

Town of Cullen
Cullen, Louisiana

Annual Financial Statements
For the Year Then Ended June 30, 2020

Town of Cullen
Annual Financial Statements
For the Year Ended June 30, 2020
With Supplemental Information Schedules

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Town of Cullen, Louisiana
Management Discussion and Analysis
June 30, 2020

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, 2020. This management discussion and analysis ("MD&A") is designed to provide an objective analysis of the Town's financial activities based on currently known facts, decisions, and conditions. It is intended to provide readers with a broad overview of Town finances. It is also intended to provide readers with an analysis of the Town's short-term and long-term activities based on information presented in the financial report and fiscal policies that have been adopted by the Town. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the Town's financial activity, identify changes in the Town's financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns.

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

Town of Cullen, Louisiana
Management Discussion and Analysis
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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 \$3,955,951 (net position); this represents a decrease of \$395,628, from the last fiscal year. Of this total net asset amount, \$787,159 is unrestricted net position. The Town's net position are comprised of \$981,407 from governmental activities and \$2,974,544 from business-type activities.

The following is a condensed statement of the Town of Cullen's net position as of June 30, 2020:

	Governmental-Type Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets						
Current & Other Assets	\$407,320	\$504,529	\$582,835	\$739,118	\$990,155	\$1,243,647
Capital Assets (net)	630,283	675,187	2,499,775	2,655,902	3,130,058	3,331,089
Total Assets	<u>\$1,037,603</u>	<u>\$1,179,716</u>	<u>\$3,082,610</u>	<u>\$3,395,020</u>	<u>\$4,120,213</u>	<u>\$4,574,736</u>
Deferred outflows	0	0	0	0	0	0
Liabilities						
Current Liabilities	\$55,860	\$52,843	\$60,942	\$124,630	\$116,802	\$177,473
Non-current Liabilities	336	205	47,124	45,479	47,460	45,684
Total Liabilities	<u>56,196</u>	<u>53,048</u>	<u>108,066</u>	<u>170,109</u>	<u>164,262</u>	<u>223,157</u>
Deferred inflows		8,377	0	0	0	8,377
Net Position						
Invested in capital assets, net	630,283	675,187	2,499,775	2,655,902	3,130,058	3,331,089
Restricted for customer deposits			38,734	42,865	38,734	42,865
Unrestricted	351,124	451,481	436,035	526,144	787,159	977,625
Total Net Position	<u>\$981,407</u>	<u>\$1,126,668</u>	<u>\$2,974,544</u>	<u>\$3,224,911</u>	<u>\$3,955,951</u>	<u>\$4,351,579</u>

The Town's net position includes \$3,130,058 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 \$38,734. The remaining balance of \$787,159 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, 2020

	Governmental-Type Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenue						
Program Revenue	116,071	106,653	\$275,339	\$286,756	\$391,410	\$393,409
General Revenues	198,990	225,347	7,041	13,060	206,031	238,407
Total Revenue	315,061	332,000	282,380	299,816	597,441	631,816
Expenses						
General & Administrative	416,434	411,009			416,434	411,009
Water Utilities			595,771	577,906	595,771	577,906
Total Expenses	416,434	411,009	595,771	577,906	1,012,205	988,915
Excess (deficiency) before special items and transfers	(101,373)	(79,009)	(313,391)	(278,090)	(414,764)	(357,099)
Transfers in (out)	(23,181)	151,580	23,181	(151,580)	0	0
Change in Net Position	(124,554)	72,571	(290,210)	(429,670)	(414,764)	(357,099)
Net Position, June 30, 2019	1,126,668	1,042,088	3,224,911	3,670,969	4,351,579	4,713,058
Prior period adjustment	(20,707)	12,010	39,843	(16,388)	19,136	(4,378)
Net Position, June 30, 2020	\$981,407	\$1,126,668	\$2,974,544	\$3,224,911	\$3,955,951	\$4,351,580

Governmental Activities

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

Business-type Activities

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

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

	Operating Revenues Net of Purchases	
	Water	Sewer
Fiscal year ended June 30, 2019	\$117,057	\$169,699
Fiscal year ended June 30, 2020	117,726	157,613
Increase (decrease) between years	<u>\$669</u>	<u>(\$12,086)</u>
	Operating Expenses	
	Water	Sewer
Fiscal year ended June 30, 2019	\$276,748	\$301,158
Fiscal year ended June 30, 2020	308,793	286,978
Increase (decrease) between years	<u>\$32,045</u>	<u>(\$14,180)</u>

