

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

December 15, 2021

Local Government Services  
Louisiana Legislative Auditor  
Baton Rouge, LA

To whom it may concern:

The audit report for the Town of Cullen for the year ended June 30, 2019, is being resubmitted to include findings 2019-06 and 2019-07.

If you have any questions, please contact our office.

Sincerely,

*Wade & Perry*  
Wade & Perry, CPAs

Town of Cullen  
Cullen, Louisiana

Annual Financial Statements  
For the Year Then Ended June 30, 2019

Town of Cullen  
Annual Financial Statements  
For the Year Ended June 30, 2019  
With Supplemental Information Schedules

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Town of Cullen, Louisiana  
Management Discussion and Analysis  
June 30, 2019

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, 2019. This management discussion and analysis ("MD&A") is designed to provide an objective analysis of the Town's financial activities based on currently known facts, decisions, and conditions. It is intended to provide readers with a broad overview of Town finances. It is also intended to provide readers with an analysis of the Town's short-term and long-term activities based on information presented in the financial report and fiscal policies that have been adopted by the Town. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the Town's financial activity, identify changes in the Town's financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns.

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

### **Overview of the Financial Statements**

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

### Government-Wide Financial Statements

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

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

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

Town of Cullen, Louisiana  
Management Discussion and Analysis  
June 30, 2019

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

**Government-wide Financial Analysis**

As noted earlier, net position may, over time, serve as a useful indicator of a government's financial position. At the close of the most recent fiscal year, the Town's assets exceeded its liabilities by \$4,351,579 (net position); this represents a decrease of \$361,477 from the last fiscal year. Of this total net asset amount, \$977,625 is unrestricted net position. The Town's net position are comprised of \$1,126,668 from governmental activities and \$3,224,911 from business-type activities.

The following is a condensed statement of the Town of Cullen's net position as of June 30, 2019:

	Governmental-Type Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Assets</b>						
Current & Other Assets	\$504,529	\$649,682	\$739,118	\$1,016,171	\$1,243,647	\$1,665,853
Capital Assets (net)	675,187	658,768	2,655,902	2,770,135	3,331,089	3,428,903
<b>Total Assets</b>	<u>\$1,179,716</u>	<u>\$1,308,450</u>	<u>\$3,395,020</u>	<u>\$3,786,306</u>	<u>\$4,574,736</u>	<u>\$5,094,756</u>
Deferred outflows	0	0	0	0	0	0
<b>Liabilities</b>						
Current liabilities	\$52,843	\$257,863	\$124,630	\$71,235	\$177,473	\$329,098
Non-current Liabilities	205	125	45,479	44,102	45,684	44,227
<b>Total Liabilities</b>	<u>53,048</u>	<u>257,988</u>	<u>170,109</u>	<u>115,337</u>	<u>223,157</u>	<u>373,325</u>
Deferred inflows		8,377	0	0	0	8,377
<b>Net Position</b>						
Invested in capital assets, net	675,187	658,768	2,655,902	2,770,135	3,331,089	3,428,903
Restricted for customer deposits			42,865	42,166	42,865	42,166
Unrestricted	451,481	383,317	526,144	858,668	977,625	1,241,985
<b>Total Net Position</b>	<u>\$1,126,668</u>	<u>\$1,042,085</u>	<u>\$3,224,911</u>	<u>\$3,670,969</u>	<u>\$4,351,579</u>	<u>\$4,713,054</u>

The Town's net position includes \$3,331,089 reflected in its investment in capital assets (e.g. land, buildings, machinery and equipment, Town infrastructure, etc.). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Restricted net position has a balance of \$42,865. The remaining balance of \$977,625 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, 2019

	Governmental-Type Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Revenue</b>						
Program Revenue	106,653	271,172	\$286,756	\$4,890	\$393,409	\$276,062
General Revenues	225,347	163,860	13,060	291,619	238,407	455,479
Total Revenue	<u>332,000</u>	<u>435,032</u>	<u>299,816</u>	<u>296,509</u>	<u>631,816</u>	<u>731,541</u>
<b>Expenses</b>						
General & Administrative	411,009	326,978			411,009	326,978
Water Utilities			577,906	565,078	577,906	565,078
Total Expenses	<u>411,009</u>	<u>326,978</u>	<u>577,906</u>	<u>565,078</u>	<u>988,915</u>	<u>892,056</u>
Excess (deficiency) before special items and transfers	(79,009)	108,054	(278,090)	(268,569)	(357,099)	(160,515)
Transfers in (out)	151,580	(20,235)	(151,580)	20,235	0	0
Change in Net Position	72,571	87,819	(429,670)	(248,334)	(357,099)	(160,515)
Net Position, June 30, 2017	1,042,087	951,882	3,670,969	3,898,663	4,713,056	4,850,546
Prior period adjustment	12,010	2,384	(16,388)	20,640	(4,378)	23,024
Net Position, June 30, 2019	<u>\$1,126,668</u>	<u>\$1,042,084</u>	<u>\$3,224,911</u>	<u>\$3,670,969</u>	<u>\$4,351,579</u>	<u>\$4,713,054</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, 2018	\$118,185	\$173,434
Fiscal year ended June 30, 2019	<u>117,057</u>	<u>169,699</u>
Increase (decrease) between years	<u>(\$1,128)</u>	<u>(\$3,735)</u>
	Operating Expenses	
	Water	Sewer
Fiscal year ended June 30, 2018	\$255,487	\$309,591
Fiscal year ended June 30, 2019	<u>276,748</u>	<u>301,158</u>
Increase (decrease) between years	<u>\$21,261</u>	<u>(\$8,433)</u>

