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Town of Cullen  
Cullen, Louisiana

Annual Financial Statements  
As of June 30, 2012 and for the Year Then Ended

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

Release Date JAN 23 2013

Town of Cullen

Annual Financial Statements  
As of and for the Year Ended June 30, 2012  
With Supplemental Information Schedules

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Town of Cullen, Louisiana  
Management Discussion and Analysis  
June 30, 2012

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, 2012. 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 Assets 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 assets 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 assets. Over time, increases or decreases in net assets 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 assets changed during this fiscal year. All changes in net assets 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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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 assets 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 \$5,473,735 (net assets); this represents a decrease of \$269,376 from the last fiscal year. Of this total net asset amount, \$1,466,348 is unrestricted net assets. The Town's net assets are comprised of \$839,704 from governmental activities and \$4,634,031 from business-type activities.

The following is a condensed statement of the Town of Cullen's net assets as of June 30, 2012:

	Governmental-Type Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Assets</b>						
Current & Other Assets	\$401,366	\$448,178	\$1,152,956	\$1,260,753	\$1,554,322	\$1,708,931
Capital Assets (net)	474,425	466,887	3,532,962	3,750,568	4,007,387	4,217,455
<b>Total Assets</b>	<b>\$875,791</b>	<b>\$915,065</b>	<b>\$4,685,918</b>	<b>\$5,011,321</b>	<b>\$5,561,709</b>	<b>\$5,926,386</b>
<b>Liabilities</b>						
Current liabilities	\$16,597	\$8,425	\$6,180	\$35,890	\$22,777	\$44,315
Non-current Liabilities	9,745	26,072	45,707	112,888	55,452	138,960
<b>Total Liabilities</b>	<b>26,342</b>	<b>34,497</b>	<b>51,887</b>	<b>148,778</b>	<b>78,229</b>	<b>183,275</b>
<b>Net Assets</b>						
Invested in capital assets, net	474,425	466,887	3,532,962	3,750,568	4,007,387	4,217,455
Unrestricted	375,024	413,681	1,101,069	1,111,990	1,476,093	1,525,671
<b>Total Net Assets</b>	<b>\$849,449</b>	<b>\$880,568</b>	<b>\$4,634,031</b>	<b>\$4,862,558</b>	<b>\$5,483,480</b>	<b>\$5,743,126</b>

The Town's net assets includes \$4,007,387 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.

The remaining balance of \$1,476,093 is unrestricted net assets, which may be used to meet the government's on-going obligations to citizens and creditors.

The Town has total outstanding debt of \$87,974, which is equal to 1.6% of the total net assets.

The following is a summary of the statement of activities:

**Town of Cullen, Louisiana  
Management Discussion and Analysis  
June 30, 2012**

	Governmental-Type Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Revenue</b>						
Program Revenue	143,163	139,577	\$322,161	\$579,190	\$465,324	\$718,767
General Revenues	206,360	219,876	870	1,505	207,230	220,746
<b>Total Revenue</b>	<u>349,523</u>	<u>359,453</u>	<u>323,031</u>	<u>580,695</u>	<u>672,554</u>	<u>939,513</u>
<b>Expenses</b>						
General & Administrative	499,123	449,288			499,123	449,288
Water Utilities			455,141	457,530	455,141	455,141
<b>Total Expenses</b>	<u>499,123</u>	<u>449,288</u>	<u>455,141</u>	<u>457,530</u>	<u>954,264</u>	<u>904,429</u>
Excess (deficiency) before special items and transfers	(149,600)	(89,835)	(132,110)	123,165	(281,710)	(221,945)
Transfers in (out)	96,417	60,000	(96,417)	(60,000)	0	0
Change in Net Assets	(53,183)	(29,835)	(228,527)	63,165	(281,710)	(258,362)
Net Assets, June 30, 2011	880,568	910,403	4,862,558	4,799,393	5,743,126	5,709,796
Prior period adjustment	22,064	0	0	0	22,064	0
<b>Net Assets, June 30, 2012</b>	<u>\$849,449</u>	<u>\$880,568</u>	<u>\$4,634,031</u>	<u>\$4,862,558</u>	<u>\$5,483,480</u>	<u>\$5,451,434</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, 2011	\$141,908	\$190,053
Fiscal year ended June 30, 2012	147,430	174,731
Increase (decrease) between years	<u>\$5,522</u>	<u>(\$15,322)</u>
	Operating Expenses	
	Water	Sewer
Fiscal year ended June 30, 2011	\$193,705	\$263,825
Fiscal year ended June 30, 2012	193,627	261,446
Increase (decrease) between years	<u>(\$78)</u>	<u>(\$2,379)</u>

**Town of Cullen, Louisiana  
Management Discussion and Analysis  
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	Net Income (Loss) From Operations	
	Water	Sewer
Fiscal year ended June 30, 2011	(\$51,797)	(\$73,772)
Fiscal year ended June 30, 2012	(46,197)	(86,715)
Increase (decrease) between years	\$5,600	(\$12,943)

**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 which is considered to be a major fund and the two Special Revenue funds which are considered to be nonmajor 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 \$70,106, which is a decrease of \$30,389. The unreserved portion is \$69,596 and the nonspendable portion is \$510. The Town of Cullen's Two percent sales tax fund reported an ending fund balance of \$120,192, which is an increase of \$4,815, all of which is unreserved. The Town of Cullen's One-half percent sales tax fund reported an ending fund balance of \$194,471, which is a decrease of \$13,021, all of which is unreserved.

