified as fund balance.

Fund balances of the governmental funds are classified as follow:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors contributors, or laws or regulations of other governments.

Committed - amounts constrained to specific purpose by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level of action to remove or change the constraint.

Assigned - amounts the government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Unassigned - all other spendable amounts.

As of June 30, 2017, fund balances are composed of the following:

| | General Fund | Sales Tax 2% | Sales Tax 1/2% |
|---------------------|-------------------|------------------|-------------------|
| Nonspendable: | | | |
| Prepaid items | \$500 | | |
| Restricted: | | | |
| Other purposes | | \$233,519 | \$215,445 |
| Unassigned | (21,441) | | |
| Total fund balances | <u>(\$20,941)</u> | <u>\$233,519</u> | <u>\$215,445</u> |

Town of Cullen, Louisiana
Notes to the Financial Statements
As of and For the Year Ended June 30, 2017

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 the estimates.

K. RISK MANAGEMENT

The Town is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To handle such risk of loss, the Town maintains commercial insurance policies covering its vehicles, professional liability and surety bond coverage. No claims were paid on any of the policies which exceeded to policies' coverage amounts. There were no significant reductions in insurance coverage during the year ended June 30, 2017.

L. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

In some instances, the GASB requires a government to delay recognition of decreases in net position as expenditures until a future period. In other instances, governments are required to delay recognition of increases in net position as revenues until a future period. In these circumstances, deferred outflows of resources and deferred inflows of resources result from the delayed recognition of expenditures or revenues, respectively.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

BUDGET INFORMATION The Town uses the following budget practices:

The Town follows the following procedures in establishing the budgetary data reflected in the financial statements. No later than fifteen (15) days prior to the beginning of each fiscal year, the Town clerk submits to the mayor and board of aldermen a proposed operating budget for the fiscal year commencing the following July 1. The public is notified that the proposed budget is available for public inspection. At the same time, a public hearing is called. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing. 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. 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.

All budgetary appropriations lapse at the end of each fiscal year. Budgets for the General and Special Revenue Funds were adopted on a modified accrual basis for the year ended June 30, 2017. Budgeted amounts, as originally adopted, are amended from time to time by the Board of Aldermen. The General Fund and Special Funds were not amended during the fiscal year.

3. CASH AND CASH EQUIVALENTS

At June 30, 2017, the Town has cash and cash equivalents (book balances) totaling \$920,662 as follows:

Town of Cullen, Louisiana
Notes to the Financial Statements
As of and For the Year Ended June 30, 2017

| | |
|---------------------------|------------------|
| Interest-bearing accounts | (\$10,225) |
| Demand deposits | 249,603 |
| Certificates of deposit | <u>681,284</u> |
| Total | <u>\$920,662</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 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, 2017, the Town has \$957,408 in deposits (collected bank balances). These deposits are secured from risk by \$509,941 of federal deposit insurance and \$447,467 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 No. 3, R.S. 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 consist of \$464,411 (current assets of \$439,154 and restricted assets of \$25,257) in the Louisiana Asset Management Pool (LAMP), a local government investment pool. In accordance with GASB Cod Sec. 150.126, the investment in LAMP at the Town is not categorized in the three risk categories provided by GASB Cod Sec. 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 grade (A-1/P-1) commercial paper of 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.

Town of Cullen, Louisiana
Notes to the Financial Statements
As of and For the Year Ended June 30, 2017

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 \$16,965 at June 30, 2017, within the governmental funds are as follows:

| <u>Class of Receivable</u> | <u>General Fund</u> | <u>Special Revenue Funds</u> | <u>Total</u> |
|----------------------------|-------------------------|--------------------------------------|-----------------|
| Taxes: | | | |
| Ad valorem | \$29 | | \$29 |
| Franchise | 3,688 | | 3,688 |
| Accounts - garbage service | | | 0 |
| Other | <u>4,331</u> | <u>\$8,917</u> | <u>13,248</u> |
| Total | <u>\$8,048</u> | <u>\$8,917</u> | <u>\$16,965</u> |