Town of Cullen, Louisiana
Management Discussion and Analysis
June 30, 2020

	Net Income (Loss) From Operations	
	Water	Sewer
Fiscal year ended June 30, 2019	(\$159,691)	(\$131,459)
Fiscal year ended June 30, 2020	(191,067)	(129,365)
Increase (decrease) between years	(\$31,376)	\$2,094

Fund Financial Statements - Governmental Funds

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

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

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

Financial Analysis of the Town’s Governmental Funds

The Town of Cullen’s General Fund reported an ending fund balance (deficit) of (\$6,559), which is a decrease of \$101,564. The unreserved portion is (\$8,641). The Town of Cullen’s Two percent sales tax fund reported an ending fund balance of \$100,616, which is a decrease of \$10,616. The Town of Cullen’s One-half percent sales tax fund reported an ending fund balance of \$255,083, which is an increase of \$9,635.

Fund Financial Statements - Proprietary Funds

The Town maintains two proprietary funds. Proprietary fund is used to report the same functions as business-type activities. Operations in the proprietary fund statements are comparative to last year’s activity except for the increases in personnel services, repairs and maintenance, and other services and charges.

Financial Analysis of the Town’s Proprietary Fund

The Town’s proprietary funds show a decrease in ending retained earnings of \$250,367.

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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 adopted their original budgets for the General fund and both of the Special Revenue funds. The General fund actual expenditures and other uses exceeded the budgeted expenditures and other uses by \$23,496 or 6.6%. The Two Percent Sales Tax fund actual expenditures and other uses exceeded the budgeted expenditures and other uses by \$49,000 or 80%.

Capital Asset and Debt Administration

The total net investment in capital assets as of June 30, 2020 is \$3,130,058.

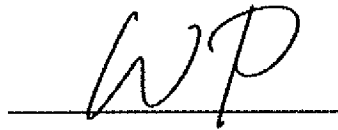
There were major capital assets purchased in fiscal 2020 for governmental activities which consisted of public safety improvements and business-type activities which consisted of equipment.

Current Financial Factors

There are no major changes within the Town's normal operations except the Town has not adopted any 2020-2021 budgets so the Town should be operating at 50% of the last budget adopted.

Requests for Information

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



Wade & Perry, CPAs
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, 2020, 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, 2020, 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 October 4, 2022, 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 S. Perry

Ruston, Louisiana
October 4, 2022

Town of Cullen, Louisiana
Statement of Net Position
June 30, 2020

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash and cash investments	\$224,684	\$358,050	\$582,734
Investments	135,077	120,281	255,358
Receivables	22,403	67,140	89,543
Internal balances	23,074	(23,074)	0
Prepaid assets	2,082		2,082
Inventory		10,331	10,331
Restricted assets		49,804	49,804
Other assets		303	303
Capital assets (net)	630,283	2,499,775	3,130,058
TOTAL ASSETS	\$1,037,603	\$3,082,610	\$4,120,213
Deferred outflows of resources		0	0
LIABILITIES			
Current liabilities:			
Accounts, salaries, and other payables	\$55,860	\$60,942	\$116,802
Noncurrent liabilities:			
Compensated absences payable	336	8,390	8,726
Customer deposits		38,734	38,734
TOTAL LIABILITIES	56,196	108,066	164,262
Deferred inflows of resources		0	0
NET POSITION			
Net investment in capital assets	630,283	2,499,775	3,130,058
Restricted		38,734	38,734
Unrestricted	351,124	436,035	787,159
TOTAL NET POSITION	\$981,407	\$2,974,544	\$3,955,951

The accompanying notes are an integral part of this statement.

Town of Cullen, Louisiana
Statement of Activities
Year Ended June 30, 2020

	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	\$110,443				(\$110,443)	(\$110,443)
Public safety	176,540	\$34,811			(141,729)	(141,729)
Highways and streets	52,863				(52,863)	(52,863)
Sanitation and health	72,723	81,260			8,537	8,537
Culture and recreation	3,865				(3,865)	(3,865)
Total governmental activities	<u>416,434</u>	<u>116,071</u>	<u>0</u>	<u>0</u>	<u>(300,363)</u>	<u>(300,363)</u>
Business-type activities						
Water	308,793	117,726				(191,067)
Sewer	286,978	157,613				(129,365)
Total business-type activities	<u>595,771</u>	<u>275,339</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(320,432)</u>
Total primary government	<u>\$1,012,205</u>	<u>\$391,410</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$300,363)</u>	<u>(\$320,432)</u>
General revenues:						
Ad valorem taxes levied for general purposes					20,649	20,649
Sales taxes					105,923	105,923
Licenses and permits					45,388	45,388
Investment earnings					3,809	7,041
Other general revenues					23,221	23,221
Gain (loss) on sale of asset						0
Transfers					(23,181)	23,181
Total general revenues and transfers					<u>175,809</u>	<u>30,222</u>
Change in Net Position					(124,554)	(290,210)
Net Position - beginning					1,126,668	3,224,911
Prior period adjustment					(20,707)	39,843
Net Position - ending					<u>\$981,407</u>	<u>\$2,974,544</u>
						<u>\$3,955,951</u>

The accompanying notes are an integral part of this statement.