Town of Cullen, Louisiana  
Management Discussion and Analysis  
June 30, 2019

	Net Income (Loss) From Operations	
	Water	Sewer
Fiscal year ended June 30, 2018	(\$137,302)	(\$136,157)
Fiscal year ended June 30, 2019	(159,691)	(131,459)
Increase (decrease) between years	(\$22,389)	\$4,698

**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 \$95,006, which is an increase of \$82,996. The unreserved portion is \$91,169. The Town of Cullen’s Two percent sales tax fund reported an ending fund balance of \$111,232, which is a decrease of \$47,623. The Town of Cullen’s One-half percent sales tax fund reported an ending fund balance of \$245,448, which is a decrease of \$9,330.

**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 \$446,058.



Town of Cullen, Louisiana  
Management Discussion and Analysis  
June 30, 2019

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 adopt 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 \$263,344 or 162%. The Two Percent Sales Tax fund actual expenditures and other uses exceeded the budgeted expenditures and other uses by \$95,066 or 292%.

#### Capital Asset and Debt Administration

The total net investment in capital assets as of June 30, 2019 is \$3,331,089.

There were major capital assets purchased in fiscal 2019 for governmental activities which consisted police cars.

#### Current Financial Factors

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

#### Requests for Information

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

# WADE & PERRY

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

## Independent Auditor's Report

Mayor and Board of Aldermen  
Town of Cullen  
Cullen, LA

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Cullen ("Town"), as of and for the year ended June 30, 2019, 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, 2019, and the changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

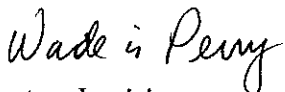
### ***Required Supplementary Information***

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

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated December 2, 2021, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of the testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



Ruston, Louisiana  
December 2, 2021

Town of Cullen, Louisiana  
Statement of Net Position  
June 30, 2019

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash and cash investments	\$326,291	\$463,169	\$789,460
Investments	132,942	155,843	288,785
Receivables	21,856	79,824	101,680
Internal balances	19,603	(19,603)	0
Prepaid assets	3,837		3,837
Inventory		10,331	10,331
Restricted assets		46,958	46,958
Other assets		2,596	2,596
Capital assets (net)	675,187	2,655,902	3,331,089
TOTAL ASSETS	<u>\$1,179,716</u>	<u>\$3,395,020</u>	<u>\$4,574,736</u>
Deferred outflows of resources		0	0
LIABILITIES			
Current liabilities:			
Accounts, salaries, and other payables	\$52,843	\$124,630	\$177,473
Noncurrent liabilities:			
Compensated absences payable	205	2,614	2,819
Customer deposits		42,865	42,865
TOTAL LIABILITIES	<u>53,048</u>	<u>170,109</u>	<u>223,157</u>
Deferred inflows of resources		0	0
NET POSITION			
Net investment in capital assets	675,187	2,655,902	3,331,089
Restricted		42,865	42,865
Unrestricted	451,481	526,144	977,625
TOTAL NET POSITION	<u>\$1,126,668</u>	<u>\$3,224,911</u>	<u>\$4,351,579</u>

The accompanying notes are an integral part of this statement.

Town of Cullen, Louisiana  
Statement of Activities  
Year Ended June 30, 2019

	Program Revenues			Net (Expenses) Revenues and Changes of Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities
Governmental Activities:						
General government	\$102,488			\$9,508	(\$92,980)	(\$92,980)
Public safety	182,719	\$14,403			(168,316)	(168,316)
Highways and streets	48,170				(48,170)	(48,170)
Sanitation and health	73,767	82,742			8,975	8,975
Culture and recreation	3,865				(3,865)	(3,865)
Total governmental activities	<u>411,009</u>	<u>97,145</u>	<u>0</u>	<u>9,508</u>	<u>(304,356)</u>	<u>0</u>
Business-type activities						
Water	276,748	117,057			(159,691)	(159,691)
Sewer	301,158	169,699			(131,459)	(131,459)
Total business-type activities	<u>577,906</u>	<u>286,756</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(291,150)</u>
Total primary government	<u>\$988,915</u>	<u>\$383,901</u>	<u>\$0</u>	<u>\$9,508</u>	<u>(\$304,356)</u>	<u>(\$291,150)</u>
General revenues:						
Ad valorem taxes levied for general purposes					20,475	20,475
Sales taxes					85,485	85,485
Licenses and permits					74,536	74,536
Investment earnings					5,815	13,060
Other general revenues					39,036	39,036
Gain (loss) on sale of asset						0
Transfers					151,580	(151,580)
Total general revenues and transfers					<u>376,927</u>	<u>(138,520)</u>
Change in Net Position					72,571	(429,670)
Net Position - beginning					1,042,087	3,670,969
Prior period adjustment					12,010	(16,388)
Net Position - ending					<u>\$1,126,668</u>	<u>\$3,224,911</u>

The accompanying notes are an integral part of this statement.