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

6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2017 is as follows:

| | <u>Interfund Receivables</u> | <u>Interfund payable</u> |
|-------------------|----------------------------------|------------------------------|
| General fund | \$15,207 | \$21,999 |
| 2% sales tax fund | 10,546 | 16,118 |
| ½% sales tax fund | 18,128 | 10,546 |
| Enterprise funds | <u>91,183</u> | <u>86,401</u> |
| Total | <u>\$135,064</u> | <u>\$135,064</u> |

7. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended June 30, 2017, for the primary government is as follows:

Town of Cullen, Louisiana
Notes to the Financial Statements
As of and For the Year Ended June 30, 2017

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---|------------------------------|-------------------|------------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$111,393 | | | \$111,393 |
| Construction in progress | 0 | | | 0 |
| Total capital assets not being depreciated | <u>111,393</u> | <u>0</u> | <u>0</u> | <u>111,393</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 497,035 | | | 497,035 |
| Equipment | 79,400 | \$21,950 | | 101,350 |
| Vehicles | 225,659 | | | 225,659 |
| Infrastructure | 349,738 | | | 349,738 |
| Total capital assets being depreciated | <u>1,151,832</u> | <u>21,950</u> | <u>0</u> | <u>1,173,782</u> |
| Less accumulated depreciation for: | <u>678,692</u> | <u>37,138</u> | | <u>715,830</u> |
| Total capital assets being depreciated, net | <u>\$473,140</u> | <u>(\$15,188)</u> | <u>\$0</u> | <u>\$457,952</u> |

Depreciation expense of \$37,138 was charged as follows: \$3,106 to general government, \$5,775 to public safety, \$24,392 to highways and streets, \$3,865 to culture and recreation.

| | <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>0</u> | <u>0</u> | <u>7,675</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 3,745 | | | 3,745 |
| Improvements other than buildings | 6,255,525 | \$275,067 | | 6,530,592 |
| Equipment | 800,440 | \$7,052 | | 807,492 |
| Total capital assets being depreciated | <u>7,059,710</u> | <u>282,119</u> | <u>0</u> | <u>7,341,829</u> |
| Less accumulated depreciation | <u>4,201,366</u> | <u>190,120</u> | | <u>4,391,486</u> |
| Total business-type assets being depreciated, net | <u>\$2,858,344</u> | <u>\$91,999</u> | <u>\$0</u> | <u>\$2,950,343</u> |

8. LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term debt for the year ended June 30, 2017:

| | |
|--|---------------------------------|
| | <u>Compensated Absences</u> |
| Long-term obligations at June 30, 2016 | \$4,281 |
| Additions | 785 |
| Deductions | |
| Long-term obligations at June 30, 2017 | <u>\$5,066</u> |

Town of Cullen, Louisiana
Notes to the Financial Statements
As of and For the Year Ended June 30, 2017

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 the long-term obligations as of June 30, 2017:

| | Government Activities | Business-Type Activities | Compensated Absences |
|-------------------|--------------------------|-----------------------------|-------------------------|
| Current portion | \$0 | \$0 | \$0 |
| Long-term portion | 2,431 | 2,635 | 5,066 |
| Total | <u>\$2,431</u> | <u>\$2,635</u> | <u>\$5,066</u> |

9. RETIREMENT SYSTEM

No employees of the Town are members of a retirement system.