Town of Cullen, Louisiana
 Balance Sheet, Governmental Funds
 June 30, 2020

	General Fund	Two Percent Sales Tax Fund	Non-major One-half Percent Sales Tax Fund	Non- major CDBG Fund	Total Governmental Funds
ASSETS					
Cash and equivalents	\$19,653	\$133,992	\$70,897	\$142	\$224,684
Investments	698	574	133,805		135,077
Receivables	11,875	8,422	2,106		22,403
Due from other funds	47,922	10,546	58,851		117,319
Prepaid assets	2,082				2,082
TOTAL ASSETS	<u>\$82,230</u>	<u>\$153,534</u>	<u>\$265,659</u>	<u>\$142</u>	<u>\$501,565</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts, salaries, and other payables	\$55,710	\$120	\$30		\$55,860
Due to other funds	30,901	52,798	10,546		94,245
Due to other governments					0
Total liabilities	<u>86,611</u>	<u>52,918</u>	<u>10,576</u>	<u>0</u>	<u>150,105</u>
Deferred inflows of resources	2,178				2,178
Fund balances:					
Nonspendable	2,082				2,082
Restricted					0
Unassigned	(8,641)	100,616	255,083	\$142	347,200
Total fund balances	<u>(6,559)</u>	<u>100,616</u>	<u>255,083</u>	<u>142</u>	<u>349,282</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$82,230</u>	<u>\$153,534</u>	<u>\$265,659</u>	<u>\$142</u>	<u>\$501,565</u>

The accompanying notes are an integral part of this statement.

Town of Cullen, Louisiana
 Reconciliation of The Governmental Funds Balance Sheet
 to The Government-Wide Financial Statement of Net Position
 June 30, 2020

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

Fund balances, Total governmental funds (Statement C)		\$349,282
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		(336)
Receivables which are not available to pay for current period expenditures and therefore are unavailable in the funds		2,178
Pension related changes in net pension liability that are only reported in the Statement of Net Position as deferred inflows		0
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Governmental capital asset	\$1,530,702	
Less accumulated depreciation	<u>(900,419)</u>	<u>630,283</u>
Net Position of Governmental Activities (Statement A)		<u>\$981,407</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, 2020

	General Fund	Two Percent Sales Tax Fund	Non-major One-half Percent Sales Tax Fund	Non-major CDBG Fund	Total Governmental Funds
REVENUES					
Taxes:					
Ad valorem	\$20,649				\$20,649
Sales and use		\$84,738	\$21,185		105,923
Licenses and permits	45,388				45,388
Charges for services	81,260				81,260
Intergovernmental revenues:					
State/parish	9,407				9,407
Grants					0
Fines and forfeitures	32,633				32,633
Investment earnings	166	934	2,709		3,809
Other revenues	13,814				13,814
Total Revenues	<u>203,317</u>	<u>85,672</u>	<u>23,894</u>	<u>0</u>	<u>312,883</u>
EXPENDITURES					
General government	105,596	1,313	297		107,206
Culture and recreation					0
Public safety	155,079				155,079
Highways and streets	20,282				20,282
Sanitation and health	72,723				72,723
Capital outlay	16,109				16,109
Total Expenditures	<u>369,789</u>	<u>1,313</u>	<u>297</u>	<u>0</u>	<u>371,399</u>
Excess (Deficiency) of Revenues over (under) Expenditures	(166,472)	84,359	23,597		(58,516)
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of assets					0
Transfers in	92,950	13,962			106,912
Transfers out	(7,194)	(108,937)	(13,962)		(130,093)
Total Other Financing Sources (Uses)	<u>85,756</u>	<u>(94,975)</u>	<u>(13,962)</u>	<u>0</u>	<u>(23,181)</u>
Net Change in Fund Balance	(80,716)	(10,616)	9,635	0	(81,697)
Prior period adjustment	(20,848)				(20,848)
Fund Balance -- beginning	<u>95,005</u>	<u>111,232</u>	<u>245,448</u>	<u>142</u>	<u>451,827</u>
Fund Balance -- ending	<u>(\$6,559)</u>	<u>\$100,616</u>	<u>\$255,083</u>	<u>\$142</u>	<u>\$349,282</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, 2020