Town of Cullen, Louisiana  
 Balance Sheet, Governmental Funds  
 June 30, 2019

	General Fund	Two Percent Sales Tax Fund	Non-major One-half Percent Sales Tax Fund	Non- major CDBG Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and equivalents	\$114,357	\$144,626	\$67,308	\$142	\$326,291
Investments	687	564	131,691		132,942
Receivables	15,325	5,225	1,306		21,856
Due from other funds	41,002	10,546	55,707		107,255
Prepaid assets	3,837				3,837
<b>TOTAL ASSETS</b>	<b>\$175,208</b>	<b>\$160,961</b>	<b>\$256,012</b>	<b>\$142</b>	<b>\$592,181</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts, salaries, and other payables	\$38,235	\$75	\$19		\$38,329
Due to other funds	27,452	49,654	10,546		87,652
Due to other governments	14,515				14,515
Total liabilities	80,202	49,729	10,565	0	140,496
Deferred inflows of resources					0
Fund balances:					
Nonspendable	3,837				3,837
Restricted					0
Unassigned	91,169	111,232	245,448	\$142	447,991
Total fund balances	95,006	111,232	245,448	142	451,828
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$175,208</b>	<b>\$160,961</b>	<b>\$256,013</b>	<b>\$142</b>	<b>\$592,324</b>

The accompanying notes are an integral part of this statement.

Town of Cullen, Louisiana  
 Reconciliation of The Governmental Funds Balance Sheet  
 to The Government-Wide Financial Statement of Net Position  
 June 30, 2019

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

Fund balances, Total governmental funds (Statement C)		\$451,686
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		(205)
Pension related changes in net pension liability that are only reported in the Statement of Net Position as deferred outflows		0
Pension related changes in net pension liability that are only reported in the Statement of Net Position as deferred inflows		0
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Governmental capital asset	\$1,514,593	
Less accumulated depreciation	<u>(839,406)</u>	<u>675,187</u>
Net Position of Governmental Activities (Statement A)		<u>\$1,126,668</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, 2019

	General Fund	Two Percent Sales Tax Fund	Non-major One-half Percent Sales Tax Fund	Non-major CDBG Fund	Total Governmental Funds
<b>REVENUES</b>					
Taxes:					
Ad valorem	\$20,475				\$20,475
Sales and use		\$68,369	\$17,116		85,485
Licenses and permits	74,536				74,536
Charges for services	82,742				82,742
Intergovernmental revenues:					
State/parish	12,245				12,245
Grants	9,508				9,508
Fines and forfeitures	14,403				14,403
Investment earnings	275	1,555	3,985		5,815
Other revenues	26,791				26,791
Total Revenues	<u>240,975</u>	<u>69,924</u>	<u>21,101</u>	<u>0</u>	<u>332,000</u>
<b>EXPENDITURES</b>					
General government	98,104	959	240		99,303
Culture and recreation					0
Public safety	174,815				174,815
Highways and streets	15,592				15,592
Sanitation and health	73,767				73,767
Capital outlay	63,869				63,869
Total Expenditures	<u>426,147</u>	<u>959</u>	<u>240</u>	<u>0</u>	<u>427,346</u>
Excess (Deficiency) of Revenues over (under) Expenditures	(185,172)	68,965	20,861		(95,346)
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from sale of assets	0				0
Transfers in	298,359	10,019			308,378
Transfers out		(126,607)	(30,191)		(156,798)
Total Other Financing Sources (Uses)	<u>298,359</u>	<u>(116,588)</u>	<u>(30,191)</u>	<u>0</u>	<u>151,580</u>
Net Change in Fund Balance	113,187	(47,623)	(9,330)	0	56,234
Prior period adjustment	12,010				12,010
Fund Balance – beginning	<u>(30,191)</u>	<u>158,855</u>	<u>254,778</u>	<u>142</u>	<u>383,584</u>
Fund Balance – ending	<u>\$95,006</u>	<u>\$111,232</u>	<u>\$245,448</u>	<u>\$142</u>	<u>\$451,828</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, 2019

Amounts reported for governmental activities in the Statement of Activities are different because:	
Net Change in Fund Balances, Total governmental funds (Statement E)	\$56,234
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 (\$63,869) exceeded depreciation (\$47,451) in the current period.	16,418
Governmental funds are not required to report gain or loss on sale of assets. This is the amount of capital assets sold during the year	0
Pension expense or benefit is based on employer contributions in the government funds Statement of Revenues, Expenditures, and Changes in Fund Balances, but is an actuarially calculated expense in the Statement of Activities	0
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>(81)</u>
Change in Net Position of Governmental Activities, (Statement B)	<u>\$72,571</u>

The accompanying notes are an integral part of this statement.

Town of Cullen, Louisiana  
Statement of Net Position, Proprietary Funds  
June 30, 2019

