

Town of Cullen
Cullen, Louisiana

Annual Financial Statements
For the Year Then Ended June 30, 2018

Town of Cullen

Annual Financial Statements
As of and for the Year Ended June 30, 2018
With Supplemental Information Schedules

CONTENTS

	Statement	Page
Required Supplemental Information (Part I) Management's Discussion and Analysis		1
Independent Auditor's Report		6
<u>Basic Financial Statements</u>		
Government-Wide Financial Statements:		
Statement of Net Position	A	8
Statement of Activities	B	9
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C	10
Reconciliation of the Government Funds Balance Sheet to The Government-Wide Financial Statement of Net Position	D	11
Statement of Revenues, Expenditures, and Changes in Fund Balances	E	12
Reconciliation of the Statement of Revenues, Expenditures, And Changes in Fund Balances of Governmental Funds to the Statement of Activities	F	13
Proprietary Funds:		
Statement of Net Position	G	14
Statement of Revenues, Expenses, and Changes in Net Position	H	15
Statement of Cash Flows	I	16

Table of Contents (Contd.)
Town of Cullen, Louisiana

	Schedule	Page
Notes to the Financial Statements		17
Required Supplemental Information (Part II)		
Budget Comparison Schedules		
General Fund	1	31
Two Percent Sales Tax Fund	2	32
<u>Other Supplemental Schedules</u>		
Schedule of Compensation Paid Elected Officials	3	34
Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer	4	35
<u>Other Reports</u>		
Independent Auditor's Report on Compliance and Internal Control Over Financial Reporting Based on an Audit of the Basic Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		37
Current Year Findings and Recommendations	5	39
Status of Prior Audit Findings	6	43
Correction Action Plan		44

Town of Cullen, Louisiana
Management Discussion and Analysis
June 30, 2018

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, 2018. 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, 2018

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 \$4,713,054 (net position); this represents a decrease of \$137,491 from the last fiscal year. Of this total net asset amount, \$823,812 is unrestricted net position. The Town's net position are comprised of \$1,042,085 from governmental activities and \$3,670,969 from business-type activities.

The following is a condensed statement of the Town of Cullen's net position as of June 30, 2018:

	Governmental-Type Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets						
Current & Other Assets	\$649,682	\$484,753	\$1,016,171	\$1,051,287	\$1,665,853	\$1,536,040
Capital Assets (net)	658,768	569,345	2,770,135	2,958,017	3,428,903	3,527,362
Total Assets	<u>\$1,308,450</u>	<u>\$1,054,098</u>	<u>\$3,786,306</u>	<u>\$4,009,304</u>	<u>\$5,094,756</u>	<u>\$5,063,402</u>
Deferred outflows	0	2,436	0	0	0	2,436
Liabilities						
Current liabilities	\$257,863	\$56,729	\$71,235	\$67,081	\$329,098	\$123,810
Non-current Liabilities	125	2,431	44,102	43,560	44,227	45,991
Total Liabilities	<u>257,988</u>	<u>59,160</u>	<u>115,337</u>	<u>110,641</u>	<u>373,325</u>	<u>169,801</u>
Deferred inflows	8,377	0	0	0	8,377	0
Net Position						
Invested in capital assets, net	658,768	569,345	2,770,135	2,958,017	3,428,903	3,527,362
Restricted for customer deposits			42,166	40,924	42,166	40,924
Unrestricted	383,317	381,853	858,668	899,722	1,241,985	1,281,575
Total Net Position	<u>\$1,042,085</u>	<u>\$951,198</u>	<u>\$3,670,969</u>	<u>\$3,898,663</u>	<u>\$4,713,054</u>	<u>\$4,849,861</u>

The Town's net position includes \$3,428,903 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 \$42,166. The remaining balance of \$1,241,985 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, 2018

	Governmental-Type Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
<u>Revenue</u>						
Program Revenue	271,172	95,728	\$4,890	\$560,407	\$276,062	\$656,135
General Revenues	163,860	180,434	291,619	9,273	455,479	189,707
Total Revenue	<u>435,032</u>	<u>276,162</u>	<u>296,509</u>	<u>569,680</u>	<u>731,541</u>	<u>845,842</u>
<u>Expenses</u>						
General & Administrative	326,978	346,953			326,978	346,953
Water Utilities			565,078	459,237	565,078	459,237
Total Expenses	<u>326,978</u>	<u>346,953</u>	<u>565,078</u>	<u>459,237</u>	<u>892,056</u>	<u>806,190</u>
Excess (deficiency) before special items and transfers	108,054	(70,791)	(268,569)	110,443	(160,515)	39,652
Transfers in (out)	(20,235)	59,393	20,235	(59,393)	0	0
Change in Net Position	87,819	(11,398)	(248,334)	51,050	(160,515)	39,652
Net Position, June 30, 2017	951,882	963,281	3,898,663	3,847,613	4,850,545	4,810,895
Prior period adjustment	2,384	0	20,640	0	23,024	0
Net Position, June 30, 2018	<u>\$1,042,085</u>	<u>\$951,882</u>	<u>\$3,670,969</u>	<u>\$3,898,663</u>	<u>\$4,713,054</u>	<u>\$4,850,546</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 an in 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, 2017	\$109,909	\$178,031
Fiscal year ended June 30, 2018	118,185	173,434
Increase (decrease) between years	<u>\$8,276</u>	<u>(\$4,597)</u>
	Operating Expenses	
	Water	Sewer
Fiscal year ended June 30, 2017	\$203,226	\$256,011
Fiscal year ended June 30, 2018	255,487	309,591
Increase (decrease) between years	<u>\$52,261</u>	<u>\$53,580</u>

