

Town of Cullen  
Cullen, Louisiana

Annual Financial Statements  
As of June 30, 2016 and for the Year Then Ended

Town of Cullen

Annual Financial Statements  
As of and for the Year Ended June 30, 2016  
With Supplemental Information Schedules

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Town of Cullen, Louisiana  
Management Discussion and Analysis  
June 30, 2016

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, 2016. 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).

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Management Discussion and Analysis  
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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 \$4,810,894 (net position); this represents a decrease of \$94,358 from the last fiscal year. Of this total net asset amount, \$1,319,606 is unrestricted net position. The Town's net position are comprised of \$963,281 from governmental activities and \$3,847,613 from business-type activities.

The following is a condensed statement of the Town of Cullen's net position as of June 30, 2016:

	Governmental-Type Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Assets</b>						
Current & Other Assets	\$488,992	\$457,036	\$1,058,570	\$1,069,366	\$1,547,562	\$1,526,402
Capital Assets (net)	584,533	604,648	2,866,019	2,972,673	3,450,552	3,577,321
Total Assets	<u>\$1,073,525</u>	<u>\$1,061,684</u>	<u>\$3,924,589</u>	<u>\$4,042,039</u>	<u>\$4,998,114</u>	<u>\$5,103,723</u>
Deferred outflows	4,929	7,393	0	0	4,929	7,393
<b>Liabilities</b>						
Current liabilities	\$22,544	\$14,339	\$33,604	\$10,180	\$56,148	\$24,519
Non-current Liabilities	1,645	962	43,372	43,905	45,017	44,867
Total Liabilities	<u>24,189</u>	<u>15,301</u>	<u>76,976</u>	<u>54,085</u>	<u>101,165</u>	<u>69,386</u>
Deferred inflows	90,984	0	0	0	90,984	0
<b>Net Position</b>						
Invested in capital assets, net	584,533	604,648	2,866,019	2,972,673	3,450,552	3,577,321
Restricted for customer deposits	0	0	40,736	41,269	40,736	41,269
Unrestricted	378,748	312,652	940,858	974,012	1,319,606	1,286,664
Total Net Position	<u>\$963,281</u>	<u>\$917,300</u>	<u>\$3,847,613</u>	<u>\$3,987,954</u>	<u>\$4,810,894</u>	<u>\$4,905,254</u>

The Town's net position includes \$3,450,552 reflected in its investment in capital assets (e.g. land, buildings, machinery and equipment, Town infrastructure, etc.). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Restricted net position has a balance of \$40,736. The remaining balance of \$1,319,606 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, 2016

	Governmental-Type Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Revenue</b>						
Program Revenue	142,801	99,414	\$393,556	\$330,228	\$536,357	\$429,642
General Revenues	231,889	205,398	1,125	429	233,014	205,827
Total Revenue	<u>374,690</u>	<u>304,812</u>	<u>394,681</u>	<u>330,657</u>	<u>769,371</u>	<u>635,469</u>
<b>Expenses</b>						
General & Administrative	326,489	338,387			326,489	338,387
Water Utilities			437,619	422,310	437,619	422,310
Total Expenses	<u>326,489</u>	<u>338,387</u>	<u>437,619</u>	<u>422,310</u>	<u>764,108</u>	<u>760,697</u>
Excess (deficiency) before special items and transfers	48,201	(33,575)	(42,938)	(91,653)	5,263	(125,228)
Transfers in (out)		80,000	(95,000)	(80,000)	(95,000)	0
Change in Net Position	48,201	46,425	(137,938)	(171,653)	(89,737)	(125,228)
Net Position, June 30, 2015	917,299	1,042,985	3,987,954	4,159,607	4,905,253	5,202,592
Prior period adjustment	(2,218)	(172,111)	(2,403)	0	(4,621)	(172,111)
Net Position, June 30, 2016	<u>\$963,282</u>	<u>\$917,299</u>	<u>\$3,847,613</u>	<u>\$3,987,954</u>	<u>\$4,810,895</u>	<u>\$4,905,253</u>

### Governmental Activities

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

### Business-type Activities

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

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

	Operating Revenues Net of Purchases	
	Water	Sewer
Fiscal year ended June 30, 2015	\$138,408	\$191,820
Fiscal year ended June 30, 2016	<u>130,135</u>	<u>177,636</u>
Increase (decrease) between years	<u>(\$8,273)</u>	<u>(\$14,184)</u>
	Operating Expenses	
	Water	Sewer
Fiscal year ended June 30, 2015	\$171,022	\$251,288
Fiscal year ended June 30, 2016	<u>188,029</u>	<u>249,590</u>
Increase (decrease) between years	<u>\$17,007</u>	<u>(\$1,698)</u>