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

Net Change in Fund Balances, Total governmental funds (Statement E)	(\$81,697)
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 (\$16,109) exceeded depreciation (\$61,013) in the current period.	(44,904)
Governmental funds are not required to report gain or loss on sale of assets. This is the amount of capital assets sold during the year	0
Revenues that are not available to pay current obligations are not reported in the fund financial statements, but they are presented as revenues in the Statement of Activities	2,178
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>(131)</u>
Change in Net Position of Governmental Activities, (Statement B)	<u><u>(\$124,554)</u></u>

The accompanying notes are an integral part of this statement.

Town of Cullen, Louisiana
Statement of Net Position, Proprietary Funds
June 30, 2020

	Business-Type Activities - Enterprise Funds		Totals
	Water Fund	Sewer Fund	
ASSETS			
Current assets:			
Cash and cash investments	\$113,427	\$244,623	\$358,050
Investments	56,287	63,994	120,281
Accounts receivable - customers	8,479	11,520	19,999
Accounts receivable - other	47,141		47,141
Due from other funds	61,204	30,147	91,351
Supplies inventory	10,331		10,331
Total current assets	<u>296,869</u>	<u>350,284</u>	<u>647,153</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash investments	23,177		23,177
Investments	26,627		26,627
Other assets	163	140	303
Capital assets (net of accumulated depreciation)	<u>1,088,453</u>	<u>1,411,322</u>	<u>2,499,775</u>
Total noncurrent assets	<u>1,138,420</u>	<u>1,411,462</u>	<u>2,549,882</u>
TOTAL ASSETS	<u>\$1,435,289</u>	<u>\$1,761,746</u>	<u>\$3,197,035</u>
LIABILITIES			
Current Liabilities:			
Accounts, salaries, and other payables	\$57,456	\$3,486	\$60,942
Due to other funds	<u>33,194</u>	<u>81,231</u>	<u>114,425</u>
Total current liabilities	<u>90,650</u>	<u>84,717</u>	<u>175,367</u>
Noncurrent liabilities:			
Compensated absences payable	<u>4,195</u>	<u>4,195</u>	<u>8,390</u>
Total noncurrent liabilities	<u>4,195</u>	<u>4,195</u>	<u>8,390</u>
Liabilities payable from restricted assets	<u>38,734</u>		<u>38,734</u>
Total liabilities	<u>133,579</u>	<u>88,912</u>	<u>222,491</u>
NET POSITION			
Invested in capital assets, net of related debt	1,088,453	1,411,322	2,499,775
Restricted net position	38,734		38,734
Unrestricted	<u>174,523</u>	<u>261,512</u>	<u>436,035</u>
TOTAL NET POSITION	<u>\$1,301,710</u>	<u>\$1,672,834</u>	<u>\$2,974,544</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, 2020

	Business-Type Activities - Enterprise Funds		Totals
	Water Fund	Sewer Fund	
Operating Revenues			
Charges for services:			
Water	\$103,807		\$103,807
Sewerage		\$148,064	148,064
Penalties/service charges	13,919	9,549	23,468
Other charges for services			0
Total Operating Revenues	<u>117,726</u>	<u>157,613</u>	<u>275,339</u>
Operating Expenses			
Personnel services	88,525	87,776	176,301
Materials and supplies	18,702	10,180	28,882
Insurance claims and expenses	18,973	4,269	23,242
Repairs and maintenance	55,139	12,497	67,636
Other services and charges	44,941	46,920	91,861
Bad debt expense	5,850	7,242	13,092
Depreciation	76,663	118,094	194,757
Total Operating Expenses	<u>308,793</u>	<u>286,978</u>	<u>595,771</u>
Operating income (loss)	(191,067)	(129,365)	(320,432)
Nonoperating revenue (expenses)			
Interest earnings	2,665	4,376	7,041
Other income			0
Capital grants			0
Total Nonoperating Revenue (Expenses)	<u>2,665</u>	<u>4,376</u>	<u>7,041</u>
Income before contributions and transfers	(188,402)	(124,989)	(313,391)
Transfers in	100,631		100,631
Transfers out		(77,450)	(77,450)
Change in Net Position	(87,771)	(202,439)	(290,210)
Total Net Position - Beginning	1,351,632	1,873,279	3,224,911
Prior period adjustment	37,849	1,994	39,843
Total Net Position - Ending	<u>\$1,301,710</u>	<u>\$1,672,834</u>	<u>\$2,974,544</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, 2020