**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 fund show a decrease in ending retained earnings of \$228,527.

**Town of Cullen, Louisiana  
Management Discussion and Analysis  
June 30, 2012**

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 or the Special Revenue funds during the course of the year. The General fund budgeted revenues and other sources exceeded actual revenues and other sources by \$183,618 or 29%. The Two percent sales tax fund actual expenditures and other uses exceeded budgeted expenditures and other uses by \$7,688 or 12%.

**Capital Asset and Debt Administration**

The total investment in net capital assets as of June 30, 2012 is \$4,007,387.

There were three new major capital assets purchased or constructed in fiscal 2012 for governmental activities which consisted of radar equipment, solar power street lights and replacement and/or upgrade of signs and pavement markings on streets.

**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.

# EDWARDS, WADE & PERRY

Certified Public Accountants

A Professional Accounting Corporation

Members: AICPA / Society of LCPA's

## Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Cullen, as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Cullen's management. Our responsibility is to express opinions on these financial statements based on our audit. The financial statements of Town of Cullen as of June 30, 2011, were audited by other auditors whose report dated December 28, 2011, expressed an unqualified opinion on those statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Cullen, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 28, 2012, on our consideration of the Town's internal control over financial reporting and our tests of its compliance and other matters with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The required supplementary information on pages 1 through 5 and 31 through 33 a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Cullen's basic financial statements. The accompanying supplementary information, as referenced in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Edwards, Wade & Perry*

Ruston, Louisiana  
December 28, 2012

Town of Cullen, Louisiana  
Statement of Net Assets  
June 30, 2012

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>ASSETS</b>			
Cash and cash investments	\$211,540	\$521,277	\$732,817
Investments	134,250	522,568	656,818
Receivables	62,743	48,093	110,836
Internal balances	(7,677)	7,677	0
Prepaid assets	510		510
Inventory		10,331	10,331
Restricted assets		43,010	43,010
Capital assets (net)	474,425	3,532,962	4,007,387
<b>TOTAL ASSETS</b>	<b>\$875,791</b>	<b>\$4,685,918</b>	<b>\$5,561,709</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts, salaries, and other payables	\$9,530	\$6,180	\$15,710
Due to other governments	7,067		7,067
Noncurrent liabilities:			
Compensated absences payable	9,745	7,092	16,837
Customer deposits	0	38,615	38,615
<b>TOTAL LIABILITIES</b>	<b>26,342</b>	<b>51,887</b>	<b>78,229</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	474,425	3,532,962	4,007,387
Unrestricted	375,024	1,101,069	1,476,093
<b>TOTAL NET ASSETS</b>	<b>\$849,449</b>	<b>\$4,634,031</b>	<b>\$5,483,480</b>

The accompanying notes are an integral part of this statement.

Town of Cullen, Louisiana  
Statement of Activities  
Year Ended June 30, 2012

	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	Total
<b>Governmental Activities:</b>							
General government	\$136,249				(\$136,249)		(\$136,249)
Public safety	262,081	\$34,816			(227,265)		(227,265)
Highways and streets	39,642			\$23,967	(15,675)		(15,675)
Sanitation and health	45,299	84,380			39,081		39,081
Culture and recreation	15,852				(15,852)		(15,852)
<b>Total governmental activities</b>	<b>499,123</b>	<b>119,196</b>	<b>0</b>	<b>23,967</b>	<b>(355,960)</b>	<b>0</b>	<b>(355,960)</b>
<b>Business-type activities</b>							
Water	193,627	147,430				(46,197)	(46,197)
Sewer	261,514	174,731				(86,783)	(86,783)
<b>Total business-type activities</b>	<b>455,141</b>	<b>322,161</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(132,980)</b>	<b>(132,980)</b>
<b>Total primary government</b>	<b>\$954,264</b>	<b>\$441,357</b>	<b>\$0</b>	<b>\$23,967</b>	<b>(\$355,960)</b>	<b>(\$132,980)</b>	<b>(\$488,940)</b>
<b>General revenues:</b>							
Ad valorem taxes levied for general purposes					19,740		19,740
Sales taxes					86,456		86,456
Franchise fees					26,520		26,520
Gain on sale of assets					478		478
Investment earnings					1,680	870	2,550
Other general revenues					71,486	0	71,486
Transfers					96,417	(96,417)	0
<b>Total general revenues and transfers</b>					<b>302,777</b>	<b>(95,547)</b>	<b>207,230</b>
<b>Change in Net Assets</b>					<b>(53,183)</b>	<b>(228,527)</b>	<b>(281,710)</b>
Net assets - beginning					880,568	4,862,558	5,743,126
Prior period adjustment					22,064	0	22,064
<b>Net assets - ending</b>					<b>\$849,449</b>	<b>\$4,634,031</b>	<b>\$5,483,480</b>

The accompanying notes are an integral part of this statement.