Town of Cullen, Louisiana
Management Discussion and Analysis
June 30, 2018

	Net Income (Loss) From Operations	
	Water	Sewer
Fiscal year ended June 30, 2017	(\$93,317)	(\$77,980)
Fiscal year ended June 30, 2018	(137,302)	(136,157)
Increase (decrease) between years	(\$43,985)	(\$58,177)

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 the major funds only 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 (\$30,191), which is a decrease of \$9,250. The unreserved portion is (\$34,731). The Town of Cullen’s Two percent sales tax fund reported an ending fund balance of \$158,855, which is a decrease of \$74,665. The Town of Cullen’s One-half percent sales tax fund reported an ending fund balance of \$254,778, which is an increase of \$39,334.

Fund Financial Statements - Proprietary Funds

The Town maintains two 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 increases in personnel services, repairs and maintenance, and other services and charges.

Financial Analysis of the Town’s Proprietary Fund

The Town’s proprietary funds show a decrease in ending retained earnings of \$227,694.

Town of Cullen, Louisiana
Management Discussion and Analysis
June 30, 2018

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 actual expenditures and other uses exceeded the budgeted expenditures and other uses by \$169,859 or 52%. The Two Percent Sales Tax fund actual expenditures and other uses exceeded the budgeted expenditures and other uses by \$77,188 or 118%.

Capital Asset and Debt Administration

The total net investment in capital assets as of June 30, 2018 is \$3,428,903.

There were major capital assets purchased or constructed in fiscal 2018 for governmental activities which consisted of street light improvements.

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, 2018, 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, 2018, 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 January 7, 2020, 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.

Wade & Perry

Ruston, Louisiana
January 7, 2020

Town of Cullen, Louisiana
Statement of Net Position
June 30, 2018

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash and cash investments	\$320,929	\$568,070	\$888,999
Investments	129,913	315,353	445,266
Receivables	192,390	78,247	270,637
Internal balances	1,910	(1,910)	0
Prepaid assets	4,540	2,194	6,734
Inventory		10,331	10,331
Restricted assets		43,886	43,886
Capital assets (net)	658,768	2,770,135	3,428,903
TOTAL ASSETS	<u>\$1,308,450</u>	<u>\$3,786,306</u>	<u>\$5,094,756</u>
Deferred outflows of resources			0
LIABILITIES			
Current liabilities:			
Accounts, salaries, and other payables	\$243,815	\$71,235	\$315,050
Due to other governments	14,048		14,048
Noncurrent liabilities:			
Compensated absences payable	125	1,936	2,061
Customer deposits		42,166	42,166
TOTAL LIABILITIES	<u>257,988</u>	<u>115,337</u>	<u>373,325</u>
Deferred inflows of resources	8,377		8,377
NET POSITION			
Net investment in capital assets	658,768	2,770,135	3,428,903
Restricted		42,166	42,166
Unrestricted	383,317	858,668	1,241,985
TOTAL NET POSITION	<u>\$1,042,085</u>	<u>\$3,670,969</u>	<u>\$4,713,054</u>

The accompanying notes are an integral part of this statement.

Town of Cullen, Louisiana
Statement of Activities
Year Ended June 30, 2018

	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	\$65,668		\$9,077		(\$56,591)	(\$56,591)
Public safety	131,158	\$12,172			(118,986)	(118,986)
Highways and streets	47,565			\$165,548	117,983	117,983
Sanitation and health	78,511	84,375			5,864	5,864
Culture and recreation	4,076				(4,076)	(4,076)
Total governmental activities	<u>326,978</u>	<u>96,547</u>	<u>9,077</u>	<u>165,548</u>	<u>(55,806)</u>	<u>0</u>
Business-type activities						
Water	255,487	118,185				(137,302)
Sewer	309,591	173,434				(136,157)
Total business-type activities	<u>565,078</u>	<u>291,619</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(273,459)</u>
Total primary government	<u>\$892,056</u>	<u>\$388,166</u>	<u>\$9,077</u>	<u>\$165,548</u>	<u>(\$55,806)</u>	<u>(\$273,459)</u>
General revenues:						
Ad valorem taxes levied for general purposes					21,369	21,369
Sales taxes					84,335	84,335
Licenses and permits					48,478	48,478
Investment earnings					1,869	4,890
Other general revenues					7,189	7,189
Gain (loss) on sale of asset					620	620
Transfers					(20,235)	20,235
Total general revenues and transfers					<u>143,625</u>	<u>25,125</u>
Change in Net Position					87,819	(248,334)
Net Position - beginning					951,882	3,898,663
Prior period adjustment					2,384	20,640
Net Position - ending					<u>\$1,042,085</u>	<u>\$3,670,969</u>

The accompanying notes are an integral part of this statement.