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June 30, 2016

	Net Income (Loss) From Operations	
	Water	Sewer
Fiscal year ended June 30, 2015	(\$32,614)	(\$59,468)
Fiscal year ended June 30, 2016	(\$7,894)	(71,954)
Increase (decrease) between years	(\$25,280)	(\$12,486)

**Fund Financial Statements - Governmental Funds**

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

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

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

**Financial Analysis of the Town’s Governmental Funds**

The Town of Cullen’s General Fund reported an ending fund balance of \$26,667, which is a decrease of \$7,798. The unreserved portion is \$26,167 and the nonspendable portion is \$500. The Town of Cullen’s Two percent sales tax fund reported an ending fund balance of \$239,75, which is an increase of \$30,439, all of which is restricted. The Town of Cullen’s One-half percent sales tax fund reported an ending fund balance of \$200,306, which is an increase of \$1,110, all of which is restricted.

**Fund Financial Statements - Proprietary Funds**

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

**Financial Analysis of the Town’s Proprietary Fund**

The Town’s proprietary funds show a decrease in ending retained earnings of \$140,341.

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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 amended their original budget for the General fund and both of the Special Revenue funds. The General fund and the One-half Percent Sales Tax fund were both within budgeted regulations of 5%. The Two Percent Sales Tax fund actual expenditures and other uses exceeded the budgeted expenditures and other uses by \$xxx or xx%.

#### Capital Asset and Debt Administration

The total net investment in capital assets as of June 30, 2016 is \$3,450,552.

There was a major capital assets purchased or constructed in fiscal 2016 for governmental activities which consisted of town hall improvements for ADA compliance.

#### Current Financial Factors

There are no major changes within the Town's normal operations.

#### 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, 2016, 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, 2016, 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 December 1, 2017, 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  
December 1, 2017

Town of Cullen, Louisiana  
Statement of Net Position  
June 30, 2016

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash and cash investments	\$358,787	\$599,878	\$958,665
Investments	127,263	308,926	436,189
Receivables	17,794	80,738	98,532
Internal balances	(15,352)	15,352	0
Prepaid assets	500		500
Inventory		10,331	10,331
Restricted assets		43,345	43,345
Capital assets (net)	584,533	2,866,019	3,450,552
TOTAL ASSETS	<u>\$1,073,525</u>	<u>\$3,924,589</u>	<u>\$4,998,114</u>
Deferred outflows of resources	4,929	0	4,929
LIABILITIES			
Current liabilities:			
Accounts, salaries, and other payables	\$12,854	\$33,604	\$46,458
Due to other governments	9,690		9,690
Noncurrent liabilities:			
Compensated absences payable	1,645	2,636	4,281
Customer deposits		40,736	40,736
TOTAL LIABILITIES	<u>24,189</u>	<u>76,976</u>	<u>101,165</u>
Deferred inflows of resources	90,984	0	90,984
NET POSITION			
Net investment in capital assets	584,533	2,866,019	3,450,552
Restricted		40,736	40,736
Unrestricted	378,748	940,858	1,319,606
TOTAL NET POSITION	<u>\$963,281</u>	<u>\$3,847,613</u>	<u>\$4,810,894</u>

The accompanying notes are an integral part of this statement.

Town of Cullen, Louisiana  
Statement of Activities  
Year Ended June 30, 2016

	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	\$89,013			\$42,932	(\$46,081)	(\$46,081)
Public safety	126,584	\$16,390			(110,194)	(110,194)
Highways and streets	40,066				(40,066)	(40,066)
Sanitation and health	66,500	83,479			16,979	16,979
Culture and recreation	4,326				(4,326)	(4,326)
Total governmental activities	<u>326,489</u>	<u>99,869</u>	<u>0</u>	<u>42,932</u>	<u>(183,688)</u>	<u>0</u>
Business-type activities						
Water	188,029	130,135	\$85,533			27,639
Sewer	249,590	177,888				(71,702)
Total business-type activities	<u>437,619</u>	<u>308,023</u>	<u>85,533</u>	<u>0</u>	<u>0</u>	<u>(44,063)</u>
Total primary government	<u>\$764,108</u>	<u>\$407,892</u>	<u>\$85,533</u>	<u>\$42,932</u>	<u>(\$183,688)</u>	<u>(\$44,063)</u>
General revenues:						
Ad valorem taxes levied for general purposes					20,469	20,469
Sales taxes					85,509	85,509
Licenses and permits					41,387	41,387
Investment earnings					460	1,585
Other general revenues					8,464	8,464
Loss on sale of asset					(19,400)	(19,400)
Transfers					95,000	(95,000)
Total general revenues and transfers					<u>231,889</u>	<u>(93,875)</u>
Change in Net Position					48,201	(137,938)
Net Position - beginning					917,299	3,987,954
Prior period adjustment					(2,218)	(2,403)
Net Position - ending					<u>\$963,281</u>	<u>\$3,847,613</u>

The accompanying notes are an integral part of this statement.