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

At June 30, 2017, the Town reported a liability of \$0 for its proportionate share of net pension liability. The net pension liability was measured as of June 30 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities, actuarially determined. At June 30, 2015 the Town's proportion was 0%, which was a decrease of .022779% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2017, the Town recognized pension expense (benefit) of (\$45,492). At June 30, 2017, the Town recognized deferred outflows of resources and deferred inflows of resources related to pensions from the following:

| | Deferred Outflows | Deferred Inflows |
|---|----------------------|---------------------|
| Town contributions subsequent to measurement date | \$2,493 | |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | | \$45,492 |
| Total | <u>\$2,493</u> | <u>\$45,492</u> |

The \$2,493 reported as deferred outflows of resources related to pensions resulting from the Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense (benefit) as follows:

| <u>Year ending June 30:</u> | |
|-----------------------------|------------|
| 2018 | (\$43,056) |

Town of Cullen, Louisiana
Notes to the Financial Statements
As of and For the Year Ended June 30, 2017

10. RESTRICTED ASSETS

For the business-type activities, restricted assets were applicable to the following at June 30, 2017:

| | |
|--|-----------------|
| Customers' meter deposits - cash | \$16,922 |
| Customers' meter deposits - investment | <u>25,257</u> |
| Total | <u>\$42,179</u> |

11. ON-BEHALF PAYMENTS

During the fiscal year ended June 30, 2017, the town's police chief and officers received \$6,000 in police supplemental pay from the State of Louisiana, Department of Public Safety and Corrections. 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.

12. LITIGATION AND CLAIMS

The Town is not involved in any litigation at June 30, 2017, nor is it aware of any unasserted claims.

13. MANAGEMENT REVIEW

Subsequent events have been evaluated through February 11, 2019. This date represents the date the financial statements were available to be issued.

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, 2017

| | Budgeted Amounts | | Actual Amounts GAAP Basis | Favorable (Unfavorable) Variance |
|--|------------------|-----------|------------------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes - ad valorem | \$19,000 | \$19,000 | \$21,253 | \$2,253 |
| Franchise fees | 21,200 | 21,200 | 17,900 | (3,300) |
| Licenses and permits | 32,400 | 32,400 | 29,968 | (2,432) |
| Charges for services | 84,000 | 84,000 | 69,168 | (14,832) |
| Fines and forfeitures | 19,500 | 19,500 | 12,704 | (6,796) |
| Intergovernmental | 216,500 | 216,500 | 24,409 | (192,091) |
| Use of money and property | 20 | 20 | 39 | 19 |
| Miscellaneous | 5,100 | 5,100 | 9,782 | 4,682 |
| Total Revenues | 397,720 | 397,720 | 185,223 | (212,497) |
| EXPENDITURES | | | | |
| General government | 120,990 | 120,990 | 138,708 | (17,718) |
| Public Safety | 123,704 | 123,704 | 118,173 | 5,531 |
| Highway and streets | 212,115 | 212,115 | 22,153 | 189,962 |
| Sanitation and health | 61,131 | 61,131 | 66,241 | (5,110) |
| Capital outlay | | | 21,950 | (21,950) |
| Total Expenditures | 517,940 | 517,940 | 367,225 | 150,715 |
| Excess (Deficiency) of Revenues over (under) Expenditures | (120,220) | (120,220) | (182,002) | (61,782) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from sale of assets | | | | 0 |
| Operating transfers in | 125,000 | 125,000 | 134,394 | 9,394 |
| Operating transfers out | | | | 0 |
| Total Other Financing Sources (Uses) | 125,000 | 125,000 | 134,394 | 9,394 |
| Net Change in Fund Balance | 4,780 | 4,780 | (47,608) | (52,388) |
| Fund Balance (Deficit) at Beginning of Year | 57,673 | 57,673 | 26,667 | (31,006) |
| Prior Period Adjustment | 0 | 0 | 0 | 0 |
| Fund Balance (Deficit) at End of Year | \$62,453 | \$62,453 | (\$20,941) | (\$83,394) |

Notes to the Schedule

- (1) method of budgetary accounting - GAAP, modified accrual basis
(2) explanation of material variances - budgeted for grant that was not received

The accompanying notes are an integral part of this schedule.