		Business-Type Activities - Enterprise Funds		
		Water	Sewer	
		Fund	Fund	Totals
		<u>          </u>	<u>          </u>	<u>          </u>
ASSETS				
Current assets:				
Cash and cash investments		\$121,691	\$341,478	\$463,169
Investments		55,397	100,446	155,843
Accounts receivable - customers		11,762	20,921	32,683
Accounts receivable - other		47,141		47,141
Due from other funds		65,467	32,722	98,189
Supplies inventory		10,331		10,331
Total current assets		<u>311,789</u>	<u>495,567</u>	<u>807,356</u>
Noncurrent assets:				
Restricted assets:				
Cash and cash investments		20,752		20,752
Investments		26,206		26,206
Other assets		1,298	1,298	2,596
Capital assets (net of accumulated depreciation)		<u>1,126,487</u>	<u>1,529,415</u>	<u>2,655,902</u>
Total noncurrent assets		<u>1,174,743</u>	<u>1,530,713</u>	<u>2,705,456</u>
TOTAL ASSETS		<u>\$1,486,532</u>	<u>\$2,026,280</u>	<u>\$3,512,812</u>
LIABILITIES				
Current Liabilities:				
Accounts, salaries, and other payables		\$59,116	\$65,514	\$124,630
Due to other funds		<u>31,612</u>	<u>86,180</u>	<u>117,792</u>
Total current liabilities		<u>90,728</u>	<u>151,694</u>	<u>242,422</u>
Noncurrent liabilities:				
Compensated absences payable		<u>1,307</u>	<u>1,307</u>	<u>2,614</u>
Total noncurrent liabilities		<u>1,307</u>	<u>1,307</u>	<u>2,614</u>
Liabilities payable from restricted assets		<u>42,865</u>		<u>42,865</u>
Total liabilities		<u>134,900</u>	<u>153,001</u>	<u>287,901</u>
NET POSITION				
Invested in capital assets, net of related debt		1,126,487	1,529,415	2,655,902
Restricted net position		42,865		42,865
Unrestricted		<u>182,280</u>	<u>343,864</u>	<u>526,144</u>
TOTAL NET POSITION		<u>\$1,351,632</u>	<u>\$1,873,279</u>	<u>\$3,224,911</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, 2019

	Business-Type Activities - Enterprise Funds		Totals
	Water Fund	Sewer Fund	
Operating Revenues			
Charges for services:			
Water	\$104,304		\$104,304
Sewerage		\$160,354	160,354
Penalties/service charges	12,753	9,345	22,098
Other charges for services			0
Total Operating Revenues	<u>117,057</u>	<u>169,699</u>	<u>286,756</u>
Operating Expenses			
Personnel services	80,924	80,569	161,493
Materials and supplies	24,460	15,227	39,687
Insurance claims and expenses	19,559	5,202	24,761
Repairs and maintenance	22,432	22,363	44,795
Other services and charges	54,573	53,223	107,796
Bad debt expense	3,023	3,274	6,297
Depreciation	71,777	121,300	193,077
Total Operating Expenses	<u>276,748</u>	<u>301,158</u>	<u>577,906</u>
Operating income (loss)	(159,691)	(131,459)	(291,150)
Nonoperating revenue (expenses)			
Interest earnings	5,131	7,929	13,060
Other income			0
Capital grants			0
Total Nonoperating Revenue (Expenses)	<u>5,131</u>	<u>7,929</u>	<u>13,060</u>
Income before contributions and transfers	(154,560)	(123,530)	(278,090)
Transfers in	20,232		20,232
Transfers out	<u>(56,202)</u>	<u>(115,610)</u>	<u>(171,812)</u>
Change in Net Position	(190,530)	(239,140)	(429,670)
Total Net Position - Beginning	1,562,601	2,108,368	3,670,969
Prior period adjustment	<u>(20,439)</u>	<u>4,051</u>	<u>(16,388)</u>
Total Net Position - Ending	<u>\$1,351,632</u>	<u>\$1,873,279</u>	<u>\$3,224,911</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, 2019

	Business Type Activities - Enterprise Funds		Totals
	Water Fund	Sewer Fund	
Cash Flows from Operating Activities			
Receipts from customers and users	\$116,469	\$167,211	\$283,680
Other operating cash receipts	14,482	11,767	26,249
Payments to suppliers	(131,654)	(51,749)	(183,403)
Other operating cash payments	(3,809)	(2,951)	(6,760)
Payments to employees	(73,677)	(73,676)	(147,353)
Net Cash Provided by Operating Activities	<u>(78,189)</u>	<u>50,602</u>	<u>(27,587)</u>
Cash Flows from Noncapital Financing Activities			
Prior period adjustment + adjustment to capital assets	2,547	4,742	7,289
Transfer from (to) other funds	(35,970)	(115,610)	(151,580)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(33,423)</u>	<u>(110,868)</u>	<u>(144,291)</u>
Cash Flows from Capital and Related Financing Activities			
Purchases of capital assets	(34,581)	(67,940)	(102,521)
Grant proceeds			0
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(34,581)</u>	<u>(67,940)</u>	<u>(102,521)</u>
Cash Flows from Investing Activities			
Investments Redeemed	82,128	76,785	158,913
Interest and dividends received	5,131	7,929	13,060
Net Cash Provided by Investing Activities	<u>87,259</u>	<u>84,714</u>	<u>171,973</u>
Net Increase in Cash and equivalents	(58,934)	(43,492)	(102,426)
Cash and equivalents, Beginning of Year	<u>201,377</u>	<u>384,970</u>	<u>586,347</u>
Cash and equivalents, End of Year	<u>\$142,443</u>	<u>\$341,478</u>	<u>\$483,921</u>
Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities			
Operating income	(\$159,691)	(\$131,459)	(\$291,150)
Depreciation expense	71,777	121,300	193,077
(Increase) decrease in accounts receivable	(387)	(1,190)	(1,577)
(Increase) decrease in other assets	(201)	(201)	(402)
(Increase) decrease in due from/to other funds	9,974	7,719	17,693
Increase (decrease) in compensated absences payable	(699)	54,094	53,395
Increase (decrease) in customer deposits	699		699
Increase (decrease) in accounts payable	339	339	678
Net Cash Provided by Operating Activities	<u>(\$78,189)</u>	<u>\$50,602</u>	<u>(\$27,587)</u>
Reconciliation of total cash and cash investments:			
Current assets - cash and cash investments	\$121,691	\$341,478	\$463,169
Restricted assets - cash and cash investments	20,752		20,752
Total cash and cash investments	<u>\$142,443</u>	<u>\$341,478</u>	<u>\$483,921</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, 2019

## INTRODUCTION

The Town of Cullen was incorporated June 16, 1955 under the provisions of the Lawrason Act and is located in northern Webster parish. The Town operates under a Mayor-Board of aldermen form of government and provides the following services as authorized by its charter: general administrative services, public safety (police), highways and streets, sanitation, health and social services, culture-recreation, public improvements, and planning and zoning. The Board of Aldermen is made up of five members who are elected by the citizens of Cullen to serve four-year terms. They are compensated for their services.