Town of Cullen, Louisiana
 Balance Sheet, Governmental Funds
 June 30, 2018

	General Fund	Two Percent Sales Tax Fund	Non-major One-half Percent Sales Tax Fund	CDBG Fund	Total Governmental Funds
ASSETS					
Cash and equivalents	\$49,397	\$175,036	\$96,496	\$142	\$320,929
Investments	671	552	128,690		129,913
Receivables	185,487	5,522	1,381		192,390
Due from other funds	21,900	10,546	38,776		71,222
Prepaid assets	4,540				4,540
TOTAL ASSETS	\$261,995	\$191,656	\$265,343	\$142	\$718,994
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts, salaries, and other payables	\$243,719	\$77	\$19		\$243,815
Due to other funds	26,042	32,724	10,546		69,312
Due to other governments	14,048				14,048
Total liabilities	283,809	32,801	10,565	0	327,175
Deferred inflows of resources	8,377				8,377
Fund balances:					
Nonspendable	4,540				4,540
Restricted					0
Unassigned	(34,731)	158,855	254,778	\$142	378,902
Total fund balances	(30,191)	158,855	254,778	142	383,442
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$261,995	\$191,656	\$265,343	\$142	\$718,994

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, 2018

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

Fund balances, Total governmental funds (Statement C)	\$383,442
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	(125)
Pension related changes in net pension liability that are only reported in the Statement of Net Position as deferred outflows	0
Pension related changes in net pension liability that are only reported in the Statement of Net Position as deferred inflows	0
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	
Governmental capital asset	\$1,450,723
Less accumulated depreciation	<u>(791,955)</u> <u>658,768</u>
Net Position of Governmental Activities (Statement A)	<u><u>\$1,042,085</u></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, 2018

	General Fund	Two Percent Sales Tax Fund	Non-major One-half Percent Sales Tax Fund	CDBG Fund	Total Governmental Funds
REVENUES					
Taxes:					
Ad valorem	\$21,369				\$21,369
Sales and use		\$67,468	\$16,867		84,335
Licenses and permits	48,478				48,478
Charges for services	84,375				84,375
Intergovernmental revenues:					
State/parish	9,077				9,077
Grants				165,548	165,548
Fines and forfeitures	12,172				12,172
Investment earnings	18	55	1,796		1,869
Other revenues	7,189				7,189
Total Revenues	<u>182,678</u>	<u>67,523</u>	<u>18,663</u>	<u>165,548</u>	<u>434,412</u>
EXPENDITURES					
General government	106,618	1,045	261		107,924
Culture and recreation		20	191		211
Public safety	125,383				125,383
Highways and streets	19,404				19,404
Sanitation and health	78,511				78,511
Capital outlay				165,548	165,548
Total Expenditures	<u>329,916</u>	<u>1,065</u>	<u>452</u>	<u>165,548</u>	<u>496,981</u>
Excess (Deficiency) of Revenues over (under)					
Expenditures	(147,238)	66,458	18,211		(62,569)
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of assets	620				620
Transfers in	99,765		21,123		120,888
Transfers out		(141,123)			(141,123)
Total Other Financing Sources (Uses)	<u>100,385</u>	<u>(141,123)</u>	<u>21,123</u>	<u>0</u>	<u>(19,615)</u>
Net Change in Fund Balance	(46,853)	(74,665)	39,334	0	(82,184)
Prior period adjustment	37,603				37,603
Fund Balance – beginning	<u>(20,941)</u>	<u>233,520</u>	<u>215,444</u>	<u>142</u>	<u>428,165</u>
Fund Balance – ending	<u>(\$30,191)</u>	<u>\$158,855</u>	<u>\$254,778</u>	<u>\$142</u>	<u>\$383,584</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, 2018

Amounts reported for governmental activities in the Statement of Activities are different because:	
Net Change in Fund Balances, Total governmental funds (Statement E)	(\$82,184)
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 (\$165,548) exceeded depreciation (\$40,907) in the current period.	124,641
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	43,056
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>2,306</u>
Change in Net Position of Governmental Activities, Statement B	<u><u>\$87,819</u></u>

The accompanying notes are an integral part of this statement.