Town of Cullen, Louisiana  
 Balance Sheet, Governmental Funds  
 June 30, 2016

	General Fund	Two Percent Sales Tax Fund	Non-major One-half Percent Sales Tax Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and equivalents	\$45,613	\$228,389	\$84,785	\$358,787
Investments	656	540	126,067	127,263
Receivables	17,794			17,794
Due from other funds	4,361	10,546		14,907
Prepaid assets	500			500
<b>TOTAL ASSETS</b>	<b>\$68,924</b>	<b>\$239,475</b>	<b>\$210,852</b>	<b>\$519,251</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts, salaries, and other payables	\$12,854			12,854
Due to other funds	19,713		\$10,546	30,259
Due to other governments	9,690			9,690
<b>Total liabilities</b>	<b>42,257</b>	<b>0</b>	<b>10,546</b>	<b>52,803</b>
<b>Fund balances:</b>				
Nonspendable	500			500
Restricted		\$239,475	200,306	439,781
Unassigned	26,167			26,167
<b>Total fund balances</b>	<b>26,667</b>	<b>239,475</b>	<b>200,306</b>	<b>466,448</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$68,924</b>	<b>\$239,475</b>	<b>\$210,852</b>	<b>\$519,251</b>

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, 2016

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

Fund balances, Total governmental funds (Statement C)		\$466,448
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		(1,645)
Pension related changes in net pension liability that are only reported in the Statement of Net Position as deferred outflows		4,929
Pension related changes in net pension liability that are only reported in the Statement of Net Position as deferred inflows		(90,984)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Governmental capital asset	\$1,263,225	
Less accumulated depreciation	<u>(678,692)</u>	<u>584,533</u>
Net Position of Governmental Activities (Statement A)		<u><u>\$963,281</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, 2016

	General Fund	Two Percent Sales Tax Fund	Non-major One-half Percent Sales Tax Fund	Total Governmental Funds
<b>REVENUES</b>				
Taxes:				
Ad valorem	\$20,469			\$20,469
Sales and use		\$68,407	\$17,102	85,509
Licenses and permits	41,387			41,387
Charges for services	83,479			83,479
Intergovernmental revenues:				
State/parish	14,966			14,966
Grants	27,966			27,966
Fines and forfeitures	16,390			16,390
Investment earnings	27	84	349	460
Other revenues	7,688		776	8,464
Total Revenues	<u>212,372</u>	<u>68,491</u>	<u>18,227</u>	<u>299,090</u>
<b>EXPENDITURES</b>				
General government	123,582	1,426	3,246	128,254
Culture and recreation			461	461
Public safety	119,699			119,699
Highways and streets	17,241			17,241
Sanitation and health	66,500			66,500
Capital outlay	38,466			38,466
Total Expenditures	<u>365,488</u>	<u>1,426</u>	<u>3,707</u>	<u>370,621</u>
Excess (Deficiency) of Revenues over (under) Expenditures	(153,116)	67,065	14,520	(71,531)
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of assets	2,500			2,500
Transfers in	141,978			141,978
Transfers out		(46,000)	(978)	(46,978)
Total Other Financing Sources (Uses)	<u>144,478</u>	<u>(46,000)</u>	<u>(978)</u>	<u>97,500</u>
Net Change in Fund Balance	(8,638)	21,065	13,542	25,969
Prior period adjustment	840	9,374	(12,432)	(2,218)
Fund Balance – beginning	34,465	209,036	199,196	442,697
Fund Balance – ending	<u>\$26,667</u>	<u>\$239,475</u>	<u>\$200,306</u>	<u>\$466,448</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, 2016

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

Net Change in Fund Balances, Total governmental funds (Statement E)	\$25,969
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 (\$38,466) exceeded depreciation (\$36,681) in the current period.	1,785
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	(21,900)
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	43,030
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>(683)</u>
Change in Net Position of Governmental Activities, Statement B	<u>\$48,201</u>

The accompanying notes are an integral part of this statement.

Town of Cullen, Louisiana  
Statement of Net Position, Proprietary Funds  
June 30, 2016