	Business Type Activities - Enterprise Funds		Totals
	Water Fund	Sewer Fund	
Cash Flows from Operating Activities			
Receipts from customers and users	\$122,144	\$168,172	\$290,316
Other operating cash receipts	5,845	2,574	8,419
Payments to suppliers	(150,717)	(147,840)	(298,557)
Other operating cash payments	(80,185)	(80,184)	(160,369)
Payments to employees	(4,131)	(4,949)	(9,080)
Net Cash Provided by Operating Activities	<u>(107,044)</u>	<u>(62,227)</u>	<u>(169,271)</u>
Cash Flows from Noncapital Financing Activities			
Prior period adjustment	37,849	1,994	39,843
Transfer from (to) other funds	100,631	(77,450)	23,181
Net Cash Provided (Used) by Noncapital Financing Activities	<u>138,480</u>	<u>(75,456)</u>	<u>63,024</u>
Cash Flows from Capital and Related Financing Activities			
Purchases of capital assets	(38,629)		(38,629)
Grant proceeds	0		0
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(38,629)</u>	<u>0</u>	<u>(38,629)</u>
Cash Flows from Investing Activities			
Investments Redeemed (Reinvested)	(1,311)	36,452	35,141
Interest and dividends received	2,665	4,376	7,041
Net Cash Provided by Investing Activities	<u>1,354</u>	<u>40,828</u>	<u>42,182</u>
Net Increase in Cash and equivalents	(5,839)	(96,855)	(102,694)
Cash and equivalents, Beginning of Year	142,443	341,478	483,921
Cash and equivalents, End of Year	<u>\$136,604</u>	<u>\$244,623</u>	<u>\$381,227</u>
Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities			
Operating income	(\$191,067)	(\$129,365)	(\$320,432)
Depreciation expense	76,663	118,094	194,757
(Increase) decrease in accounts receivable	3,283	9,401	12,684
(Increase) decrease in other assets	1,135	1,158	2,293
(Increase) decrease in due from/to other funds	5,845	(2,375)	3,470
Increase (decrease) in compensated absences payable	2,888	2,888	5,776
Increase (decrease) in customer deposits	(4,131)		(4,131)
Increase (decrease) in accounts payable	(1,660)	(62,028)	(63,688)
Net Cash Provided by Operating Activities	<u>(\$107,044)</u>	<u>(\$62,227)</u>	<u>(\$169,271)</u>
Reconciliation of total cash and cash investments:			
Current assets - cash and cash investments	\$113,427	\$244,623	\$358,050
Restricted assets - cash and cash investments	23,177		23,177
Total cash and cash investments	<u>\$136,604</u>	<u>\$244,623</u>	<u>\$381,227</u>

The accompanying notes are an integral part of this statement.

Town of Cullen, Louisiana
Notes to the Financial Statements
For the Year Ended June 30, 2020

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
For the Year Ended June 30, 2020

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
For the Year Ended June 30, 2020

The Town reports the following major governmental funds:

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

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

The Town reports the following major proprietary funds:

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

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

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

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

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

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

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

C. Deposits and Investments

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

Town of Cullen, Louisiana
Notes to the Financial Statements
For the Year Ended June 30, 2020

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, 2020, taxes of 8.99 mills were levied on property with assessed valuations totaling \$2,119,960 and were dedicated as follows:

General corporate purposes	9.84 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 \$19,060.

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

Town of Cullen, Louisiana
Notes to the Financial Statements
For the Year Ended June 30, 2020

<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>
Centerpoint Energy Arkla	utility company	106,910	5.04%	\$1,052
Total		<u>106,910</u>	<u>5.04%</u>	<u>\$1,052</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:

<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

Town of Cullen, Louisiana
Notes to the Financial Statements
For the Year Ended June 30, 2020

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
For the Year Ended June 30, 2020

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.

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
For the Year Ended June 30, 2020

As of June 30, 2020, fund balances are composed of the following:

	General Fund	Sales Tax 2%	Sales Tax 1/2%
Nonspendable:			
Prepaid items	\$2,082		
Restricted:			
Other purposes			
Unassigned	(8,641)	\$100,616	\$255,083
Total fund balances	(\$6,559)	\$100,616	\$255,083

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, 2020.