The accounting and reporting policies of the Town of Cullen conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of the *Louisiana Municipal Audit and Accounting Guide* and to the industry audit guide, *Audits of State and Local Governmental Units*.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Town is considered a primary government, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments. As used in GASB Statement No. 14, fiscally independent means that the Town may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt.

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Town of Cullen, Louisiana  
Notes to the Financial Statements  
As of and For the Year Ended June 30, 2019

A. Government-Wide and Fund Financial Statements

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

*The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charge to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.*

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Town of Cullen, Louisiana  
Notes to the Financial Statements  
As of and For the Year Ended June 30, 2019

The Town reports the following major governmental funds:

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

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

The Town reports the following major proprietary funds:

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

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

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

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

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

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

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

#### C. Deposits and Investments

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

Town of Cullen, Louisiana  
Notes to the Financial Statements  
As of and For the Year Ended June 30, 2019

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, 2019, taxes of 9.84 mills were levied on property with assessed valuations totaling \$1,981,930 and were dedicated as follows:

General corporate purposes	9.84 mills
----------------------------	------------

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 \$19,502.

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



Town of Cullen, Louisiana  
Notes to the Financial Statements  
As of and For the Year Ended June 30, 2019

<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	5.39%	\$1,052
Kansas City Southern RR	railroad company	100,060	5.05%	985
Total		<u>106,910</u>	<u>5.39%</u>	<u>\$2,037</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

Town of Cullen, Louisiana  
Notes to the Financial Statements  
As of and For the Year Ended June 30, 2019

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, 2019

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  
As of and For the Year Ended June 30, 2019

As of June 30, 2019, fund balances are composed of the following:

	General Fund	Sales Tax 2%	Sales Tax 1/2%
Nonspendable:			
Prepaid items	\$3,837		
Restricted:			
Other purposes			
Unassigned	91,169	\$111,232	\$245,448
Total fund balances	\$95,006	\$111,232	\$245,448

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, 2019.

L. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

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

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

*BUDGET INFORMATION* The Town uses the following budget practices:

The Town follows the following procedures in establishing the budgetary data reflected in the financial statements. No later than fifteen (15) days prior to the beginning of each fiscal year, the Town clerk submits to the mayor and board of aldermen a proposed operating budget for the fiscal year commencing the following July 1. The public is notified that the proposed budget is available for public inspection. At the same time, a public hearing is called. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted. Budgetary amendments involving the transfer of funds from one department, program or function

Town of Cullen, Louisiana  
Notes to the Financial Statements  
As of and For the Year Ended June 30, 2019

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, 2019. 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, 2019, the Town has cash and cash equivalents (book balances) totaling \$810,212 as follows:

Petty cash	\$300
Interest-bearing accounts	
Demand deposits	318,592
Certificates of deposit	<u>491,320</u>
Total	<u>\$810,212</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, 2019, the Town has \$819,449 in deposits (collected bank balances). These deposits are secured from risk by \$521,599 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 \$297,850 is uncollateralized.

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No. 3, R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Town that the fiscal agent has failed to pay deposited funds upon demand.

### 4. INVESTMENTS

Investments held at the Town consist of \$314,991 (current assets of \$288,785 and restricted assets of \$26,206) 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

Town of Cullen, Louisiana  
Notes to the Financial Statements  
As of and For the Year Ended June 30, 2019

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 \$21,856 at June 30, 2019, within the governmental funds are as follows:

<u>Class of Receivable</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Total</u>
Taxes:			
Ad valorem			\$0
Franchise	\$3,083		3,083
Accounts - garbage service	6,155		6,155
Other	6,087	\$6,531	12,618
CDBG grant			0
Total	<u>\$15,325</u>	<u>\$6,531</u>	<u>\$21,856</u>

6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2019 is as follows:

Town of Cullen, Louisiana  
Notes to the Financial Statements  
As of and For the Year Ended June 30, 2019

	Interfund Receivables	Interfund payable
General fund	\$41,002	\$27,452
2% sales tax fund	10,546	49,654
½% sales tax fund	55,707	10,546
Enterprise funds	98,189	117,792
Total	\$205,444	\$205,444

7. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended June 30, 2019, 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	111,393		0	0	111,393
Capital assets being depreciated:					
Buildings	497,035				497,035
Improvements other than buildings	165,548				165,548
Equipment	101,350				101,350
Vehicles	225,659		63,870		289,529
Infrastructure	349,738				349,738
Total capital assets being depreciated	1,339,330		63,870	0	1,403,200
Less accumulated depreciation for:	791,955		47,451		839,406
Total capital assets being depreciated, net	\$658,768	\$0	\$16,419	\$0	\$675,187