Town of Cullen, Louisiana
Statement of Net Position, Proprietary Funds
June 30, 2018

	Business-Type Activities - Enterprise Funds		Totals
	Water Fund	Sewer Fund	
ASSETS			
Current assets:			
Cash and cash investments	\$183,100	\$384,970	\$568,070
Investments	138,122	177,231	315,353
Accounts receivable - customers	11,375	19,731	31,106
Accounts receivable - other	47,141		47,141
Due from other funds	61,658	29,771	91,429
Supplies inventory	10,331		10,331
Total current assets	<u>451,727</u>	<u>611,703</u>	<u>1,063,430</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash investments	18,277		18,277
Investments	25,609		25,609
Other assets	1,097	1,097	2,194
Capital assets (net of accumulated depreciation)	<u>1,186,669</u>	<u>1,583,466</u>	<u>2,770,135</u>
Total noncurrent assets	<u>1,231,652</u>	<u>1,584,563</u>	<u>2,816,215</u>
TOTAL ASSETS	<u>\$1,683,379</u>	<u>\$2,196,266</u>	<u>\$3,879,645</u>
LIABILITIES			
Current Liabilities:			
Accounts, salaries, and other payables	\$59,815	\$11,420	\$71,235
Due to other funds	<u>17,829</u>	<u>75,510</u>	<u>93,339</u>
Total current liabilities	<u>77,644</u>	<u>86,930</u>	<u>164,574</u>
Noncurrent liabilities:			
Compensated absences payable	<u>968</u>	<u>968</u>	<u>1,936</u>
Total noncurrent liabilities	<u>968</u>	<u>968</u>	<u>1,936</u>
Liabilities payable from restricted assets	<u>42,166</u>		<u>42,166</u>
Total liabilities	<u>120,778</u>	<u>87,898</u>	<u>208,676</u>
NET POSITION			
Invested in capital assets, net of related debt	1,186,669	1,583,466	2,770,135
Restricted net position	42,166		42,166
Unrestricted	<u>333,766</u>	<u>524,902</u>	<u>858,668</u>
TOTAL NET POSITION	<u>\$1,562,601</u>	<u>\$2,108,368</u>	<u>\$3,670,969</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, 2018

	Business-Type Activities - Enterprise Funds		Totals
	Water Fund	Sewer Fund	
Operating Revenues			
Charges for services:			
Water	\$110,007		\$110,007
Sewerage		\$163,909	163,909
Penalties/service charges	8,178	9,525	17,703
Other charges for services			0
Total Operating Revenues	<u>118,185</u>	<u>173,434</u>	<u>291,619</u>
Operating Expenses			
Personnel services	74,617	74,646	149,263
Materials and supplies	16,573	4,422	20,995
Insurance claims and expenses	18,663	4,165	22,828
Repairs and maintenance	20,981	21,469	42,450
Other services and charges	54,465	58,633	113,098
Bad debt expense	13,455	15,105	28,560
Depreciation	<u>56,733</u>	<u>131,151</u>	<u>187,884</u>
Total Operating Expenses	<u>255,487</u>	<u>309,591</u>	<u>565,078</u>
Operating income (loss)	(137,302)	(136,157)	(273,459)
Nonoperating revenue (expenses)			
Interest earnings	2,315	2,575	4,890
Other income			0
Capital grants			0
Total Nonoperating Revenue (Expenses)	<u>2,315</u>	<u>2,575</u>	<u>4,890</u>
Income before contributions and transfers	(134,987)	(133,582)	(268,569)
Transfers in	40,000		40,000
Transfers out		<u>(19,765)</u>	<u>(19,765)</u>
Change in Net Position	(94,987)	(153,347)	(248,334)
Total Net Position - Beginning	1,636,049	2,262,614	3,898,663
Prior period adjustment	<u>21,539</u>	<u>(899)</u>	<u>20,640</u>
Total Net Position - Ending	<u>\$1,562,601</u>	<u>\$2,108,368</u>	<u>\$3,670,969</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, 2018

	Business Type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Totals
Cash Flows from Operating Activities			
Receipts from customers and users	\$131,200	\$203,149	\$334,349
Other operating cash receipts	4,383	3,797	8,180
Payments to suppliers	(127,579)	(97,347)	(224,926)
Other operating cash payments	(74,421)	(74,393)	(148,814)
Payments to employees	(246)		(246)
Net Cash Provided by Operating Activities	<u>(66,663)</u>	<u>35,206</u>	<u>(31,457)</u>
Cash Flows from Noncapital Financing Activities			
Prior period adjustment	21,539	(899)	20,640
Transfer from (to) other funds	40,000	(19,765)	20,235
Net Cash Provided (Used) by Noncapital Financing Activities	<u>61,539</u>	<u>(20,664)</u>	<u>40,875</u>
Cash Flows from Capital and Related Financing Activities			
Purchases of capital assets			0
Grant proceeds			0
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>0</u>	<u>0</u>	<u>0</u>
Cash Flows from Investing Activities			
Investments Redeemed	(2,249)	(2,432)	(4,681)
Interest and dividends received	2,315	2,575	4,890
Net Cash Provided by Investing Activities	<u>66</u>	<u>143</u>	<u>209</u>
Net Increase in Cash and equivalents	(5,058)	14,685	9,627
Cash and equivalents, Beginning of Year	206,435	370,285	576,720
Cash and equivalents, End of Year	<u>\$201,377</u>	<u>\$384,970</u>	<u>\$586,347</u>
Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities			
Operating income	(\$137,302)	(\$136,157)	(\$273,459)
Depreciation expense	56,733	131,151	187,884
(Increase) decrease in accounts receivable	14,112	30,812	44,924
(Increase) decrease in other assets	(1,097)	(1,097)	(2,194)
(Increase) decrease in due from/to other funds	2,895	3,797	6,692
Increase (decrease) in compensated absences payable	(350)	(350)	(700)
Increase (decrease) in customer deposits	1,242		1,242
Increase (decrease) in accounts payable	(2,896)	7,050	4,154
Net Cash Provided by Operating Activities	<u>(\$66,663)</u>	<u>\$35,206</u>	<u>(\$31,457)</u>
Reconciliation of total cash and cash investments:			
Current assets - cash and cash investments	\$183,100	\$384,970	\$568,070
Restricted assets - cash and cash investments	18,277	0	18,277
Total cash and cash investments	<u>\$201,377</u>	<u>\$384,970</u>	<u>\$586,347</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, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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, 2018, fund balances are composed of the following:

	<u>General Fund</u>	<u>Sales Tax 2%</u>	<u>Sales Tax 1/2%</u>
Nonspendable:			
Prepaid items	\$4,540		
Restricted:			
Other purposes			
Unassigned	<u>(34,731)</u>	<u>\$158,855</u>	<u>\$254,778</u>
Total fund balances	<u><u>(\$30,191)</u></u>	<u><u>\$158,855</u></u>	<u><u>\$254,778</u></u>

Town of Cullen, Louisiana
Notes to the Financial Statements
As of and For the Year Ended June 30, 2018

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, 2018.

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, 2018. 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, 2018, the Town has cash and cash equivalents (book balances) totaling \$907,276 as follows:

Town of Cullen, Louisiana
Notes to the Financial Statements
As of and For the Year Ended June 30, 2018

Petty cash	\$300
Interest-bearing accounts	0
Demand deposits	225,414
Certificates of deposit	<u>681,562</u>
Total	<u>\$907,276</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, 2018, the Town has \$933,742 in deposits (collected bank balances). These deposits are secured from risk by \$500,000 of federal deposit insurance and \$433,742 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 \$470,875 (current assets of \$445,266 and restricted assets of \$25,609) in the Louisiana Asset Management Pool (LAMP), a local government investment pool. In accordance with GASB Cod Sec. I50.126, the investment in LAMP at the Town is not categorized in the three risk categories provided by GASB Cod Sec. I50.125 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, 2018

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 \$192,390 at June 30, 2018, within the governmental funds are as follows:

Class of Receivable	General Fund	Special Revenue Funds	Total
Taxes:			
Ad valorem			\$0
Franchise	\$2,975		2,975
Accounts - garbage service	6,302		6,302
Other	10,662	\$6,903	17,565
CDBG grant	<u>165,548</u>		<u>165,548</u>
Total	<u>\$185,487</u>	<u>\$6,903</u>	<u>\$192,390</u>

6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2018 is as follows:

	Interfund Receivables	Interfund payable
General fund	\$21,900	\$26,042
2% sales tax fund	10,546	32,724
½% sales tax fund	38,776	10,546
Enterprise funds	<u>91,429</u>	<u>93,339</u>
Total	<u>\$162,651</u>	<u>\$162,651</u>

7. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended June 30, 2018, 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, 2018

	Beginning Balance	Adjustments	Increases	Decreases	Ending Balance
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
Improvements other than buildings	0		\$165,548		165,548
Equipment	101,350				101,350
Vehicles	225,659				225,659
Infrastructure	349,738				349,738
Total capital assets being depreciated	<u>1,173,782</u>		<u>165,548</u>	<u>0</u>	<u>1,339,330</u>
Less accumulated depreciation for:	<u>715,830</u>	<u>\$35,218</u>	<u>40,907</u>		<u>791,955</u>
Total capital assets being depreciated, net	<u>\$569,345</u>	<u>(\$35,218)</u>	<u>\$124,641</u>	<u>\$0</u>	<u>\$658,768</u>

Depreciation expense of \$40,907 was charged as follows: \$3,106 to general government, \$5,775 to public safety, \$28,161 to highways and streets, \$3,865 to culture and recreation.

	Beginning Balance	Increases	Decreases	Ending Balance
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	6,530,593			6,530,593
Equipment	807,492			807,492
Total capital assets being depreciated	<u>7,341,830</u>	<u>0</u>	<u>0</u>	<u>7,341,830</u>
Less accumulated depreciation	<u>4,391,486</u>	<u>187,884</u>		<u>4,579,370</u>
Total business-type assets being depreciated, net	<u>\$2,958,019</u>	<u>(\$187,884)</u>	<u>\$0</u>	<u>\$2,770,135</u>

8. LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term debt for the year ended June 30, 2018:

	Compensated Absences
Long-term obligations at June 30, 2017	\$5,066
Additions	
Deductions	(3,005)
Long-term obligations at June 30, 2018	<u>\$2,061</u>

Town of Cullen, Louisiana
Notes to the Financial Statements
As of and For the Year Ended June 30, 2018

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, 2018:

	Government Activities	Business-Type Activities	Compensated Absences
Current portion	\$0	\$0	\$0
Long-term portion	125	1,936	2,061
Total	\$125	\$1,936	\$2,061

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, 2018, 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, 2018, the Town recognized pension expense (benefit) of (\$43,056). At June 30, 2018, 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	\$0	
Changes in proportion and differences between Town contributions and proportionate share of contributions		\$0
Total	\$0	\$0

The \$0 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, 2018. 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>	
2019	\$0

Town of Cullen, Louisiana
Notes to the Financial Statements
As of and For the Year Ended June 30, 2018

10. RESTRICTED ASSETS

For the business-type activities, restricted assets were applicable to the following at June 30, 2018:

Customers' meter deposits - cash	\$18,277
Customers' meter deposits - investment	<u>25,609</u>
Total	<u>\$43,886</u>

11. ON-BEHALF PAYMENTS

During the fiscal year ended June 30, 2018, 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, 2018, nor is it aware of any unasserted claims.

13. PRIOR PERIOD ADJUSTMENT

The Government-wide financial statements include prior period adjustments increasing net assets of governmental activities by \$2,384 and increasing business-type activities by \$20,640. These are numerous adjustments to balance sheet accounts to adjust the balances for the current year. The governmental funds statements reflect a prior period adjustment increasing fund balances by \$37,603. The enterprise funds statements reflect a prior period adjustment increasing net position by \$20,640. These are numerous adjustments to balance sheet accounts to adjust the balances for the current year.

14. FUND BALANCE (DEFICIT)

At June 30, 2018, the General Fund had a fund deficit of \$30,191. The town's plan is to transfer funds to eliminate the deficit.

15. MANAGEMENT REVIEW

Subsequent events have been evaluated through January 7, 2020. 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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts GAAP Basis</u>	<u>Favorable (Unfavorable) Variance</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes - ad valorem	\$19,708	\$19,708	\$21,369	\$1,661
Franchise fees	18,420	18,420	17,326	(1,094)
Licenses and permits	27,195	27,195	31,152	3,957
Charges for services	83,000	83,000	84,375	1,375
Fines and forfeitures	17,500	17,500	12,172	(5,328)
Intergovernmental	10,055	10,055	174,625	164,570
Use of money and property			18	18
Miscellaneous	<u>6,524</u>	<u>6,524</u>	<u>7,189</u>	<u>665</u>
Total Revenues	<u>182,402</u>	<u>182,402</u>	<u>348,226</u>	<u>165,824</u>
EXPENDITURES				
General government	104,590	104,590	106,618	(2,028)
Public Safety	130,327	130,327	125,383	4,944
Highway and streets	19,696	19,696	19,404	292
Sanitation and health	70,992	70,992	78,511	(7,519)
Capital outlay			165,548	(165,548)
Total Expenditures	<u>325,605</u>	<u>325,605</u>	<u>495,464</u>	<u>(169,859)</u>
Excess (Deficiency) of Revenues over (under) Expenditures	(143,203)	(143,203)	(147,238)	(4,035)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets			620	620
Operating transfers in	135,000	135,000	99,765	(35,235)
Operating transfers out				0
Total Other Financing Sources (Uses)	<u>135,000</u>	<u>135,000</u>	<u>100,385</u>	<u>(34,615)</u>
Net Change in Fund Balance	(8,203)	(8,203)	(46,853)	(38,650)
Fund Balance (Deficit) at Beginning of Year	26,389	26,389	(20,941)	(47,330)
Prior Period Adjustment	<u>0</u>	<u>0</u>	<u>37,603</u>	<u>37,603</u>
Fund Balance (Deficit) at End of Year	<u>\$18,186</u>	<u>\$18,186</u>	<u>(\$30,191)</u>	<u>(\$48,377)</u>

Notes to the Schedule

- (1) method of budgetary accounting - GAAP, modified accrual basis
(2) explanation of material variances - did not budget for grant revenue or capital outlay

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, 2018

	Budgeted Amounts		Actual Amounts GAAP Basis	Favorable (Unfavorable) Variance
	Original	Final		
REVENUES				
Taxes - sales	\$70,000	\$70,000	\$67,468	(\$2,532)
Use of money and property	65	65	55	(10)
Total Revenues	<u>70,065</u>	<u>70,065</u>	<u>67,523</u>	<u>(2,542)</u>
EXPENDITURES				
General government	1,000	1,000	1,045	(45)
Culture and recreation	4,000	4,000	20	3,980
Total Expenditures	<u>5,000</u>	<u>5,000</u>	<u>1,065</u>	<u>3,935</u>
Excess (Deficiency) of Revenues over (under) Expenditures	65,065	65,065	66,458	(6,477)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	0	0	0	0
Operating transfers out	<u>(60,000)</u>	<u>(60,000)</u>	<u>(141,123)</u>	<u>(81,123)</u>
Total Other Financing Sources (Uses)	<u>(60,000)</u>	<u>(60,000)</u>	<u>(141,123)</u>	<u>(81,123)</u>
Net Change in Fund Balance	5,065	5,065	(74,665)	(79,730)
Fund Balance (Deficit) at Beginning of Year	235,443	235,443	233,520	(1,923)
Prior Period Adjustment	0	0		0
Fund Balance (Deficit) at End of Year	<u>\$240,508</u>	<u>\$240,508</u>	<u>\$158,855</u>	<u>(\$81,653)</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, 2018