Town of Cullen, Louisiana  
 Balance Sheet, Governmental Funds  
 June 30, 2012

	General Fund	Two Percent Sales Tax Fund	One-half Percent Sales Tax Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and equivalents	\$30,492	\$109,637	\$71,411	\$211,540
Investments	655	538	133,057	134,250
Receivables	62,723	17	3	62,743
Due from other funds	1,490	10,000		11,490
Prepaid assets	510			510
<b>TOTAL ASSETS</b>	<b>\$95,870</b>	<b>\$120,192</b>	<b>\$204,471</b>	<b>\$420,533</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts, salaries, and other payables	\$9,530			9,530
Due to other funds	9,167		\$10,000	19,167
Due to other governments	7,067			7,067
<b>Total liabilities</b>	<b>25,764</b>	<b>0</b>	<b>10,000</b>	<b>35,764</b>
<b>Fund balances:</b>				
<b>Unreserved, reported in:</b>				
Nonspendable	510			510
Restricted	0	\$120,192	194,471	314,663
Unassigned	69,596			69,596
<b>Total fund balances</b>	<b>70,106</b>	<b>120,192</b>	<b>194,471</b>	<b>384,769</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$95,870</b>	<b>\$120,192</b>	<b>\$204,471</b>	<b>\$420,533</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 Assets**  
**June 30, 2012**

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

Fund balances, Total governmental funds (Statement C)		\$384,769
Other assets used in governmental activities that are not financial resources, and therefore, are not reported in the governmental funds		0
Liabilities including bonds payable are not due and payable in the current period and therefore, are not reported in the governmental funds:		
Other liabilities		0
Compensated absences		(9,745)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Governmental capital assets	\$996,451	
Less accumulated depreciation	<u>(522,026)</u>	<u>474,425</u>
Net Assets of Governmental Activities (Statement A)		<u>\$849,449</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, 2012

	General Fund	Two Percent Sales Tax Fund	One-half Percent Sales Tax Fund	Total Governmental Funds
<b>REVENUES</b>				
<b>Taxes:</b>				
Ad valorem	\$19,740			\$19,740
Sales and use		69,165	17,291	86,456
Licenses and permits	48,994			48,994
Charges for services	84,380			84,380
<b>Intergovernmental revenues:</b>				
State/parish	53,359			53,359
Other				0
Fines and forfeitures	34,816			34,816
Investment earnings	1,454	41	185	1,680
Other revenues	19,620			19,620
<b>Total Revenues</b>	<b>262,363</b>	<b>69,206</b>	<b>17,476</b>	<b>349,045</b>
<b>EXPENDITURES</b>				
General government	130,998	985	781	132,764
Culture and recreation			11,987	11,987
Public safety	235,620			235,620
Highways and streets	27,193			27,193
Sanitation and health	43,213			43,213
Capital outlay	46,142	0	0	46,142
<b>Total Expenditures</b>	<b>483,166</b>	<b>985</b>	<b>12,768</b>	<b>496,919</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>(220,803)</b>	<b>68,221</b>	<b>4,708</b>	<b>(147,874)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of assets	478			478
Transfers in	178,926			178,926
Transfers out		(72,828)	(9,681)	(82,509)
<b>Total Other Financing Sources (Uses)</b>	<b>179,404</b>	<b>(72,828)</b>	<b>(9,681)</b>	<b>96,895</b>
<b>Net Change in Fund Balance</b>	<b>(41,399)</b>	<b>(4,607)</b>	<b>(4,973)</b>	<b>(50,979)</b>
Fund Balance – beginning	100,495	115,377	207,492	423,364
Prior period adjustment	11,010	9,422	(8,048)	12,384
<b>Fund Balance – ending</b>	<b>\$70,106</b>	<b>\$120,192</b>	<b>\$194,471</b>	<b>\$384,769</b>

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, 2012**

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

Net Change in Fund Balances, Total governmental funds (Statement E) (\$50,979)

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 outlays (\$46,142) exceeded depreciation (\$38,602) in the current period \$7,540

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 (9,745)

Change in Net Assets of Governmental Activities, Statement B (\$53,183)

The accompanying notes are an integral part of this statement.