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
For the Year Ended June 30, 2020

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, 2020. 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, 2020, the Town has cash and cash equivalents (book balances) totaling \$605,911 as follows:

Petty cash	\$300
Interest-bearing accounts	0
Demand deposits	108,435
Certificates of deposit	<u>497,176</u>
Total	<u>\$605,911</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, 2020, the Town has \$623,886 in deposits (collected bank balances). These deposits are secured from risk by \$376,709 of federal deposit insurance and \$0 of pledged securities held by the custodial bank in the name of the fiscal agent bank. (GASB Category 3). The balance of \$247,176 is uncollateralized.

Even though 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 \$281,985 (current assets of \$255,358 and restricted assets of \$26,627) 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

Town of Cullen, Louisiana
Notes to the Financial Statements
For the Year Ended June 30, 2020

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 \$22,403 at June 30, 2020, 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	\$2,596		2,596
Garbage service (net of allowance)	6,107		6,107
Other	3,172	\$10,528	13,700
Total	<u>\$11,875</u>	<u>\$10,528</u>	<u>\$22,403</u>

6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2020 is as follows:

	<u>Interfund Receivables</u>	<u>Interfund payable</u>
General fund	\$47,922	\$30,901
2% sales tax fund	10,546	52,798
½% sales tax fund	58,851	10,546
Enterprise funds	91,351	114,425
Total	<u>\$208,670</u>	<u>\$208,670</u>

Town of Cullen, Louisiana
Notes to the Financial Statements
For the Year Ended June 30, 2020

7. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended June 30, 2020, for the primary government is as follows:

	Beginning Balance	Adjustments	Increases	Decreases	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$111,393				\$111,393
Construction in progress	0				0
Total capital assets not being depreciated	<u>111,393</u>		<u>0</u>	<u>0</u>	<u>111,393</u>
Capital assets being depreciated:					
Buildings	497,035				497,035
Improvements other than buildings	165,548				165,548
Equipment	101,350		\$3,099		104,449
Vehicles	289,529		13,010		302,539
Infrastructure	349,738				349,738
Total capital assets being depreciated	<u>1,403,200</u>		<u>16,109</u>	<u>0</u>	<u>1,419,309</u>
Less accumulated depreciation for:	<u>839,406</u>		<u>61,013</u>		<u>900,419</u>
Total capital assets being depreciated, net	<u>\$675,187</u>	<u>\$0</u>	<u>(\$44,904)</u>	<u>\$0</u>	<u>\$630,283</u>

Depreciation expense of \$61,013 was charged as follows: \$3,106 to general government, \$21,461 to public safety, \$32,581 to highways and streets, \$3,865 to culture and recreation.

	Beginning Balance	Adjustments	Increases	Decreases	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$40,883				\$40,883
Total capital assets not being depreciated	<u>40,883</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>40,883</u>
Capital assets being depreciated:					
Buildings	2,439				2,439
Improvements other than buildings	6,454,767				6,454,767
Equipment	915,562		\$38,629		954,191
Total capital assets being depreciated	<u>7,372,768</u>	<u>0</u>	<u>38,629</u>	<u>0</u>	<u>7,411,397</u>
Less accumulated depreciation	<u>4,757,748</u>		<u>194,757</u>		<u>4,952,505</u>
Total business-type assets being depreciated,	<u>\$2,655,903</u>	<u>\$0</u>	<u>(\$156,128)</u>	<u>\$0</u>	<u>\$2,499,775</u>

8. LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term debt for the year ended June 30, 2020:

Town of Cullen, Louisiana
Notes to the Financial Statements
For the Year Ended June 30, 2020

	Compensated Absences
Long-term obligations at June 30, 2019	\$2,819
Additions	5,907
Deductions	
Long-term obligations at June 30, 2020	\$8,726

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, 2020:

	Government Activities	Business-Type Activities	Compensated Absences
Current portion	\$0	\$0	\$0
Long-term portion			0
Total	\$0	\$0	\$0

9. RETIREMENT SYSTEM

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

10. RESTRICTED ASSETS

For the business-type activities, restricted assets were applicable to the following at June 30, 2020:

Customers' meter deposits - cash	\$23,177
Customers' meter deposits - investment	26,627
Total	\$49,804

11. ON-BEHALF PAYMENTS

During the fiscal year ended June 30, 2020, the town's police chief and officers received \$6,000 in police supplemental pay from the State of Louisiana, Department of Public Safety and Corrections. The town recognizes this supplemental pay received by the employees as revenues and expenditures of the town. The revenues are reported in the general fund and the expenditures are included in the public safety expenditures.