Board Member	<u>Amount</u>
Terry Hoof, Mayor	\$12,000
Floydean White	2,880
Barbara Green	2,880
Doris White	2,880
Fannie Rankin	2,880
Ray Mills	<u>2,880</u>
Total compensation paid	<u>\$26,400</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, 2018

Agency Head Name: Terry Hoof

Purpose	
Salary	\$12,000
Auto	1,129
Reimbursements	143
Conference	3,306

OTHER REPORTS

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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, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated January 7, 2020.

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. 2018-1, 2018-2, and 2018-3.

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

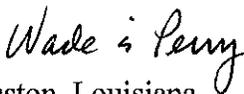
As part of obtaining reasonable assurance about whether Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 2018-4, 2018-5, 2018-6, and 2018-7.

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
January 7, 2020

Town of Cullen
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2018

We have audited the financial statements of Town of Cullen as of and for the year ended June 30, 2018, and have issued our report thereon dated January 7, 2020. 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, 2018, 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 <input type="checkbox"/>	Qualified <input type="checkbox"/>
For Major Programs	Disclaimer <input type="checkbox"/>	Adverse <input type="checkbox"/>

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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program (or Cluster)</u>
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

2018-1. Internal control over financial reporting

Condition: Management has chosen to engage the auditor 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.

Criteria: Good internal control over financial reporting requires that accounting records contain up-to-date, accurate, and complete information to ensure that the financial data and accruals are accurate at year end.

Cause: The town does not have staff capable of preparing report and notes.

Effect: Potential misstatements in financial statements may not be detected timely.

Recommendation: Management must determine whether the benefit from an internal control exceeds its cost, and therefore it may be impractical to correct all deficiencies. The town should establish quality control procedures to ensure year end reporting is complete and accurate and timely.

2018-2. Deficiency in internal control over utility receipts

Condition: The utility software was not charging the same rates as approved by the board on all accounts.

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.

2018-3. Deficiency in internal control for disbursements.

Condition: Of the total forty randomly selected disbursements, 26 had no supporting documentation, including the 10 payroll related disbursements. Two payroll disbursements did not match timesheet records provided.

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.

2018-4. 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.

2018-5. Employees or board members not paying utility bill timely

Condition: Several accounts included late charges.

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.

2018-6. Late submission of audit report.

Condition: The Town submitted the audit report after December 31, 2019.

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.

2018-7. Compliance with local government budget act

For the year ended June 30, 2018, the General fund actual expenditures and other uses exceeded budgeted expenditures and other uses by \$169,859 or 52%. For the year ended June 30, 2018, the 2% Sales tax fund actual expenditures and other uses exceeded budgeted expenditures and other uses by \$77,188 or 118%.

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

Cause: Management failed to budget 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, 2018

A. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

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

Status: Unresolved - see 2018-1

2017-2. Significant deficiency in internal control over utility receipts

Status: Unresolved - see 2018-2

2017-3. Significant deficiency in internal control for disbursements

Status: Unresolved - see 2018-3

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

Status: Unresolved - see 2018-4

2017-5. Violation of Article VII, Section 14

Status: Unresolved - see 2018-5

2017-6. Late submission of audit report

Status: Unresolved - see 2018-6

2017-7. Local government budget violation

Status: Unresolved - see 2018-7

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, 2018

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

- 2018-1. The Town agrees with the recommendations and intends to implement them immediately.
- 2018-2. 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.
- 2018-3. The Town agrees with the recommendations and intends to implement them immediately.
- 2018-4. The Town agrees with the recommendations and intends to implement them immediately.
- 2018-5. The Town agrees with the recommendations and intends to implement them immediately.
- 2018-6. The Town agrees with the recommendations and intends to implement them immediately.
- 2018-7. The Town agrees with the recommendations and intends to implement them immediately.

WADE & PERRY

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

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Mayor and 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, 2017 through June 30, 2018. 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 and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget
 - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) ***Disbursements***, including processing, reviewing, and approving
 - d) ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or 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).

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- 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
- 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 of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- 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.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Written policies and procedures were obtained for purchasing, payroll, credit cards, and travel but the Town was not in compliance with budgeting, disbursements, receipts/collections, contracting, ethics, and debt service.

Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

No exceptions.

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

The minutes did not reference any various financial data nor any monthly budget-to-actual comparisons.

- c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

The minutes did not reference or include a formal plan to eliminate the negative unrestricted fund balance in the general fund.

Bank Reconciliations

- 3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

None of the five selected bank accounts were reconciled within 2 months of the related statement closing date.

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); 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) has reviewed each bank reconciliation.

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Management has not documented that it has researched reconciling items that have been outstanding for more than 12 months.