Town of Cullen, Louisiana  
Statement of Net Assets, Proprietary Funds  
June 30, 2012

	Business-Type Activities - Enterprise Funds			Totals
	Water Fund	Sewer Fund	LCDBG Sewer Improvements	
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and cash investments	\$161,674	\$359,607	(\$4)	\$521,277
Investments	159,759	362,809		522,568
Accounts receivable - customers	23,956	22,743		46,699
Accounts receivable - other	1,394			1,394
Grant receivable				0
Due from other funds	20,551			20,551
Supplies inventory	10,331			10,331
<b>Total current assets</b>	<b>377,665</b>	<b>745,159</b>	<b>(4)</b>	<b>1,122,820</b>
<b>Noncurrent assets:</b>				0
<b>Restricted assets:</b>				0
Cash and cash investments	18,023			18,023
Investments	24,987			24,987
Capital assets (net of accumulated depreciation)	1,136,546	2,396,416		3,532,962
<b>Total noncurrent assets</b>	<b>1,179,556</b>	<b>2,396,416</b>	<b>0</b>	<b>3,575,972</b>
<b>TOTAL ASSETS</b>	<b>\$1,557,221</b>	<b>\$3,141,575</b>	<b>(\$4)</b>	<b>\$4,698,792</b>
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Accounts, salaries, and other payables	\$5,672	\$508		\$6,180
Due to other funds		12,724	\$150	12,874
<b>Total current liabilities</b>	<b>5,672</b>	<b>13,232</b>	<b>150</b>	<b>19,054</b>
<b>Noncurrent liabilities:</b>				0
Compensated absences payable	3,546	3,546		7,092
<b>Total noncurrent liabilities</b>	<b>3,546</b>	<b>3,546</b>	<b>0</b>	<b>7,092</b>
<b>Liabilities payable from restricted assets</b>	<b>38,615</b>	<b>0</b>	<b>0</b>	<b>38,615</b>
<b>Total liabilities</b>	<b>47,833</b>	<b>16,778</b>	<b>150</b>	<b>64,761</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	1,136,546	2,396,416		3,532,962
Restricted net assets	43,010			43,010
Unrestricted	329,832	728,381	(154)	1,058,059
<b>TOTAL NET ASSETS</b>	<b>\$1,509,388</b>	<b>\$3,124,797</b>	<b>(\$154)</b>	<b>\$4,634,031</b>

The accompanying notes are an integral part of this statement.

Town of Cullen, Louisiana  
Statement of Revenues, Expenses, and Changes in Net Assets  
Proprietary Funds  
For the Year Ended June 30, 2012

	Business-Type Activities - Enterprise Funds			Totals
	Water Fund	Sewer Fund	LCDBG Sewer Improvements	
Operating Revenues				
Charges for services:				
Water	\$138,400			\$138,400
Sewerage		\$164,125		164,125
Penalties/service charges		10,502		10,502
Other charges for services	9,030	104		9,134
Total Operating Revenues	147,430	174,731	0	322,161
Operating Expenses				
Personnel services	53,694	53,926		107,620
Materials and supplies	6,480	780		7,260
Insurance claims and expenses	14,280	9,025		23,305
Repairs and maintenance	24,776	12,232		37,008
Other services and charges	28,575	33,699	\$68	62,342
Depreciation	65,822	151,784		217,606
Total Operating Expenses	193,627	261,446	68	455,141
Operating income (loss)	(46,197)	(86,715)	(68)	(132,980)
Nonoperating revenue (expenses)				
Interest earnings	285	585		870
Operating grant	0	0		0
Total Nonoperating Revenue (Expenses)	285	585	0	870
Income before contributions and transfers	(45,912)	(86,130)	(68)	(132,110)
Transfers in	0	0	0	0
Transfers out	0	(96,417)	0	(96,417)
Change in Net Assets	(45,912)	(182,547)	(68)	(228,527)
Total Net Assets - Beginning	1,555,300	3,307,344	(86)	4,862,558
Total Net Assets - Ending	\$1,509,388	\$3,124,797	(\$154)	\$4,634,031

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, 2012

	Business Type Activities - Enterprise Funds			Totals
	Water Fund	Sewer Fund	LCDBG Sewer Improvements	
<b>Cash Flows from Operating Activities</b>				
Receipts from customers and users	\$143,034	\$293,940		\$436,974
Other operating cash receipts	0	12,274		12,274
Payments to suppliers	(80,732)	(160,214)		(240,946)
Other operating cash payments	(14,769)	0	(68)	(14,837)
Payments to employees	(49,629)	(49,629)		(99,258)
Net Cash Provided by Operating Activities	<u>(2,096)</u>	<u>96,371</u>	<u>(68)</u>	<u>94,207</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfer from (to) other funds	0	(96,417)	0	(96,417)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>0</u>	<u>(96,417)</u>	<u>0</u>	<u>(96,417)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Purchases of capital assets	0	0	0	0
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Cash Flows from Investing Activities</b>				
Interest and dividends received	285	585		870
Net Cash Provided by Investing Activities	<u>285</u>	<u>585</u>	<u>0</u>	<u>870</u>
Net Increase in Cash and equivalents	(1,811)	539	(68)	(1,340)
Cash and equivalents, Beginning of Year	181,508	359,068	64	540,640
Cash and equivalents, End of Year	<u>\$179,697</u>	<u>\$359,607</u>	<u>(\$4)</u>	<u>\$539,300</u>
<b>Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities</b>				
Operating income	(\$46,197)	(\$86,715)	(\$68)	(\$132,980)
Depreciation expense	65,822	151,784		217,606
(Increase) decrease in accounts receivable	(4,396)	119,208		114,812
(Increase) decrease in due from/to other funds	(20,551)	12,724		(7,827)
(Increase) decrease in investments	(229)	(449)		(678)
Increase (decrease) in compensated absences payable	1,903	1,903		3,806
Increase (decrease) in customer deposits	6,011	0		6,011
Increase (decrease) in accounts payable	(4,459)	(102,084)		(106,543)
Net Cash Provided by Operating Activities	<u>(\$2,096)</u>	<u>\$96,371</u>	<u>(\$68)</u>	<u>\$94,207</u>
<b>Reconciliation of total cash and cash investments:</b>				
Current assets - cash and cash investments	\$161,674	\$359,607	(\$4)	\$521,277
Restricted assets - cash and cash investments	18,023	0		18,023
Total cash and cash investments	<u>\$179,697</u>	<u>\$359,607</u>	<u>(\$4)</u>	<u>\$539,300</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, 2012