Depreciation expense of \$47,451 was charged as follows: \$3,104 to general government, \$7,904 to public safety, \$32,578 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	\$7,675	\$33,208			\$40,883
Total capital assets not being depreciated	7,675	33,208	0	0	40,883
Capital assets being depreciated:					
Buildings	3,745	(1,306)			2,439
Improvements other than buildings	6,530,592	(75,826)			6,454,766
Equipment	807,492	43,924	\$102,521	(\$38,375)	915,562
Total capital assets being depreciated	7,341,829	(33,208)	102,521	(38,375)	7,372,767
Less accumulated depreciation	4,579,370	23,676	193,077	(38,375)	4,757,748
Total business-type assets being depreciated,	\$2,770,134	(\$56,884)	(\$90,556)	\$0	\$2,655,902

Town of Cullen, Louisiana  
Notes to the Financial Statements  
As of and For the Year Ended June 30, 2019

8. LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term debt for the year ended June 30, 2019:

	<u>Compensated Absences</u>
Long-term obligations at June 30, 2018	\$2,060
Additions	759
Deductions	
Long-term obligations at June 30, 2019	<u><u>\$2,819</u></u>

The following is a summary of the current (due in one year or less) and the long-term (due in more than one year) portions of the long-term obligations as of June 30, 2019:

	<u>Government Activities</u>	<u>Business-Type Activities</u>	<u>Compensated Absences</u>
Current portion	\$0	\$0	\$0
Long-term portion	205	2,614	2,819
Total	<u><u>\$205</u></u>	<u><u>\$2,614</u></u>	<u><u>\$2,819</u></u>

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, 2019:

Customers' meter deposits - cash	\$20,752
Customers' meter deposits - investment	<u>26,206</u>
Total	<u><u>\$46,958</u></u>

11. ON-BEHALF PAYMENTS

During the fiscal year ended June 30, 2019, the town's police chief and officers received \$5,875 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, 2019, nor is it aware of any unasserted claims.



Town of Cullen, Louisiana  
Notes to the Financial Statements  
As of and For the Year Ended June 30, 2019

13. PRIOR PERIOD ADJUSTMENT

The Government-wide financial statements include prior period adjustments increasing net assets of governmental activities by \$12,010 and decreasing business-type activities by \$16,388. 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 \$12,010. The enterprise funds statements reflect a prior period adjustment decreasing net position by \$16,388. 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 December 2, 2021. This date represents the date the financial statements were available to be issued. The Covid-19 outbreak in the United States and our state has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and whether those closings will precipitate a wider economic recession. As a result, the related financial impact on the Town and the duration cannot be estimated at this time.

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, 2019

	<u>Budgeted Amounts</u>		Actual	Favorable
	<u>Original</u>	<u>Final</u>	Amounts GAAP Basis	(Unfavorable) Variance
<b>REVENUES</b>				
Taxes - ad valorem	\$9,854	\$9,854	\$20,475	\$10,621
Franchise fees	9,210	9,210	16,100	6,890
Licenses and permits	13,598	13,598	58,436	44,838
Charges for services	41,500	41,500	82,742	41,242
Fines and forfeitures	8,750	8,750	14,403	5,653
Intergovernmental	5,028	8,028	21,753	13,725
Use of money and property			275	275
Miscellaneous	3,262	3,262	26,791	23,529
Total Revenues	<u>91,201</u>	<u>94,202</u>	<u>240,975</u>	<u>146,773</u>
<b>EXPENDITURES</b>				
General government	52,295	52,295	98,104	(45,809)
Public Safety	65,164	65,164	174,815	(109,651)
Highway and streets	9,848	9,848	15,592	(5,744)
Sanitation and health	35,496	35,496	73,767	(38,271)
Capital outlay			63,869	(63,869)
Total Expenditures	<u>162,803</u>	<u>162,803</u>	<u>426,147</u>	<u>(263,344)</u>
Excess (Deficiency) of Revenues over (under) Expenditures	(71,602)	(68,601)	(185,172)	(116,571)
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of assets				0
Operating transfers in	67,500	67,500	298,359	230,859
Operating transfers out				0
Total Other Financing Sources (Uses)	<u>67,500</u>	<u>67,500</u>	<u>298,359</u>	<u>230,859</u>
Net Change in Fund Balance	(4,102)	(1,101)	113,187	114,288
Fund Balance (Deficit) at Beginning of Year	18,186	18,186	(30,191)	(48,377)
Prior Period Adjustment	0	0	12,010	12,010
Fund Balance (Deficit) at End of Year	<u>\$14,085</u>	<u>\$17,085</u>	<u>\$95,006</u>	<u>\$77,921</u>

## Notes to the Schedule

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

(2) explanation of material variances - did not adopt current year budget; using 50% of last adopted budget

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, 2019

	Budgeted Amounts		Actual Amounts GAAP Basis	Favorable (Unfavorable) Variance
	Original	Final		
REVENUES				
Taxes - sales	\$35,000	\$35,000	\$68,369	\$33,369
Use of money and property	33	33	1,555	1,522
Total Revenues	<u>35,033</u>	<u>35,033</u>	<u>69,924</u>	<u>34,891</u>
EXPENDITURES				
General government	500	500	959	(459)
Culture and recreation	2,000	2,000		2,000
Total Expenditures	<u>2,500</u>	<u>2,500</u>	<u>959</u>	<u>1,541</u>
Excess (Deficiency) of Revenues over (under) Expenditures	32,533	32,533	68,965	33,350
OTHER FINANCING SOURCES (USES)				
Operating transfers in	0	0	10,019	(10,019)
Operating transfers out	(30,000)	(30,000)	(126,607)	(96,607)
Total Other Financing Sources (Uses)	<u>(30,000)</u>	<u>(30,000)</u>	<u>(116,588)</u>	<u>(106,626)</u>
Net Change in Fund Balance	2,533	2,533	(47,623)	(50,156)
Fund Balance (Deficit) at Beginning of Year	240,508	240,508	158,855	(81,653)
Prior Period Adjustment	0	0		0
Fund Balance (Deficit) at End of Year	<u>\$243,041</u>	<u>\$243,041</u>	<u>\$111,232</u>	<u>(\$131,809)</u>