Collections

- 4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

Obtained a listing of deposit sites and the corresponding collection locations and management's representation that the listing is complete.

- 5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies

and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

All employees share a cash drawer/register.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

Employees who collect cash also prepare the deposit with no other employee responsible for reconciling collection documentation.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

No exceptions.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

No exceptions.

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

No exceptions.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

- a) Observe that receipts are sequentially pre-numbered.

Observed three of eight selected receipts are sequentially pre-numbered.

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

No exceptions.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

No exceptions.

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

Observed one deposit was made within one business day of receipt remaining deposits were outstanding longer than one day or no record of receipt date.

- e) Trace the actual deposit per the bank statement to the general ledger.

No exceptions

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

- 8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

Obtained a listing of locations that process payments and management's representation that the listing is complete

- 9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

Obtained a listing of all employees involved with non-payroll purchasing and payment functions.

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

No exceptions.

- b) At least two employees are involved in processing and approving payments to vendors.

No exceptions.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

No exceptions.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

No exceptions.

- 10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

Obtained a representation of the disbursement population for the fiscal period and management's assertion that the population is complete.

- a) Observe that the disbursement matched the related original invoice/billing statement.
No exception.
- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.
No exception.

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

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, 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.

Obtained complete listing of all active credit cards, debit cards, fuel cards, and P-cards and management's representation that the listing is complete.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) 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.]

Observed there is evidence the monthly statement was reviewed and approved, in writing, by someone other than the authorized card holder for four of the five cards.

- b) Observe that finance charges and late fees were not assessed on the selected statements.

Observed finance charges on one selected statement.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

- (1) Three of four transactions were supported by an itemized receipt.
- (2) Three of four transactions were supported by documentation of business/public purpose; An additional day of hotel rooms was paid with no documentation of business/public support and;
- (3) Not applicable.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

No exception.

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

Not applicable.

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

One of the two disbursements is supported by documentation of the business/public purpose. An additional day of meals was reimbursed with no documentation of business/public support.

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

One of the two disbursements was approved in writing.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

No exception.

- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

Management listed a total of five contracts but only provided written contracts for three. These three contracts were approved by the board.

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

No exceptions.

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

No exceptions for the three contracts provided.

Payroll and Personnel

- 16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Obtained complete listing of employees and management's representation that the listing is complete. Personnel files containing authorized pay rates for the 3 of the 5 employees selected to test were maintained by management; other 2 employees were no longer employed.

- 17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

- a) Observe that 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.)

No exceptions.

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

Did not observe supervisors approved attendance and leave records.

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

No exceptions.

- 18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

No exceptions.

19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Management could not assert that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above: obtain ethics documentation from management, and:
- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

Management provided documentation showing one of the five employees had completed the required ethics training during the fiscal period.

- b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

The entity does not have a written policy concerning ethics.

Debt Service

No prior year exceptions.

Other

No prior year 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

January 7, 2020

Town of Cullen
PO Box 679
Cullen, LA 71021

January 7, 2020

Wade & Perry, CPAs
Ruston, LA

The following is Management's Response to the 2018 AUP report submitted for Town of Cullen.

WRITTEN POLICIES AND PROCEDURES

1. a) Budgeting
- c) Disbursements
- d) Receipts/collections
- f) Contracting
- i) Ethics
- j) Debt Service

Management will work toward documenting existing these policies.

BOARD

2. b) Management will work toward referencing monthly financial data and monthly budget-to-actual comparisons.
- c) Management will work toward formulating a plan to eliminate the negative unrestricted fund balance in the General fund.

BANK RECONCILIATIONS

3. a) Management will work toward reconciling bank accounts timely.
- b) Management will work toward showing evidence of bank reconciliations being reviewed.
- c) Management will work toward having reconciling items researched.

COLLECTIONS

5. a) Management will work toward implementing checks and balances for this procedure.
- b) Management will work toward implementing checks and balances for this procedure.
7. a) Management will work toward issuing sequentially pre-numbered receipts where applicable.
- d) Management will work toward making timely deposits.

CREDIT CARDS/DEBIT CARDS, ETC.

12. a) Management will work toward implementing checks and balances for this procedure.
- b) Management will work toward paying vendors timely to minimize these fees.
13. a) Management will work toward maintaining support for all credit card transactions.
- b) Management will work toward documenting business purpose for all transactions.

TRAVEL AND EXPENSE REIMBURSEMENT

14. c) Management will work toward maintaining support for all travel transactions.
- d) Management will work toward documenting approval in writing for all travel transactions.

CONTRACTS

15. b) Management will work toward documenting board approval for all contracts.
- d) Management will work toward maintaining support for all contract disbursements and agreeing disbursements to the approved contract terms.

PAYROLL AND PERSONNEL

17. b) Management will work toward documenting supervisor approval.
19. Management will work toward paying all payroll and personnel liabilities timely and filing all associated forms by required deadlines.

ETHICS

26. a) Management will work toward having all employees completing and documenting ethics training.
- b) Management will work toward documenting its policy concerning ethics.