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, 2017

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts GAAP Basis</u> | <u>Favorable (Unfavorable) Variance</u> |
|--|-------------------------|------------------|--------------------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Taxes - sales | \$70,000 | \$70,000 | \$71,119 | \$1,119 |
| Use of money and property | 65 | 65 | | (65) |
| Total Revenues | <u>70,065</u> | <u>70,065</u> | <u>71,119</u> | <u>1,054</u> |
| EXPENDITURES | | | | |
| General government | 6,000 | 6,000 | 914 | 5,086 |
| Culture and recreation | 0 | 0 | | 0 |
| Total Expenditures | <u>6,000</u> | <u>6,000</u> | <u>914</u> | <u>5,086</u> |
| Excess (Deficiency) of Revenues over (under) Expenditures | 64,065 | 64,065 | 70,205 | (4,032) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Operating transfers in | 0 | 0 | 0 | 0 |
| Operating transfers out | <u>(50,000)</u> | <u>(50,000)</u> | <u>(70,000)</u> | <u>(20,000)</u> |
| Total Other Financing Sources (Uses) | <u>(50,000)</u> | <u>(50,000)</u> | <u>(70,000)</u> | <u>(20,000)</u> |
| Net Change in Fund Balance | 14,065 | 14,065 | 205 | (13,860) |
| Fund Balance (Deficit) at Beginning of Year | 188,396 | 188,396 | 239,475 | 51,079 |
| Prior Period Adjustment | 0 | 0 | (6,160) | (6,160) |
| Fund Balance (Deficit) at End of Year | <u>\$202,461</u> | <u>\$202,461</u> | <u>\$233,520</u> | <u>\$31,059</u> |

Notes to the Schedule

- (1) method of budgetary accounting - GAAP, modified accrual basis
- (2) explanation of material variances - did not amend budget for additional transfers

The accompanying notes are an integral part of this schedule.

OTHER SUPPLEMENTAL SCHEDULES

Town of Cullen
Schedule of Compensation Paid Board Members
For the Year Ended June 30, 2017

| Board Member | <u>Amount</u> |
|-----------------------------|------------------------|
| Ray Mills, Mayor (former) | \$6,000 |
| Terry Hoof, Mayor (current) | 6,000 |
| Floyddean White | 2,980 |
| Barbara Green | 2,930 |
| Gary Sullivan | 1,390 |
| Doris White | 2,980 |
| Rankin | 1,935 |
| Ray Mills | 1,590 |
| Terry Hoof | <u>1,390</u> |
| Total compensation paid | <u><u>\$27,195</u></u> |

The accompanying notes are an integral part of this schedule.

Town of Cullen
 Schedule of Compensation, Benefits and Other Payments
 to Agency Head or Chief Executive Officer
 For the Year Ended June 30, 2017

| Agency Head Name: | Ray Mills, former Mayor | Terry Hoof, current Mayor |
|-------------------|----------------------------|------------------------------|
| Purpose | | |
| Salary | \$7,590 | \$7,390 |
| Conference travel | 276 | 0 |

OTHER REPORTS

WADE & PERRY

Certified Public Accountants
A Professional Accounting Corporation
Members: AICPA/ Society of LCPA's

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

Independent Auditor's Report

Mayor and Town Council
Town of Cullen
Cullen, Louisiana

We have audited, 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, 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 ("Town") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated February 11, 2019.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's

financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses. 2017-1, 2017-2, and 2017-3.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control that we consider to be significant deficiencies.

Compliance and Other Matters

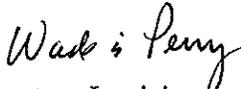
As part of obtaining reasonable assurance about whether Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2017-4, 2017-5, 2017-6, and 2017-7.

Town's Response to Findings

Town's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Ruston, Louisiana
February 11, 2019

Town of Cullen
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2017

We have audited the financial statements of Town of Cullen as of and for the year ended June 30, 2017, and have issued our report thereon dated February 11, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of June 30, 2017, resulted in an unmodified opinion.