## Notes to the Schedule

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

(2) explanation of material variances - did not adopt current year budget; using 50% of last adopted budget

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, 2019

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

The accompanying notes are an integral part of this schedule.

Town of Cullen  
Schedule of Compensation, Benefits and Other Payments  
to Agency Head  
For the Year Ended June 30, 2019

Schedule 4

Agency Head Name: Terry Hoof

Purpose	
Salary	\$12,000
Travel	703

## OTHER REPORTS



# WADE & PERRY

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

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

## Independent Auditor's Report

Mayor and Town Council  
Town of Cullen  
Cullen, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Cullen ("Town") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 2, 2021.

### **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. 2019-01 and 2019-02.

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 2019-03, 2019-04, 2019-05, 2019-06, 2019-07.

### **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.

*Wade Perry*

Ruston, Louisiana  
December 2, 2021

Town of Cullen  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2019

**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. Five instances of noncompliance material to the financial statements were disclosed during the audit.
3. Two material weaknesses relating to the audit of the financial statements is reported in the Independent Auditor's Report on Internal Control.

**B. Financial Statements Findings**

2019-01. 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.

2019-02. Deficiency in internal control for disbursements.

Condition: Of the total forty randomly selected disbursements, 6 had no supporting documentation.

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

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

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

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

2019-03. Employees or board members not paying utility bill timely

Condition: Several accounts included late charges.

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

Cause: 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.

2019-04. Late submission of audit report.

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

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

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

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

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

2019-05. Compliance with local government budget act

Condition: For the year ended June 30, 2019, the General fund actual expenditures and other uses exceeded budgeted expenditures and other uses by \$169,859 or 52%. For the year ended June 30, 2019, the 2% Sales tax fund actual expenditures and other uses exceeded budgeted expenditures and other uses by \$77,188 or 118%. The Town did not adopt any budgets for the year ending June 30, 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.

Effect: Noncompliance with local budget law.

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

2019-06. Monthly financial statements were not prepared and presented to the council timely.

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

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

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

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

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

2019-07. Bid law violation

Condition: The mayor purchased a F350 truck and ramjet for utility fund purposes. He also purchased 2 police vehicles by informing the town council it was an emergency. The F350 and ramjet purchases were emergency situations but the 2 police vehicles were not considered emergency situations. To be considered an emergency, the situation has to be unforeseen. The mayor and council knew the police vehicles were in disrepair and chose not to approve the purchases. The F350 and ramjet purchases were considered an emergency due to sewer backing up in residents' houses. The town did not advertise within the required time declaring the emergency and justifying use of public funds for the emergency.

Criteria: LRS 29:737 authority to respond to emergencies and LRS 38:2212 advertisement and letting to lowest responsible bidder.

Cause: Town did not properly follow LRS to declare emergency and advertise and take bids for equipment.

Effect: Noncompliance with bid law and emergency rules

Recommendation: We recommend the Town inquire of attorney regarding the proper procedures to take for declaring emergencies and bid law requirements.

Town of Cullen  
Summary of Prior Year Findings  
For the Year Ended June 30, 2019

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

2018-1. Significant deficiency in internal control over financial reporting

Status: Resolved

2018-2. Significant deficiency in internal control over utility receipts

Status: Unresolved - see 2019-01

2018-3. Significant deficiency in internal control for disbursements

Status: Unresolved - see 2019-02

2018-4. Monthly financial statements not prepared and presented to council

Status: Unresolved - see 2019-06

2018-5. Violation of Article VII, Section 14

Status: Unresolved - see 2019-03

2018-6. Late submission of audit report

Status: Unresolved - see 2019-04

2018-7. Local government budget violation

Status: Unresolved - see 2019-05

**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, 2019

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

- 2019-01. The Town agrees with the recommendations and intends to implement them immediately.
- 2019-02. The Town agrees with the recommendations and intends to implement them immediately.
- 2019-03. The Town agrees with the recommendations and intends to implement them immediately.
- 2019-04. The Town agrees with the recommendations and intends to implement them immediately.
- 2019-05. The Town agrees with the recommendations and intends to implement them immediately.
- 2019-06. The Town agrees with the recommendations and intends to implement them immediately.
- 2019-07. The Town agrees with the recommendations and intends to implement them immediately.

# WADE & PERRY

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

## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures enumerated below, which were agreed to by the Town of Cullen (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2018 through June 30, 2019. The Entity's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

### ***Written Policies and Procedures***

---

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

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<sup>1</sup> For governmental organization, the practitioner may eliminate those categories and subcategories that do not apply to the organization's operations. For quasi-public organizations, including non-profits, the practitioner may eliminate those categories and subcategories that do not apply to public funds administered by the quasi-public.



periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- i) **Ethics**<sup>2</sup>, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Written policies and procedures were obtained and address the functions noted above except for disbursements, ethics, debt service, and disaster recovery/business continuity.