## 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.

### I. 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, 2012

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

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. 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.

The Town reports the following major governmental funds:

**Town of Cullen, Louisiana**  
**Notes to the Financial Statements**  
**As of and For the Year Ended June 30, 2012**

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 percent (2%) sales and use tax levied by the Town 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 percent (1/2%) sales and use tax levied by the Town 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, 2012

**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, 2012, taxes of 8.18 mills were levied on property with assessed valuations totaling \$2,016,660 and were dedicated as follows:

General corporate purposes	8.18 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 \$19,642.

Town of Cullen, Louisiana  
Notes to the Financial Statements  
As of and For the Year Ended June 30, 2012

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>
Urban Housing of America	building rental	174,110	8.63%	\$1,696
Urban Housing of America	building rental	172,650	8.56%	1,682
Total		<u>346,760</u>	<u>17.19%</u>	<u>\$3,378</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 use 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, 2012

<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, 2012

**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 assets. 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 assets and displayed in three components:

- a. Invested in capital assets, net of related debt - 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 assets - Consists of net assets 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 assets - All other net assets 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, 2012

As of June 30, 2012, 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	\$510		
Restricted:			
Other purposes	0		
Unassigned	<u>69,596</u>	<u>\$120,192</u>	<u>\$194,471</u>
Total fund balances	<u>\$70,106</u>	<u>\$120,192</u>	<u>\$194,471</u>

**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. Reconciliations of Government-Wide and Fund Financial Statements**

*Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.* The following reconciles the fund balances of governmental funds to the government-wide statement of net assets.

Governmental capital assets	\$996,451
Less accumulated depreciation	(522,026)
Compensated absences	<u>(9,745)</u>
Net adjustment	<u>\$464,680</u>

*Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.* The following reconciles the net changes in fund balance-total governmental funds to the changes in net assets of governmental activities.

Expenditures for capital assets	\$46,142
Depreciation	(38,602)
Compensated absences liability	<u>(9,745)</u>
Net adjustment	<u>(\$2,205)</u>

**L. 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

Town of Cullen, Louisiana  
Notes to the Financial Statements  
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of the policies which exceeded to policies' coverage amounts. There were no significant reductions in insurance coverage during the year ended June 30, 2012.

## 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, 2012. Budgeted amounts, as originally adopted, are amended from time to time by the Board of Aldermen. Such amendments were not material in relation to the original appropriations.

## 3. CASH AND CASH EQUIVALENTS

At June 30, 2012, the Town has cash and cash equivalents (book balances) totaling \$751,190 as follows:

Petty cash	\$915
Demand deposits	70,044
Certificates of deposit	<u>680,231</u>
Total	<u>\$751,190</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, 2012, the Town has \$773,427 in deposits (collected bank balances). These deposits are secured from risk by \$250,029 of federal deposit insurance and \$533,786 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.

**Town of Cullen, Louisiana**  
**Notes to the Financial Statements**  
**As of and For the Year Ended June 30, 2012**

**4. INVESTMENTS**

Investments held at the Town consist of \$681,806 (current assets of \$656,819 and restricted assets of \$24,987) in the Louisiana Asset Management Pool (LAMP), a local government investment pool. In accordance with GASB Cod Sec. 150.126, the investment in LAMP at the Town is not categorized in the three risk categories provided by GASB Cod Sec. 150.125 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form.

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

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

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 \$62,743 at June 30, 2012, within the governmental funds are as follows:

Town of Cullen, Louisiana  
Notes to the Financial Statements  
As of and For the Year Ended June 30, 2012

<u>Class of Receivable</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
<b>Taxes:</b>			
Ad valorem	\$2,767		\$2,767
Franchise	5,351	\$20	5,371
Accounts - garbage service	11,748		11,748
Grants	23,967		23,967
Other	<u>18,890</u>		<u>18,890</u>
<b>Total</b>	<u>\$62,723</u>	<u>\$20</u>	<u>\$62,743</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, 2012 is as follows:

	<u>Interfund Receivables</u>	<u>Interfund payable</u>
General fund	\$1,490	\$9,167
2% sales tax fund	10,000	
½% sales tax fund		10,000
LCDBG fund		150
Enterprise fund	<u>20,551</u>	<u>12,724</u>
<b>Total</b>	<u>\$32,041</u>	<u>\$32,041</u>