A. Summary of Audit Results

1. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses Yes No Significant Deficiency Yes No

Compliance

Compliance Material to Financial Statements Yes No

2. Federal Awards

Internal Control

Material Weaknesses Yes No Reportable Yes No

Type of Opinion On Compliance Unqualified Qualified
 For Major Programs Disclaimer Adverse

Are their findings required to be reported in accordance with Uniform Guidance?
 Yes No

Was a management letter issued? Yes No

3. Identification of Major Programs:

CFDA Number(s)

Name of Federal Program (or Cluster)

N/A

Dollar threshold used to distinguish between Type A and Type B Programs: \$ 750,000

Is the auditee a "low-risk" auditee? Yes No

B. Financial Statements Findings

2017-1. Significant deficiency in internal control over financial reporting

Condition: Management has chosen to engage the auditor to propose certain year-end adjusting entries and to prepare their annual financial statements. This condition is intentional by management based upon the Town's financial complexity, along with the cost effectiveness of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. In relation to this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles, have not been established. Some grant activity was not posted to general ledger and many journal entries had to be made by the auditor.

Criteria: Considered material weakness if town cannot apply generally accepting accounting principles.

Cause: The town does not have staff capable of preparing report and notes and applying generally accepting accounting principles.

Effect: Potential misstatements in financial statements may not be detected

Recommendation: No recommendation is made for this deficiency. Management must determine whether the benefit from an internal control exceeds its cost, and therefore it may be impractical to correct all deficiencies required to be reported under SAS 112. The cost benefit analysis is not a factor in the reporting requirement of SAS 112. We do not believe that correcting the significant deficiency as described above would be cost effective or practical for the Town.

2017-2. Deficiency in internal control over utility receipts

Condition: The utility software was not charging the same rate as approved by the board. Late charges are not added to all accounts that are unpaid by due date. No support was provided for testing.

Criteria: Internal controls should be set up for all areas.

Cause: Utility software was not updated with current rates.

Effect: Utility revenues may be misstated and is at risk for fraud.

Recommendation: We recommend that the Town update the utility system to the current rates in effect and check how the system is charging various gallons used. Also the Town should maintain all records of billings and collections.

2017-3. Deficiency in internal control for disbursements.

Condition: Of the total 40 randomly selected disbursements, 21 had no supporting documentation, including the eight payroll related disbursements. Five checks could not be traced to clearing any bank statement. Five checks did not agree to the invoice amount due. Twelve disbursements could not be traced to the correct general ledger account.

Criteria: Internal controls should be set up for all areas.

Cause: Supporting documentation not kept in central location that can be easily located

Effect: Expenses and payroll expenses may be misstated and is at risk for fraud.

Recommendation: We recommend the town clerk pay special attention to document retention and organization of files. The check signers should not sign any disbursements without proper supporting documentation attached.

2017-4. Monthly financial statements were not prepared and presented to the council timely.

Condition: Bank accounts were not reconciled to the general ledger timely.

Criteria: Failure to prepare monthly financial statements and present them to the governing body is a violation of LRS 33:425. Reconciling the bank balances with the book balances is necessary to ensure that (1) all receipts and disbursements are recorded by the entity; (2) checks clear the bank within a reasonable time; and (3) reconciling items are appropriate.

Cause: Receipts and disbursements were not entered into the general ledger timely and bank accounts were not reconciled timely. Town clerk left town employment and posting was not up-to-date so the Town had to hire an outside accountant to assist the employees.

Effect: Any account could be misstated and is at risk for fraud.

Recommendation: We recommend the Town have all bank accounts reconciled monthly and the council review them at each meeting along with monthly financial statements.

2017-5. Employees or board members not paying utility bill timely

Condition: No support documentation provided but account history provided showed there were several accounts with past due amounts.

Criteria: Article VII, Section 14 states in part "funds, credit, property, or things of value shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private."