	Business-Type Activities - Enterprise Funds			Totals
	Water Fund	Sewer Fund	LCDBG Sewer Improvements	
<b>ASSETS</b>				
<i>Current assets:</i>				
Cash and cash investments	\$207,163	\$392,715		\$599,878
Investments	135,307	173,619		308,926
Accounts receivable - customers	24,657	32,081		56,738
Accounts receivable - other	24,000			24,000
Due from other funds	61,093	28,500		89,593
Supplies inventory	10,331			10,331
Total current assets	<u>462,551</u>	<u>626,915</u>	<u>0</u>	<u>1,089,466</u>
<i>Noncurrent assets:</i>				
<i>Restricted assets:</i>				
Cash and cash investments	18,258			18,258
Investments	25,087			25,087
Capital assets (net of accumulated depreciation)	<u>1,023,964</u>	<u>1,842,055</u>		<u>2,866,019</u>
Total noncurrent assets	<u>1,067,309</u>	<u>1,842,055</u>	<u>0</u>	<u>2,909,364</u>
<b>TOTAL ASSETS</b>	<u><b>\$1,529,860</b></u>	<u><b>\$2,468,970</b></u>	<u><b>\$0</b></u>	<u><b>\$3,998,830</b></u>
<b>LIABILITIES</b>				
<i>Current Liabilities:</i>				
Accounts, salaries, and other payables	\$29,694	\$3,910		\$33,604
Due to other funds	6,309	67,932		74,241
Total current liabilities	<u>36,003</u>	<u>71,842</u>	<u>0</u>	<u>107,845</u>
<i>Noncurrent liabilities:</i>				
Compensated absences payable	1,318	1,318		2,636
Total noncurrent liabilities	<u>1,318</u>	<u>1,318</u>	<u>0</u>	<u>2,636</u>
Liabilities payable from restricted assets	<u>40,736</u>	<u>0</u>	<u>0</u>	<u>40,736</u>
Total liabilities	<u>78,057</u>	<u>73,160</u>	<u>0</u>	<u>151,217</u>
<b>NET POSITION</b>				
Invested in capital assets, net of related debt	1,023,964	1,842,055		2,866,019
Restricted net position	40,736			40,736
Unrestricted	<u>387,103</u>	<u>553,755</u>	<u>0</u>	<u>940,858</u>
<b>TOTAL NET POSITION</b>	<u><b>\$1,451,803</b></u>	<u><b>\$2,395,810</b></u>	<u><b>\$0</b></u>	<u><b>\$3,847,613</b></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, 2016

	Business-Type Activities - Enterprise Funds			Totals
	Water Fund	Sewer Fund	LCDBG Sewer Improvements	
Operating Revenues				
Charges for services:				
Water	\$120,973			\$120,973
Sewerage		\$158,289		158,289
Penalties/service charges	9,162	19,347		28,509
Other charges for services			252	252
Total Operating Revenues	<u>130,135</u>	<u>177,636</u>	<u>252</u>	<u>308,023</u>
Operating Expenses				
Personnel services	49,202	53,850		103,052
Materials and supplies	17,150	1,150		18,300
Insurance claims and expenses	12,518	4,361		16,879
Repairs and maintenance	24,310	13,865		38,175
Other services and charges	29,001	40,025		69,026
Depreciation	<u>55,848</u>	<u>136,339</u>		<u>192,187</u>
Total Operating Expenses	<u>188,029</u>	<u>249,590</u>	<u>0</u>	<u>437,619</u>
Operating income (loss)	(57,894)	(71,954)	252	(129,596)
Nonoperating revenue (expenses)				
Interest earnings	491	634		1,125
Other income				0
Capital grants	<u>85,533</u>			<u>85,533</u>
Total Nonoperating Revenue (Expenses)	<u>86,024</u>	<u>634</u>	<u>0</u>	<u>86,658</u>
Income before contributions and transfers	28,130	(71,320)	252	(42,938)
Transfers in				0
Transfers out		<u>(95,000)</u>		<u>(95,000)</u>
Change in Net Position	28,130	(166,320)	252	(137,938)
Total Net Position - Beginning	1,424,609	2,563,597	(\$252)	3,987,954
Prior period adjustment	<u>(936)</u>	<u>(1,467)</u>	<u>0</u>	<u>(2,403)</u>
Total Net Position - Ending	<u>\$1,451,803</u>	<u>\$2,395,810</u>	<u>\$0</u>	<u>\$3,847,613</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, 2016