12. LITIGATION AND CLAIMS

The Town is not involved in any litigation at June 30, 2020, nor is it aware of any unasserted claims.

13. PRIOR PERIOD ADJUSTMENT

The Government-wide financial statements include prior period adjustments decreasing net assets of governmental activities by \$20,707 and increasing business-type activities by \$38,734. These are numerous adjustments to balance sheet accounts to adjust the balances for the current year. The governmental funds statements reflect a prior period

Town of Cullen, Louisiana
Notes to the Financial Statements
For the Year Ended June 30, 2020

adjustment decreasing fund balances by \$20,848. The enterprise funds statements reflect a prior period adjustment increasing net position by \$38,734. These are numerous adjustments to balance sheet accounts to adjust the balances for the current year.

14. MANAGEMENT REVIEW

Subsequent events have been evaluated through October 4, 2022. 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, 2020

	Budgeted Amounts		Actual	Favorable
	Original	Final	Amounts GAAP Basis	(Unfavorable) Variance
REVENUES				
Taxes - ad valorem	\$20,000	\$20,000	\$20,649	\$649
Franchise fees	17,140	17,140	15,990	(1,150)
Licenses and permits	30,045	30,045	29,398	(647)
Charges for services	82,000	82,000	81,260	(740)
Fines and forfeitures	7,500	7,500	32,633	25,133
Intergovernmental	10,000	10,000	9,407	(593)
Use of money and property	210	210	166	(44)
Miscellaneous	6,100	6,100	13,814	7,714
Total Revenues	172,995	172,995	203,317	30,322
EXPENDITURES				
General government	106,567	106,567	105,596	971
Public Safety	154,350	154,350	155,079	(729)
Highway and streets	18,000	18,000	20,282	(2,282)
Sanitation and health	72,570	72,570	72,723	(153)
Capital outlay	2,000	2,000	16,109	(14,109)
Total Expenditures	353,487	353,487	369,789	(16,302)
Excess (Deficiency) of Revenues over (under) Expenditures	(180,492)	(180,492)	(166,472)	14,020
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets				0
Operating transfers in	75,000	75,000	92,950	17,950
Operating transfers out			(7,194)	(7,194)
Total Other Financing Sources (Uses)	75,000	75,000	85,756	10,756
Net Change in Fund Balance	(105,492)	(105,492)	(80,716)	24,776
Fund Balance (Deficit) at Beginning of Year	116,936	116,936	95,006	(21,930)
Prior Period Adjustment			(20,848)	(20,848)
Fund Balance (Deficit) at End of Year	\$11,444	\$11,444	(\$6,558)	(\$18,002)

Notes to the Schedule

- (1) method of budgetary accounting - GAAP, modified accrual basis
(2) explanation of material variances - underbudgeted capital outlay

The accompanying notes are an integral part of this schedule.

Town of Cullen, Louisiana
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
Special Revenue Fund - Two Percent Sales Tax Fund
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts GAAP Basis	Favorable (Unfavorable) Variance
	Original	Final		
REVENUES				
Taxes - sales	\$64,000	\$64,000	\$84,738	\$20,738
Use of money and property	600	600	934	334
Total Revenues	<u>64,600</u>	<u>64,600</u>	<u>85,672</u>	<u>21,072</u>
EXPENDITURES				
General government	1,250	1,250	1,313	(63)
Culture and recreation				0
Total Expenditures	<u>1,250</u>	<u>1,250</u>	<u>1,313</u>	<u>(63)</u>
Excess (Deficiency) of Revenues over (under) Expenditures	63,350	63,350	84,359	21,135
OTHER FINANCING SOURCES (USES)				
Operating transfers in			13,962	13,962
Operating transfers out	<u>(60,000)</u>	<u>(60,000)</u>	<u>(108,937)</u>	<u>(48,937)</u>
Total Other Financing Sources (Uses)	<u>(60,000)</u>	<u>(60,000)</u>	<u>(94,975)</u>	<u>(34,975)</u>
Net Change in Fund Balance	3,350	3,350	(10,616)	(13,966)
Fund Balance (Deficit) at Beginning of Year	191,268	191,268	111,232	(80,036)
Prior Period Adjustment	0	0		0
Fund Balance (Deficit) at End of Year	<u>\$194,618</u>	<u>\$194,618</u>	<u>\$100,616</u>	<u>(\$94,002)</u>

Notes to the Schedule

- (1) method of budgetary accounting - GAAP, modified accrual basis
(2) explanation of material variances - underbudgeted expenditures and transfers out

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, 2020

Board Member	<u>Amount</u>
Terry Hoof, Mayor	\$13,000
Floydean White	3,170
Barbara Green	3,170
Doris White	3,170
Fannie Rankin	3,170
Ray Mills	720
Total compensation paid	<u>\$26,400</u>

The accompanying notes are an integral part of this schedule.