Cause: Employees and board members did not pay their utility bills on time.

Effect: Violation of Article VII, Section 14.

Recommendation: We recommend the Town mandate all employees and board members pay their utility bill on time and not incur late charges in order to refrain from violating this Article.

2017-6. Late submission of audit report.

Condition: The Town submitted the audit report after December 31, 2017.

Criteria: LRS 24:513A(5)(a)(I)

Cause: Receipts and disbursements were not entered into the general ledger timely and bank accounts were not reconciled timely. Town clerk left town employment and posting was not up-to-date so outside accountant was hired to help town.

Effect: Misstatements in the financial statements may not be detected and the town management could not make educated, informed decisions.

Recommendation: We recommend the Town post all activity timely so all financial information is available to the auditor in order to have the audit performed timely.

2017-7. Compliance with local government budget act

For the year ended June 30, 2018, the General fund budgeted revenues and other sources exceeded actual revenues and other sources by \$203,103 or 39%. For the year ended June 30, 2018, the 2% Sales tax fund actual expenditures and other uses exceeded budgeted expenditures and other uses by \$25,086 or 45%.

Criteria: According to LRS 39:1310, failing to amend the budget when necessary is a violation of the local government budget act.

Cause: Management overbudgeted for grants in the General fund and underbudgeted transfers out in the Sales tax fund.

Effect: Noncompliance with local budget law.

Recommendation: We recommend the Town monitor budget and actual figures and amend as necessary.

C. Federal Award Findings and Questioned Costs

None

Town of Cullen
Summary of Prior Year Findings
For the Year Ended June 30, 2017

A. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

- 2016-1. Significant deficiency in internal control over financial reporting
Status: Unresolved - see 2017-1
- 2016-2. Significant deficiency in internal control over utility receipts
Status: Unresolved - see 2017-2
- 2016-3. Significant deficiency in internal control for disbursements
Status: Unresolved - see 2017-3
- 2016-4. Monthly financial statements not prepared and presented to council
Status: Unresolved - see 2017-4
- 2016-5. Violation of Article VII, Section 14
Status: Unresolved - see 2017-5
- 2016-6. Late submission of audit report
Status: Unresolved - see 2017-6

B. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS

None

C. MANAGEMENT LETTER

None

Town of Cullen
PO BOX 200
CULLEN, LA 71028

CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2017

Town of Cullen hereby submits the following corrective action plan as referenced in the Findings and Questioned Costs:

- 2017-1. The Town agrees with the recommendations and intends to implement them immediately.
- 2017-2. The Town agrees with the recommendations and intends to implement them immediately. The previous town clerk left town employment during the last audit. The Town has since hired a new town clerk and outside accountant to help.
- 2017-3. The Town agrees with the recommendations and intends to implement them immediately.
- 2017-4. The Town agrees with the recommendations and intends to implement them immediately.
- 2017-5. The Town agrees with the recommendations and intends to implement them immediately.
- 2017-6. The Town agrees with the recommendations and intends to implement them immediately.
- 2017-7. The Town agrees with the recommendations and intends to implement them immediately.

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Aldermen of Town of Cullen and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by Town of Cullen (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2016 through June 30, 2017. The Entity's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:

a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget

The entity does not have written policies and procedures regarding budgeting.

b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

The entity has written policies and procedures regarding purchasing, including the functions noted above.

c) ***Disbursements***, including processing, reviewing, and approving

The entity does not have written policies and procedures regarding disbursements.

d) ***Receipts***, including receiving, recording, and preparing deposits

The entity does not have written policies and procedures regarding receipts.

e) ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

The entity has written policies and procedures regarding payroll/personnel, including the functions noted above.

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process

The entity does not have written policies and procedures regarding contracting.

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage

The entity has written policies and procedures regarding fuel cards, including the functions noted above.