**7. CAPITAL ASSETS**

Capital assets and depreciation activity as of and for the year ended June 30, 2012, for the primary government is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$34,693			\$34,693
Construction in progress	<u>0</u>			<u>0</u>
<b>Total capital assets not being depreciated</b>	<u>34,693</u>	<u>0</u>	<u>0</u>	<u>34,693</u>
<b>Capital assets being depreciated:</b>				
Buildings	458,569			458,569
Equipment	28,204	\$46,142		74,346
Vehicles	225,659			225,659
Infrastructure	<u>203,184</u>			<u>203,184</u>
<b>Total capital assets being depreciated</b>	<u>915,616</u>	<u>46,142</u>	<u>0</u>	<u>961,758</u>

Town of Cullen, Louisiana  
Notes to the Financial Statements  
As of and For the Year Ended June 30, 2012

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Less accumulated depreciation for:	483,424	\$38,602		522,026
Total capital assets being depreciated, net	<u>\$432,192</u>	<u>\$7,540</u>	<u>\$0</u>	<u>\$439,732</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$7,675			\$7,675
Total capital assets not being depreciated	<u>7,675</u>	<u>0</u>	<u>0</u>	<u>7,675</u>
Capital assets being depreciated:				
Buildings	3,745			3,745
Improvements other than buildings	6,141,084			6,141,084
Equipment	798,833			798,833
Total capital assets being depreciated	<u>6,943,662</u>	<u>0</u>	<u>0</u>	<u>6,943,662</u>
Less accumulated depreciation	3,200,770	219,547		3,420,317
Total business-type assets being depreciated, net	<u>\$3,742,892</u>	<u>(\$219,547)</u>	<u>\$0</u>	<u>\$3,523,345</u>

Depreciation expense of \$38,602 was charged to the governmental functions of general government.

**8. LONG-TERM OBLIGATIONS**

The following is a summary of changes in long-term debt for the year ended June 30, 2012:

	<u>Compensated Absences</u>
Long-term obligations at July 1, 2011	\$11,711
Additions	5,126
Deductions	<u>0</u>
Long-term obligations at June 30, 2012	<u>\$16,837</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, 2012:

	<u>Government Activities</u>	<u>Business-Type Activities</u>	<u>Compensated Absences</u>
Current portion	\$0	\$0	\$0
Long-term portion	<u>9,745</u>	<u>\$7,092</u>	<u>16,837</u>
Total	<u>\$9,745</u>	<u>\$7,092</u>	<u>\$16,837</u>

Town of Cullen, Louisiana  
Notes to the Financial Statements  
As of and For the Year Ended June 30, 2012

**9. RETIREMENT SYSTEM**

Substantially all employees of the Town are members of the following statewide retirement systems: Municipal Police Employees Retirement System of Louisiana. These systems are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. Pertinent information relative to each plan follows:

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

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

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

*Funding Policy.* Plan members are required by state statute to contribute 7.5 percent of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rate is 25% of annual covered payroll. The contribution requirements of plan members and the Town are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town's contributions to the System for the years ending December 31, 2012, 2011, and 2010 were \$14,816, \$13,627, and \$7,115, respectively, equal to the required contributions for each year.

**10. OPERATING LEASES**

The Town of Cullen has two operating leases with Centurytel Telephone System. These leases are for telephone equipment for both Town Hall and the Police Department. Both lease terms are for 60 months with a monthly minimum rent of \$49.99 for the Town Hall system and \$44.67 for the Police Department system. Operating lease payments for the year ended June 30, 2012 was \$1,136.

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

<u>Fiscal year</u>	<u>Equipment</u>
2013	\$1,136
2014	1,136
2015	1,136
2016	687
Total	<u>\$4,095</u>

**Town of Cullen, Louisiana**  
**Notes to the Financial Statements**  
**As of and For the Year Ended June 30, 2012**

**11. RESTRICTED ASSETS**

For the business-type activities, restricted assets were applicable to the following at June 30, 2012:

Customers' meter deposits - cash	\$18,023
Customers' meter deposits - investment	<u>24,987</u>
Total	<u>\$43,010</u>

**12. ON-BEHALF PAYMENTS**

During the fiscal year ended June 30, 2012, the town's police chief and officers received \$23,517 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.

**13. CONTINGENT LIABILITIES**

At June 30, 2012, there was one litigation pending against the Town of Cullen. Counsel for the Town feels the suit has very little merit due to the fact that the defendant was not acting in any capacity as an employee or official of the Town of Cullen.

**14. PRIOR PERIOD ADJUSTMENTS**

The Government-wide financial statements include prior period adjustments increasing net assets of governmental activities by \$22,064. 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 \$12,384. These are numerous adjustments to balance sheet accounts to adjust the balances for the current year.