	Business Type Activities - Enterprise Funds			Totals
	Water Fund	Sewer Fund	LCDBG Sewer Improvements	
Cash Flows from Operating Activities				
Receipts from customers and users	\$107,289	\$173,797		\$281,086
Other operating cash receipts	5,746	8,959		14,705
Payments to suppliers	(62,709)	(56,246)		(118,955)
Other operating cash payments	(2,653)	(289)		(2,942)
Payments to employees	(49,202)	(53,850)		(103,052)
Net Cash Provided by Operating Activities	<u>(1,529)</u>	<u>72,371</u>	<u>0</u>	<u>70,842</u>
Cash Flows from Noncapital Financing Activities				
Prior period adjustment	(936)	(1,467)		(2,403)
Transfer from (to) other funds	0	(95,000)	0	(95,000)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(936)</u>	<u>(96,467)</u>	<u>0</u>	<u>(97,403)</u>
Cash Flows from Capital and Related Financing Activities				
Purchases of capital assets	(85,533)		0	(85,533)
Grant proceeds	85,533			85,533
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Flows from Investing Activities				
Investments Redeemed	491	634	0	1,125
Interest and dividends received	(382)	(414)	0	(796)
Net Cash Provided by Investing Activities	<u>109</u>	<u>220</u>	<u>0</u>	<u>329</u>
Net Increase in Cash and equivalents	(2,356)	(23,876)	0	(26,232)
Cash and equivalents, Beginning of Year	<u>227,777</u>	<u>416,591</u>	<u>0</u>	<u>644,368</u>
Cash and equivalents, End of Year	<u>\$225,421</u>	<u>\$392,715</u>	<u>\$0</u>	<u>\$618,136</u>
Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities				
Operating income	(\$57,894)	(\$71,954)	\$252	(\$129,596)
Depreciation expense	55,848	136,339		192,187
(Increase) decrease in accounts receivable	(22,845)	(3,838)		(26,683)
(Increase) decrease in due from/to other funds	3,626	8,670	(252)	12,044
Increase (decrease) in compensated absences payable	0	0		0
Increase (decrease) in customer deposits	(533)	0		(533)
Increase (decrease) in accounts payable	20,269	3,155		23,424
Net Cash Provided by Operating Activities	<u>(\$1,529)</u>	<u>\$72,372</u>	<u>\$0</u>	<u>\$70,843</u>
Reconciliation of total cash and cash investments:				
Current assets - cash and cash investments	\$207,163	\$392,715	\$0	\$599,878
Restricted assets - cash and cash investments	18,258		0	18,258
Total cash and cash investments	<u>\$225,421</u>	<u>\$392,715</u>	<u>\$0</u>	<u>\$618,136</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, 2016

## 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, 2016

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, 2016

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 One-half percent sales tax fund accounts for the receipt and use of the municipality's one-half (½%) sales and use tax levied by the Town of Cullen to be used for any lawful purpose other than expenditures for police supplies and equipment.

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.

Town of Cullen, Louisiana  
Notes to the Financial Statements  
As of and For the Year Ended June 30, 2016

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 securities. Investments for the Town are reported at fair value. The state investment pool (LAMP) operates in accordance with state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

D. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

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

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, grants and other intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned and only if paid within 30 days since they would be considered both measurable and available.

Ad valorem taxes

For the year ended June 30, 2016, taxes of 9.73 mills were levied on property with assessed valuations totaling \$2,090,080 and were dedicated as follows:

General corporate purposes	9.73 mills
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Ad valorem taxes attach as an enforceable lien on the valuation of property as of January 1 of each year. The Town bills and collects its property taxes using the assessed values determined by the tax assessor of Webster Parish. Total taxes levied were \$20,337.

Town of Cullen, Louisiana  
Notes to the Financial Statements  
As of and For the Year Ended June 30, 2016

The following are the principal taxpayers and related property tax revenue for the Town:

<u>Taxpayer</u>	<u>Type of business</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>	<u>Ad valorem Tax Revenue for Municipality</u>
Entery LA LLC	utility company	<u>110,740</u>	<u>5.30%</u>	<u>\$1,077</u>
Total		<u><u>110,740</u></u>	<u><u>5.30%</u></u>	<u><u>\$1,077</u></u>

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:

Town of Cullen, Louisiana  
Notes to the Financial Statements  
As of and For the Year Ended June 30, 2016

<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

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.

Town of Cullen, Louisiana  
Notes to the Financial Statements  
As of and For the Year Ended June 30, 2016

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.

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.

The Town adopted GASB 54 in the year ended June 30, 2011. As such, 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.

Town of Cullen, Louisiana  
Notes to the Financial Statements  
As of and For the Year Ended June 30, 2016

As of June 30, 2016, fund balances are composed of the following:

	General Fund	Sales Tax 2%	Sales Tax 1/2%
Nonspendable:			
Prepaid items	\$500		
Restricted:			
Other purposes		\$239,475	\$200,306
Unassigned	26,167		
Total fund balances	\$26,667	\$239,475	\$200,306

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, 2016.

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

Town of Cullen, Louisiana  
Notes to the Financial Statements  
As of and For the Year Ended June 30, 2016

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, 2016. 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, 2016, the Town has cash and cash equivalents (book balances) totaling \$976,923 as follows:

Interest-bearing accounts	\$4,359
Demand deposits	291,225
Certificates of deposit	<u>681,339</u>
Total	<u>\$976,923</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, 2016, the Town has \$1,019,080 in deposits (collected bank balances). These deposits are secured from risk by \$537,179 of federal deposit insurance and \$481,901 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 \$461,276 (current assets of \$436,189 and restricted assets of \$25,087) 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

Town of Cullen, Louisiana  
Notes to the Financial Statements  
As of and For the Year Ended June 30, 2016

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.