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers

The entity has written policies and procedures regarding travel and expense reimbursement, including the functions noted above.

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.

The entity does not have written policies and procedures regarding ethics.

- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

The entity does not have written policies and procedures regarding debt service.

Board (or Finance Committee, if applicable)

2. Obtain and review the board/committee minutes for the fiscal period, and:

- a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

The board met (with a quorum) at least once a month, every month, during the fiscal year.

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).

➤ If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit

spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

The minutes did not reference monthly budget-to-actual comparisons for the General Fund or any additional funds identified as major funds.

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

The minutes referenced non-budgetary financial information for at least one meeting during the fiscal period.

Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

Obtained a listing of bank accounts and management's representation that the listing is complete.

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three-year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

No exceptions.

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

There was no evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) had reviewed the bank reconciliations

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

There was no documentation reflecting that the entity had researched items that were outstanding for more than 6 months.

Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

Management provided a listing of collection locations and management represented that the listing is complete.

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* **For each cash collection location selected:**

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

(1) bonded – all employees responsible for collecting cash are bonded

(2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party) – management has asserted that multiple employees who are responsible for collecting cash are also responsible for one or more of the above listed duties, except for reconciling the related bank account, which is done by a third party CPA firm

(3) not required to share the same cash register or drawer with another employee – management has stated that employees who collect cash do share a cash register.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

There is no written documentation supporting a formal process to reconcile cash collections to the general ledger.

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
 - Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within

one day of collection, report the number of days from receipt to deposit for each day at each collection location.

The entity could not provide any collection documentation for the deposits selected to test.

- Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

The entity could not provide any collection documentation for the deposits selected to test.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

The Entity does not have written documentation that address the functions noted above.

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

Management provided the general ledger and management provided representation that the general ledger is complete.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

Purchase orders were not provided for the disbursements selected to test.

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

Purchase orders were not provided for the disbursements selected to test.

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

Purchase orders were not provided for the disbursements selected to test.

- 10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

Management has asserted that the person responsible for processing payments is not responsible for adding vendors.

- 11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

Management has asserted that the person with signatory authority has no responsibility for initiating or recording purchases.

- 12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

Management has asserted that the supply of unused checks is kept in a locked location but that the locked location can be accessed by all employees.

- 13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

Management has asserted that a signature stamp is sometimes used, that when it is not in use it is kept in the Mayor's office, and that the Mayor also reviews all items that were signed using the stamp.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

- 14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Management could not provide a listing of all active credit cards, bank debit cards, fuel cards, and/or P-cards.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

Management could not provide a listing of all active credit cards, bank debit cards, fuel cards, and/or P-cards.

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

Management could not provide a listing of all active credit cards, bank debit cards, fuel cards, and/or P-cards.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:
- An original itemized receipt (i.e., identifies precisely what was purchased)
 - Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
 - Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

Management could not provide a listing of all active credit cards, bank debit cards, fuel cards, and/or P-cards.

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

Management could not provide a listing of all active credit cards, bank debit cards, fuel cards, and/or P-cards.

- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

Management could not provide a listing of all active credit cards, bank debit cards, fuel cards, and/or P-cards.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

Obtained the general ledger and management's representation that the general ledger contains a full representation of all travel and related expense reimbursements.

18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

Obtained the entity's policies relating to travel and expense reimbursements and noted that the mileage rates and the per diem rates did not exceed the GSA rates.

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

Management could not provide the supporting documentation for the travel and expense related reimbursements that were tested.

b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

Management could not provide the supporting documentation for the travel and expense related reimbursements that were tested.

c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

Management could not provide the supporting documentation for the travel and expense related reimbursements that were tested.

d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Management could not provide the supporting documentation for the travel and expense related reimbursements that were tested.

Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

Obtained a listing of all contracts in effect during the fiscal period and managements representation the listing is complete.

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

Management could not provide original contracts, or the invoices paid for the contacts during the fiscal period.