**15. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through December 28, 2012. 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, 2012

	Budgeted Amounts		Actual Amounts GAAP Basis	Favorable (Unfavorable) Variance
	Original	Final		
<b>REVENUES</b>				
Taxes - ad valorem	\$16,275	\$16,275	\$19,740	\$3,465
Franchise fees	28,350	28,350	26,520	(1,830)
Licenses and permits	29,300	29,300	22,474	(6,826)
Charges for services	78,600	78,600	84,380	5,780
Fines and forfeitures	44,600	44,600	34,816	(9,784)
Intergovernmental	222,800	222,800	53,359	(169,441)
Interest	1,060	1,060	1,454	394
Miscellaneous	4,400	4,400	19,620	15,220
<b>Total Revenues</b>	<b>425,385</b>	<b>425,385</b>	<b>262,363</b>	<b>(163,022)</b>
<b>EXPENDITURES</b>				
General government	115,322	115,322	130,998	(15,676)
Public Safety	244,082	244,082	235,620	8,462
Highway and streets	24,575	24,575	27,193	(2,618)
Sanitation and health	53,700	53,700	43,213	10,487
Capital outlay	229,335	229,335	46,142	183,193
<b>Total Expenditures</b>	<b>667,014</b>	<b>667,014</b>	<b>483,166</b>	<b>183,848</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>(241,629)</b>	<b>(241,629)</b>	<b>(220,803)</b>	<b>20,826</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of assets	0	0	478	478
Operating transfers in	200,000	200,000	178,926	(21,074)
Operating transfers out	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>200,000</b>	<b>200,000</b>	<b>179,404</b>	<b>(20,596)</b>
<b>Net Change in Fund Balance</b>	<b>(41,629)</b>	<b>(41,629)</b>	<b>(41,399)</b>	<b>230</b>
Fund Balance (Deficit) at Beginning of Year	100,495	100,495	100,495	0
Prior Period Adjustment	0	0	11,010	11,010
<b>Fund Balance (Deficit) at End of Year</b>	<b>\$58,866</b>	<b>\$58,866</b>	<b>\$70,106</b>	<b>\$11,240</b>

## 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, 2012

	Budgeted Amounts		Actual Amounts GAAP Basis	Favorable (Unfavorable) Variance
	Original	Final		
<b>REVENUES</b>				
Taxes - sales	\$65,000	\$65,000	\$69,165	\$4,165
Interest	75	75	41	(34)
<b>Total Revenues</b>	<u>65,075</u>	<u>65,075</u>	<u>69,206</u>	<u>4,131</u>
<b>EXPENDITURES</b>				
General government	1,125	1,125	985	140
Culture and recreation	0	0	0	0
<b>Total Expenditures</b>	<u>1,125</u>	<u>1,125</u>	<u>985</u>	<u>140</u>
Excess (Deficiency) of Revenues over (under) Expenditures	63,950	63,950	68,221	3,991
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	0	0	0	0
Operating transfers out	(65,000)	(65,000)	(72,828)	(7,828)
<b>Total Other Financing Sources (Uses)</b>	<u>(65,000)</u>	<u>(65,000)</u>	<u>(72,828)</u>	<u>(7,828)</u>
Net Change in Fund Balance	(1,050)	(1,050)	(4,607)	(3,557)
Fund Balance (Deficit) at Beginning of Year	115,378	115,378	115,378	0
Prior Period Adjustment	0	0	9,421	9,421
<b>Fund Balance (Deficit) at End of Year</b>	<u>\$114,328</u>	<u>\$114,328</u>	<u>\$120,192</u>	<u>\$5,864</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, 2012

	Budgeted Amounts		Actual Amounts GAAP Basis	Favorable (Unfavorable) Variance
	Original	Final		
<b>REVENUES</b>				
Taxes - sales	\$12,200	\$12,200	\$17,291	\$5,091
Interest	250	250	185	(65)
Total Revenues	12,450	12,450	17,476	5,026
<b>EXPENDITURES</b>				
General government	685	685	781	96
Culture and recreation	2,500	2,500	11,987	(9,487)
Total Expenditures	3,185	3,185	12,768	(9,583)
Excess (Deficiency) of Revenues over (under) Expenditures	9,265	9,265	4,708	4,557
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	0	0	0	0
Operating transfers out	(25,000)	(25,000)	(9,681)	15,319
Total Other Financing Sources (Uses)	(25,000)	(25,000)	(9,681)	15,319
Net Change in Fund Balance	(15,735)	(15,735)	(4,973)	10,762
Fund Balance (Deficit) at Beginning of Year	207,492	207,492	207,492	0
Prior Period Adjustment	0	0	(8,048)	(8,048)
Fund Balance (Deficit) at End of Year	<u>\$191,757</u>	<u>\$191,757</u>	<u>\$194,471</u>	<u>\$2,714</u>

## 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, 2012**

<b>Board Member</b>	<b><u>Amount</u></b>
<b>Bobby R. Washington, Mayor</b>	<b><u>\$10,000</u></b>
<b>Dexter Turner, Mayor</b>	<b>2,000</b>
<b>Floydean White</b>	<b>1,850</b>
<b>Barbara Green</b>	<b>1,850</b>
<b>Tarcus Hawthorne</b>	<b>1,850</b>
<b>Gary Sullivan</b>	<b>1,850</b>
<b>Terry Hoof</b>	<b>150</b>
<b>Dexter Turner, Alderman</b>	<b><u>1,550</u></b>
<b>Total compensation paid</b>	<b><u><u>\$21,100</u></u></b>

The accompanying notes are an integral part of this schedule.