### ***Board or Finance Committee***<sup>3</sup>

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- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
  - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

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<sup>2</sup> The Louisiana Code of Ethics is generally not applicable to non-profit entities but may be applicable in certain situations, such as councils on aging. If ethics is applicable to a non-profit, the non-profit should have written policies and procedures relating to ethics.

<sup>3</sup> These procedures are not applicable to entities managed by a single elected official, such as sheriff or assessor.

No exception

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.<sup>4</sup> *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

The minutes did not include monthly budget-to-actual comparisons or monthly financial statements.

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

None of the minutes mentioned or referenced a plan to eliminate the negative balance in the General fund.

### ***Bank Reconciliations***

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

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

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

No exceptions

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

No exceptions

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<sup>4</sup> Major funds are defined under GASB standards. The related procedure addresses major funds as a way to verify that boards are provided with financial information necessary to make informed decisions about significant entity operations, including proprietary operations that are not required to be budgeted under the LGBA.

<sup>5</sup> Accounts selected may exclude savings and investment accounts that are not part of the entity's daily business operations.

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

No exceptions

*Collections (excluding EFTs)<sup>6</sup>*

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

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

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

Obtain a listing of collection locations and management's representation that the listing is complete.

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

No exceptions.

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

All employees responsible for collecting cash are also responsible for preparing and making deposits.

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

No exceptions.

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

No exceptions.

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

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<sup>6</sup> The Collections category is not required to be tested if the entity has a third party contractor performing all collection functions (i.e., receiving collections, preparing deposits, and making deposits).

Management could not verify if all employees who have access to cash are covered by a bond or insurance policy for theft.

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

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

No support for sequentially pre-numbered receipts.

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

No support provided to trace to deposit slips.

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

No exceptions.

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

No support provided to observe deposits made within one business day of receipt.

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

No exceptions

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

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No prior year exceptions.

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

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11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards<sup>7</sup>. Obtain management’s representation that the listing is complete.

Obtained listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) and management’s representation that the listing is complete

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<sup>7</sup> Including credit cards used by school staff for either school operations or student activity fund operations.

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

Selected five cards then randomly selected one month as the ending statement date for each card.

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]

Could not observe statements were approved in writing by someone other than the authorized cardholder.

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

No exceptions.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing)<sup>8</sup>.

Obtained supporting documentation for at least 10 transactions, or all of them if less than 10 transactions.

For each transaction, observe that it is supported by

- (1) an original itemized receipt that identifies precisely what was purchased,

One transaction of total 16 transactions was not supported by original receipt.

- (2) written documentation of the business/public purpose, and

Observed documentation of business/public purpose for 15 of the 16 transactions.

- (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

None of the 4 transactions that were meal charges documented the individuals participating.

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<sup>8</sup> For example, if 3 of the 5 cards selected were fuel cards, only 10 transactions would be selected for each of the 2 credit cards. Conceivably, if all 5 cards randomly selected under procedure #12 were fuel cards, Procedure #13 would not be applicable.

### Travel and Travel-Related Expense Reimbursements<sup>9</sup> (excluding card transactions)

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

Obtained a listing of all travel and related reimbursements, management's representation the listing is complete, selected 5 reimbursements, and observed that:

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)).
- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

No exceptions for any sections.

### Contracts

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

Obtained a listing of all contracts/agreements, management's representation that the listing is complete, selected 5 contracts for testing, and:

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law<sup>10</sup> (e.g., solicited quotes or bids, advertised), if required by law.

Not exception.

<sup>9</sup> Non-travel reimbursements are not required to be tested under this category.

<sup>10</sup> If the entity has adopted the state Procurement Code, replace "Louisiana Public Bid Law" with "Louisiana Procurement Code."

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

Observed that the contracts were approved by the governing body for the 3 contracts that were able to be tested. Two contracts were not supplied for testing.

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

Not applicable.

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

One of the 5 contracts selected was traced to the supporting invoice.

### ***Payroll and Personnel***

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

Obtained a listing of employees and management's representation that the listing is complete. Selected 5 employees for testing but could not agree them to amounts paid to authorized pay rate documentation provided by management.

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

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

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

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

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

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

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

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

cumulate leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

Management stated that no termination payments were paid for the in the fiscal period.

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

Management could not assert that the above listed taxes, contributions, and premiums had been paid and associated forms had been filed, by required deadlines.

### *Ethics*<sup>11</sup>

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20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above<sup>12</sup>, obtain ethics documentation from management, and:

- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

Ethics documentation could not be provided by management for the selected employees.

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

Ethics documentation could not be provided by management for the selected employees.

### *Debt Service*<sup>13</sup>

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No prior year exceptions.

### *Other*

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No prior year exceptions

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

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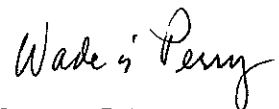
<sup>11</sup> The Louisiana Code of Ethics is generally not applicable to non-profit entities but may be applicable in certain situations, such as councils on aging. If ethics is applicable to a non-profit, the procedures should be performed.

<sup>12</sup> If "payroll and personnel" have been rotated off for Year 2, the practitioner should insert a procedure with the same selection methodology that would have been used for payroll and personnel.

<sup>13</sup> This AUP category is generally not applicable to non-profit entities; however, if applicable, the procedures should be performed.



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

A handwritten signature in cursive script that reads "Wade Perry".

Ruston, LA

December 2, 2021