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)
 - If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

Management could not provide original contracts, or the invoices paid for the contracts during the fiscal period.

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

Management could not provide original contracts, or the invoices paid for the contracts during the fiscal period.

- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

Management could not provide original contracts, or the invoices paid for the contracts during the fiscal period.

- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

Reviewed the board minutes and noted that there was no documentation of board approval for the contracts in place that were listed by management. Could not review contract documentation because it could not be provided by management.

Payroll and Personnel

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:

Obtained a listing of employees and management's representation that the listing was complete to the extent of their knowledge and:

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

Management could not provide personnel files for the employees selected to test. Management provided documentation for 1 of the 5 employees selected to test. It could not be determined if the pay rate structure agreed to the documentation because the documentation lacked information needed to do so.

- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

Management was unaware if there were any changes made to hourly pay rates/ salaries during the fiscal period and did not have any record of any such changes or written approvals.

- 23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

Management could not provide attendance and leave records for the pay period that was selected for testing.

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

Management could not provide attendance and leave records for the pay period that was selected for testing.

- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

Management could not provide documentation that the entity maintained written leave records for the employees/officials that earn leave.

- 24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

Management could not verify whether there were employees terminated during the fiscal period or not.

- 25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines. The entity's employee and employer portions of payroll taxes, as well as the required reporting forms, were submitted, but not by the required deadlines for the fiscal period.

Ethics (excluding nonprofits)

26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

Management could not provide the ethics compliance documentation for the requested employees.

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Management could not verify whether any ethical violations were reported for fiscal period or not.

Debt Service (excluding nonprofits)

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

No new debt was issued during the fiscal period.

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

The entity did not have outstanding debt during the fiscal period.

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

Not applicable.

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Management has asserted that the Entity did not have any misappropriation of public funds or assets during the reporting period.

32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.lla.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

Required notices are posted on the premises.

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

No Exceptions

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Wade & Perry

Ruston, LA

February 5, 2019

Town of Cullen
Cullen, LA

February 5, 2019

Wade & Perry, CPAs
Ruston, LA

The following is Management's Response to the 2017 AUP report submitted for Town of Cullen.

WRITTEN POLICIES AND PROCEDURES

1. a) Budgeting
Management will work toward documenting existing policy.
- c) Disbursements
Management will work toward documenting existing policy.
- d) Receipts
Management will work toward documenting existing policy.
- f) Contracting
Management will work toward documenting existing policy.
- i) Ethics
Management will work toward documenting existing policy.
- j) Debt Service
Management will work toward documenting existing policy.

BOARD OR FINANCE COMMITTEE

2. b) Management will work toward referencing budget-to-actual comparisons for the General fund and any other major funds.

BANK RECONCILIATIONS

4. b) Management will work toward showing evidence of bank reconciliations being reviewed and signed off.
- c) Management will work toward having reconciling items researched.

COLLECTIONS

6. a) Management will work toward implementing checks and balances for this procedure.
- b) Management will work toward documenting existing policy.
- d) Management will work toward maintaining all documentation for all receipts.
7. a) Management will work toward documenting existing policy.

DISBURSEMENTS

9. a) Management will work toward maintaining all documentation.
- b) Management will work toward maintaining all documentation.
- c) Management will work toward maintaining all documentation.
12. a) Management will work toward restricting access to necessary employees.

CREDIT CARDS/DEBIT CARDS

14. Management will work toward maintaining an accurate listing and who has possession.

TRAVEL

19. a) Management will work toward keeping the supporting documentation in a central location.

CONTRACTS

21. Management will work toward keeping the supporting documentation in a central location.

PAYROLL AND PERSONNEL

22. Management will keep personnel files and update as necessary.
23. Management will maintain attendance and leave records.
24. Management will keep personnel files and update as necessary.
25. Management will work toward paying all taxes and retirement and submitting forms by required deadlines.

ETHICS

26. Management will work toward having all required employees take ethics course.