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 \$17,794 at June 30, 2016, within the governmental funds are as follows:

<u>Class of Receivable</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Total</u>
Taxes:			
Ad valorem			\$0
Franchise	3,752		3,752
Accounts - garbage service	10,480		10,480
Other	<u>3,562</u>		<u>3,562</u>
Total	<u>\$17,794</u>	<u>\$0</u>	<u>\$17,794</u>

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

#### 6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2016 is as follows:

Town of Cullen, Louisiana  
Notes to the Financial Statements  
As of and For the Year Ended June 30, 2016

	<u>Interfund</u>	<u>Interfund</u>
	<u>Receivables</u>	<u>payable</u>
General fund	\$4,361	\$19,713
2% sales tax fund	10,546	
½% sales tax fund		10,546
Enterprise funds	<u>89,593</u>	<u>74,241</u>
Total	<u>\$104,500</u>	<u>\$104,500</u>

7. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended June 30, 2016, for the primary government is as follows:

	<u>Beginning</u>		<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
	<u>Balance</u>				<u>Balance</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$133,293			(\$21,900)	\$111,393
Construction in progress	0				0
Total capital assets not being depreciated	<u>133,293</u>		<u>0</u>	<u>(21,900)</u>	<u>111,393</u>
Capital assets being depreciated:					
Buildings	458,569	38,466			497,035
Equipment	79,400				79,400
Vehicles	225,659				225,659
Infrastructure	<u>349,738</u>				<u>349,738</u>
Total capital assets being depreciated	<u>1,113,366</u>	<u>38,466</u>		<u>0</u>	<u>1,151,832</u>
Less accumulated depreciation for:	<u>642,011</u>	<u>36,681</u>			<u>678,692</u>
Total capital assets being depreciated, net	<u>\$471,355</u>	<u>\$1,785</u>		<u>\$0</u>	<u>\$473,140</u>

Depreciation expense of \$36,681 was charged as follows: \$3,106 to general government, \$6,885 to public safety, \$22,825 to highways and streets, \$3,865 to culture and recreation.

	<u>Beginning</u>		<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
	<u>Balance</u>				<u>Balance</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$7,675				\$7,675
Total capital assets not being depreciated	<u>7,675</u>		<u>0</u>	<u>0</u>	<u>7,675</u>
Capital assets being depreciated:					
Buildings	3,745				3,745
Improvements other than buildings	6,169,992	\$85,533			6,255,525
Equipment	<u>800,440</u>				<u>800,440</u>
Total capital assets being depreciated	<u>6,974,177</u>	<u>85,533</u>		<u>0</u>	<u>7,059,710</u>
Less accumulated depreciation	<u>4,009,179</u>	<u>192,187</u>			<u>4,201,366</u>
Total business-type assets being depreciated, net	<u>\$2,964,998</u>	<u>(\$106,654)</u>		<u>\$0</u>	<u>\$2,858,344</u>

Town of Cullen, Louisiana  
Notes to the Financial Statements  
As of and For the Year Ended June 30, 2016

8. LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term debt for the year ended June 30, 2016:

	<u>Compensated Absences</u>
Long-term obligations at July 1, 2015	\$3,598
Additions	683
Deductions	
Long-term obligations at June 30, 2016	<u><u>\$4,281</u></u>

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, 2016:

	<u>Government Activities</u>	<u>Business-Type Activities</u>	<u>Compensated Absences</u>
Current portion	\$0	\$0	\$0
Long-term portion	<u>1,645</u>	<u>2,636</u>	<u>4,281</u>
Total	<u><u>\$1,645</u></u>	<u><u>\$2,636</u></u>	<u><u>\$4,281</u></u>

9. RETIREMENT SYSTEM

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

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

At June 30, 2016, 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, 2016, the Town recognized pension expense (benefit) of (\$45,492). At June 30, 2016, the Town recognized deferred outflows of resources and deferred inflows of resources related to pensions from the following:

Town of Cullen, Louisiana  
Notes to the Financial Statements  
As of and For the Year Ended June 30, 2016

	Deferred Outflows	Deferred Inflows
Town contributions subsequent to measurement date	\$4,929	
Changes in proportion and differences between Town contributions and proportionate share of contributions		\$90,984
Total	\$4,929	\$90,984

The \$4,929 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, 2016. 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>	
2017	(\$43,028)
2018	(43,028)
2019	2,465
Total	(\$83,591)

#### 10. OPERATING LEASES

The Town of Cullen has two operating leases with Centurytel Telephone System. These leases are for telephone equipment for both Town Hall and the Police Department. Both lease terms are for 60 months with a monthly minimum rent of \$50 for the Town Hall system and \$45 for the Police Department system. Operating lease payments for the year ended June 30, 2016 was \$687.

#### 11. RESTRICTED ASSETS

For the business-type activities, restricted assets were applicable to the following at June 30, 2016:

Customers' meter deposits - cash	\$18,258
Customers' meter deposits - investment	25,087
Total	\$43,345

#### 12. ON-BEHALF PAYMENTS

During the fiscal year ended June 30, 2016, 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.