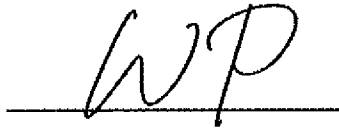
Town of Cullen
Schedule of Compensation, Benefits and Other Payments
to Agency Head
For the Year Ended June 30, 2020

Schedule 4

Agency Head Name: Terry Hoof

Purpose	
Salary	\$12,000
Vehicle provided by government	1,903
Reimbursements	785
Continuing education fees	916
Special meals	194
Association dues	2,550
Membership dues	146

OTHER REPORTS



Wade & Perry, CPAs
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, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 4, 2022.

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. 2020-01 and 2020-02.

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

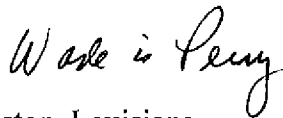
As part of obtaining reasonable assurance about whether Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 2020-03, 2020-04, 2020-05.

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
October 4, 2022

Town of Cullen
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

A. Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on the general purpose financial statements of the Town of Cullen.
2. Three instances of noncompliance material to the financial statements was disclosed during the audit.
3. Two material weaknesses and one significant deficiency relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control.

B. Financial Statements Findings

2020-01. Deficiency in internal control over utility receipts

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

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

Cause: Utility software was not updated with current rates.

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

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

2020-02. Deficiency in internal control for disbursements.

Condition: Of the total forty randomly selected disbursements, 10 had no supporting documentation (6 were nonpayroll disbursements and 4 were payroll disbursements with no time sheet for support).

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

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

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

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

2020-03. Some employees, customers and board members not paying utility bill timely

Condition: Several accounts included late charges.

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

Cause: Some customers 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. Town should make sure all customers’ meters are being read and report usage.

2020-04. Late submission of audit report.

Condition: The Town submitted the audit report after December 31, 2020.

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

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

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

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

2020-05. Compliance with local government budget act

Condition: For the year ended June 30, 2020, the General fund actual expenditures and other uses exceeded budgeted expenditures and other uses by \$23,496 or 6.6%. For the year ended June 30, 2020, the 2% Sales tax fund actual expenditures and other uses exceeded budgeted expenditures and other uses by \$49,000 or 80%. The original budgets for the year ended June 30, 2020 were adopted in September, 2019.

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

Cause: Management failed to adopt the budget for the General fund and the 2% Sales tax fund before the year began. Management did not amend the budgets when necessary.

Effect: Noncompliance with local budget law.

Effect: Noncompliance with local budget law.

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

2020-06. Internal control over traffic tickets is inadequate.

Condition: Tickets are written to traffic violators and turned in to the town office. Tickets are written out of several ticket books and are not logged by the town to track checks that have been written. All tickets are sent to Springhill City Court where the tickets are logged into their program. All fines are paid through the city court. In turn, the city court writes a check to the town for the town's portion of the fine. Tickets can be dismissed or lowered by the Cullen chief of police.

Criteria: Internal controls should be set up for all areas

Cause: Tickets written were not being kept up with by the town in order to know what tickets were still outstanding.

Effect: IC violation; potential fraud due to lack of checks and balances

Recommendation: maintain records of all tickets issued and trace from written to deposited into bank account

Town of Cullen
Summary of Prior Year Findings
For the Year Ended June 30, 2020

A. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

2019-01. Significant deficiency in internal control over utility receipts

Status: Unresolved - see 2020-01

2019-02. Significant deficiency in internal control for disbursements

Status: Unresolved - see 2020-02

2019-03. Violation of Article VII, Section 14

Status: Unresolved - see 2020-03

2019-04. Late submission of audit report

Status: Unresolved - see 2020-04

2019-05. Local government budget violation

Status: Unresolved - see 2020-05

2019-06. No monthly financial statements

Status: Resolved

2019-07. Bid law violation

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, 2020

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

- 2020-01. The Town agrees with the recommendations and intends to implement them immediately.
- 2020-02. The Town agrees with the recommendations and intends to implement them immediately.
- 2020-03. The Town agrees with the recommendations and intends to implement them immediately.
- 2020-04. The Town agrees with the recommendations and intends to implement them immediately.
- 2020-05. The Town agrees with the recommendations and intends to implement them immediately.
- 2020-06. The Town agrees with the recommendations and intends to implement them immediately.