**OTHER REPORTS**

# EDWARDS, 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*

Mayor and Town Council  
Town of Cullen  
Cullen, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Cullen, LA, as of and for the year ended June 30, 2012, which collectively comprise the Town of Cullen, LA's basic financial statements and have issued our report thereon dated December 28, 2012. 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.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Town of Cullen, LA's internal control over financial reporting as a basis for designing our auditing procedures 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 of Cullen, LA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Cullen, LA's internal control over financial reporting.

*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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting. 2012-1 and 2012-2. *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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Cullen, LA'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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and responses as item 2012-3.

Town of Cullen, LA's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Town of Cullen, LA's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Town Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Edwards, Wade & Perry*

Ruston, Louisiana  
December 28, 2012

Town of Cullen  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2012

We have audited the financial statements of Town of Cullen as of and for the year ended June 30, 2012, and have issued our report thereon dated December 28, 2012. 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 December 28, 2012 resulted in an unqualified 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 Circular A-133, Section .510(a)?  
 Yes  No

Was a management letter issued?  Yes  No

3. Identification of Major Programs:

CFDA Number(s)

Name of Federal Program (or Cluster)

N/A

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Dollar threshold used to distinguish between Type A and Type B Programs: \$ 300,000

Is the auditee a "low-risk" auditee, as defined by OMB Circular A-133?  Yes  No

## **B. Financial Statements Findings**

- 2012-1. **Significant deficiency in internal control over financial reporting - as is common in small organizations, 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. Under generally accepted auditing standards, this condition represents a significant deficiency in internal controls.**

**Statement on Auditing Standards (SAS) 112, effective for audits of financial statements for periods after December 15, 2006, requires that we report the above condition as a control deficiency. The SAS does not provide exceptions to reporting deficiencies that are adequately mitigated with nonaudit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or otherwise impractical.**

**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 therefore no corrective action is recommended.**

- 2012-2. **Significant deficiency in internal control - lack of documentation - it was noted during our audit of the Town that documentation required and requested for expenditure testing could not be located. Out of a sample of 41 invoices requested for expenditure testwork, 7 could not be located. As a result of these findings, internal controls over expenditures were not fully established. It was noted that the vendors on the missing invoices were normal vendors the Town used in its day to day operations and none of the expenditures were extraordinary.**

**Recommendation: We recommend the town clerk pay special attention to document retention and organization of files.**

- 2012-3. **Compliance with local government budget act - For the year ended June 30, 2012, General fund budgeted revenues and other sources exceeded actual revenues and other sources by \$183,618, or 29%. For the year ended June 30, 2012, Two percent sales tax fund actual expenditures and other uses exceeded budgeted expenditures and other uses by \$7,688, or 12%. According to LRS 39:1310, failing to amend the budget when necessary is a violation of the local government budget act.**

**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, 2012

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

2011-1. Significant deficiency in internal control over financial reporting

Status: Unresolved - see 2012-1

2011-2. Significant deficiency in internal control - lack of documentation

Status: Unresolved - see 2012-2

2011-3. Compliance with Local Government Budget Act

Status: Unresolved - see 2012-3

**B. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS**

None

**C. MANAGEMENT LETTER**

None

# THE TOWN OF CULLEN

## OFFICE OF THE MAYOR

Dexter L. Turner P.O. Box 679 Cullen, Louisiana 71021 (318)994-2263 (318)994-2191 Fax (318)994-2189

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Board of Aldermen: Barbara Green Ray Mills Terry Hoof Gary Sullivan Floydean White

January 14, 2013

### Audit Response Letter

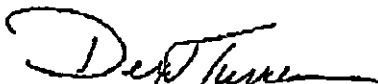
I am responding on behalf of the Town of Cullen to the items mentioned in the audit report for the Town of Cullen for the year ending June 30, 2012.

Item2012-1- Deficiency in Internal Control over Financial Reporting. We agree with the recommendation. We understand that it is our responsibility to prepare the financial statements; however, due to our limited size we request as a nonaudit service that the auditors assist us in preparing the financial statements in th9e format required by applicable standards.

Item2012-2- Internal Control over Documentation- We have had turnover in the office personnel over the past year and this requires training of new personnel. We understand the importance of proper documentation of all expenditures. All invoices to be paid are approved at council meetings therefore the records are available at time of payment. I will stress to the office personnel the importance of proper filing of all documentation to support revenues and expenditures. This training will be done immediately and I will review this process to ensure compliance.

Item2012-3-Budget Act- We understand the budget law and will periodically amend the budget as needed.

Sincerely,



Dexter Turner  
Town of Cullen  
Mayor