Town of Cullen, Louisiana  
Notes to the Financial Statements  
As of and For the Year Ended June 30, 2016

13. LITIGATION AND CLAIMS

The Town is not involved in any litigation at June 30, 2016, nor is it aware of any unasserted claims.

14. MANAGEMENT REVIEW

Subsequent events have been evaluated through December 1, 2017. 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, 2016

	Budgeted Amounts		Actual Amounts GAAP Basis	Favorable (Unfavorable) Variance
	Original	Final		
<b>REVENUES</b>				
Taxes - ad valorem	\$19,000	\$19,000	\$20,469	\$1,469
Franchise fees	21,800	21,800	18,868	(2,932)
Licenses and permits	33,600	33,600	22,519	(11,081)
Charges for services	85,000	85,000	83,479	(1,521)
Fines and forfeitures	21,000	21,000	16,390	(4,610)
Intergovernmental	43,850	43,850	42,932	(918)
Use of money and property	22	22	27	5
Miscellaneous	5,500	5,500	7,688	2,188
Total Revenues	229,772	229,772	212,372	(17,400)
<b>EXPENDITURES</b>				
General government	127,011	127,011	123,582	3,429
Public Safety	146,850	146,850	119,699	27,151
Highway and streets	20,100	20,100	17,241	2,859
Sanitation and health	61,300	61,300	66,500	(5,200)
Capital outlay	30,750	30,750	38,466	(7,716)
Total Expenditures	386,011	386,011	365,488	20,523
Excess (Deficiency) of Revenues over (under) Expenditures	(156,239)	(156,239)	(153,116)	3,123
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of assets			2,500	2,500
Operating transfers in	140,250	140,250	141,978	1,728
Operating transfers out				0
Total Other Financing Sources (Uses)	140,250	140,250	144,478	4,228
Net Change in Fund Balance	(15,989)	(15,989)	(8,638)	7,351
Fund Balance (Deficit) at Beginning of Year	41,909	41,909	34,465	(7,444)
Prior Period Adjustment	0	0	840	840
Fund Balance (Deficit) at End of Year	\$25,920	\$25,920	\$26,667	\$747

## Notes to the Schedule

(1) method of budgetary accounting - GAAP, modified accrual basis

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, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts GAAP Basis</u>	<u>Favorable (Unfavorable) Variance</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes - sales	\$70,000	\$70,000	\$68,407	(\$1,593)
Use of money and property	65	65	84	19
Total Revenues	<u>70,065</u>	<u>70,065</u>	<u>68,491</u>	<u>(1,574)</u>
EXPENDITURES				
General government	6,000	6,000	1,426	4,574
Culture and recreation	0	0		0
Total Expenditures	<u>6,000</u>	<u>6,000</u>	<u>1,426</u>	<u>4,574</u>
Excess (Deficiency) of Revenues over (under) Expenditures	64,065	64,065	67,065	(6,148)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	0	0	0	0
Operating transfers out	<u>(50,250)</u>	<u>(50,250)</u>	<u>(46,000)</u>	<u>4,250</u>
Total Other Financing Sources (Uses)	<u>(50,250)</u>	<u>(50,250)</u>	<u>(46,000)</u>	<u>4,250</u>
Net Change in Fund Balance	13,815	13,815	21,065	7,250
Fund Balance (Deficit) at Beginning of Year	206,317	206,317	209,036	2,719
Prior Period Adjustment	0	0	9,374	9,374
Fund Balance (Deficit) at End of Year	<u>\$220,132</u>	<u>\$220,132</u>	<u>\$239,475</u>	<u>\$19,343</u>

## Notes to the Schedule

(1) method of budgetary accounting - GAAP, modified accrual basis

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 - One-half Percent Sales Tax Fund  
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts GAAP Basis	Favorable (Unfavorable) Variance
	Original	Final		
<b>REVENUES</b>				
Taxes - sales	\$19,000	\$19,000	\$17,102	(\$1,898)
Use of money and property	60	60	349	289
Other revenues			776	776
<b>Total Revenues</b>	<b>19,060</b>	<b>19,060</b>	<b>18,227</b>	<b>(833)</b>
<b>EXPENDITURES</b>				
General government	5,120	5,120	3,246	(1,874)
Culture and recreation	1,200	1,200	461	739
<b>Total Expenditures</b>	<b>6,320</b>	<b>6,320</b>	<b>3,707</b>	<b>2,613</b>
Excess (Deficiency) of Revenues over (under) Expenditures	12,740	12,740	14,520	(1,780)
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	0	0	0	0
Operating transfers out	(10,000)	(10,000)	(978)	9,022
<b>Total Other Financing Sources (Uses)</b>	<b>(10,000)</b>	<b>(10,000)</b>	<b>(978)</b>	<b>9,022</b>
Net Change in Fund Balance	2,740	2,740	13,542	10,802
Fund Balance (Deficit) at Beginning of Year			199,196	199,196
Prior Period Adjustment	0	0	(12,432)	(12,432)
<b>Fund Balance (Deficit) at End of Year</b>	<b>\$2,740</b>	<b>\$2,740</b>	<b>\$200,306</b>	<b>\$197,566</b>

## Notes to the Schedule

(1) method of budgetary accounting - GAAP, modified accrual basis

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, 2016

	<u>Amount</u>
Board Member	
Ray Mills, Mayor	\$12,000
Floydean White	2,554
Barbara Green	2,554
Gary Sullivan	2,569
Doris White	2,554
Terry Hoof	<u>2,554</u>
Total compensation paid	<u><u>\$24,785</u></u>

The accompanying notes are an integral part of this schedule.

Town of Cullen  
Schedule of Compensation, Benefits and Other Payments  
to Agency Head or Chief Executive Officer  
For the Year Ended June 30, 2016

Agency Head Name: Ray Mills, Mayor

Purpose	Amount
Salary	\$12,971
Benefits-insurance	0
Benefits-retirement	0
Benefits-other	0
Car allowance	0
Vehicle provided by government	0
Per diem	0
Reimbursements	0
Travel	0
Registration fees	0
Conference travel	326
Continuing professional education fees	0
Housing	0
Unvouchered expenses	0
Special meals	0

OTHER REPORTS

# WADE & PERRY

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

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

### Independent Auditor's Report

Mayor and Town Council  
Town of Cullen  
Cullen, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Cullen ("Town") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 1, 2017.

### **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. 2016-1, 2016-2, and 2016-3.

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**

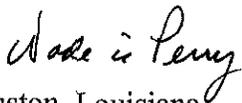
As part of obtaining reasonable assurance about whether Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 2016-4, 2016-5, and 2016-6.

### **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  
December 1, 2017

Town of Cullen  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2016

We have audited the financial statements of Town of Cullen as of and for the year ended June 30, 2016, and have issued our report thereon dated December 1, 2017. 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, 2016, resulted in an unmodified opinion.

**A. Summary of Audit Results**

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

Internal Control

Material Weaknesses  Yes  No Significant Deficiency  Yes  No

Compliance

Compliance Material to Financial Statements  Yes  No

2. Federal Awards

Internal Control

Material Weaknesses  Yes  No Reportable  Yes  No

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

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

Was a management letter issued?  Yes  No

3. Identification of Major Programs:

<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: \$ 300,000

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

## **B. Financial Statements Findings**

### **2016-1. Significant deficiency in internal control over financial reporting**

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

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

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

Effect: Potential misstatements in financial statements may not be detected

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

### **2016-2. Deficiency in internal control over utility receipts**

Condition: The utility software is not charging the same rate as approved by the board. Late charges are not added to all accounts that are unpaid by due date.

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.

### **2016-3. Deficiency in internal control for disbursements.**

Condition: Nineteen of a total 40 randomly selected disbursements had no supporting documentation. Eleven of the 19 were payroll checks.

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

Cause: Supporting documentation not kept in central location that can be easily located; 22 cancelled checks could not be examined since clerk could not provide copies from bank; Eleven payroll disbursements were paid incorrectly or no timesheet provided.

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.

2016-4. 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 new clerk had to post all activity starting from last audit.

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.

2016-5. Employees or board members not paying utility bill timely

Condition: Four employees or board members did not pay their utility bill timely. Two employees or board members did not show a meter reading for the month that was tested.

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.

2016-6. Late submission of audit report.

Condition: The Town submitted the audit report after December 31, 2016.

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 new clerk had to post all activity starting from last audit.

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.

**C. Federal Award Findings and Questioned Costs**

None

Town of Cullen  
Summary of Prior Year Findings  
For the Year Ended June 30, 2016

**A. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS**

2015-1. Significant deficiency in internal control over financial reporting

Status: Unresolved - see 2016-1

2015-2. Compliance with Local Government Budget Act

Status: Resolved

2015-3. Significant deficiency in internal control over utility receipts

Status: Unresolved - see 2016-2

2015-4. Significant deficiency in internal control for disbursements

Status: Unresolved - see 2016-3

2015-5. General accounting - trial balances did not balance

Status: Resolved

**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, 2016

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

- 2016-1. The Town agrees with the recommendations and intends to implement them immediately.
- 2016-2. The Town agrees with the recommendations and intends to implement them immediately. The previous town clerk left town employment without having posted to the general ledger currently. The next town clerk left town employment last month. The Town has since hired a new town clerk and is in the process of having her trained.
- 2016-3. The Town agrees with the recommendations and intends to implement them immediately.
- 2016-4. The Town agrees with the recommendations and intends to implement them immediately.
- 2016-5. The Town agrees with the recommendations and intends to implement them immediately.
- 2016-6. The Town agrees with the recommendations and intends to implement them immediately.